July 29, 2022

International Public Sector Accounting Standards Board (IPSASB)
277 Wellington Street West
Toronto, ON M5V 3H2 Canada

Re: Draft Response to Exposure Draft 82, *Retirement Benefit Plans*.

Dear Sir/Madam

Thank you for the opportunity to provide input on Exposure Draft 82 (ED 82), Retirement Benefit Plans.

We support the work the IPSASB undertakes to develop high-quality accounting standards for use by governments and other public sector entities around the world with the aim of enhancing the quality, consistency and transparency of public sector financial reporting worldwide.

We thank the IPSAS board for the opportunity given to the United Nations Joint Staff Pension Fund (UNJSPF) to participate as a member of the Task Force instituted to develop ED 82, Retirement Benefit Plans. Providing accounting and reporting guidance for retirement benefit plans filles a substantial gap in IPSASs for public sector retirement benefit plans such as the UNJSPF.

We also believe that adding new guidance about the topics included in this ED would contribute to the improvement of financial reporting by governments and other public sector entities, enhancing comparability while providing useful information for accountability and decision-making purposes. We therefore provide overall support to the views outlined in ED 82 and we would like to reiterate our support for the proposal made by the Task Force on this ED as described in our responses below.

Kind regards,

Karl-Ludwig W. Soll
Chief Financial Officer
United Nations Joint Staff Pension Fund (UNJSPF)

On behalf of the United Nations Joint Staff Pension Fund

soll@un.org

RESPONSES TO SPECIFIC MATTERS FOR COMMENT

Specific Matter for Comment 2

The ED proposes to retain the IAS 26 definition for "actuarial present value of promised retirement benefits" as it addresses the plan perspective rather than to use the IPSAS 39 definition for "present value of a defined benefit obligation".

Do you agree with this proposal? If not, why not?

UNJSPF Answer

We welcome a clear definition that not only reflects the discounting required to arrive at an appropriate measure but also the uncertainty of payments that is quantified by actuaries. Supported by the United Nations Joint Staff Pension Board's own Committee of Actuaries, we also welcome the absence of prescribing the discount rate. This is also consistent with the views of actuarial bodies around the world where the discount rate needs to reflect the circumstances of the particular entity and in line with the prevalent actuarial standards.

Specific Matter for Comment 3

The ED proposes that for defined benefit plans the actuarial present value of promised benefits be recognized and presented on the face of the statement of financial position as a provision for that obligation. This removes the two options in IAS 26 which permit the actuarial present value of promised retirement benefits to be only disclosed in the notes to the financial statements.

Do you agree with this proposal? If not, why not?

UNJSPF Answer

While presenting a pension fund's liabilities on the face of the statement of financial position may emphasise the importance of this obligation, the inclusion of the final balance as "Excess or deficit of funding" is potentially misleading. Many funds will not use this as a measure of its funding position, not will it be used to inform any funding decision by the sponsor or governing bodies. Referring to funding in this way, could present inconsistencies with the regulatory regime or a fund's own internal funding policy. It is also potentially confusing for stakeholders to be presented with two different numbers for the funding excess/deficit from the financial statements and the actuarial valuation report. The exact wording for the final balancing item should be left open to the plan to decide, based on how the actuarial finding position is presented elsewhere.

Specific Matter for Comment 9 – Paragraph BC20-BC21 and Implementation Guidance

Public sector retirement benefit plans are structured and/or regulated in many different ways and jurisdiction-specific requirements on how to account for contributions and benefit may vary. As a result, this ED proposes not to require contributions or benefit to be accounted for as any specific element in the financial statements, which is aligned with the approach taken in IAS 26. Instead, Implementation Guidance and Illustrative Example are provided to demonstrate different accounting presentation depending on how the contributions and benefits are viewed.

Do you agree with this proposal? If not, why not?

UNJSPF Answer

For many defined benefit plans, presenting a change in retirement obligations using some components derived from contributions and others from benefits will not lead to a statement that balances. The current presentation in the illustrative examples on page 28 suggests that $1 in contribution leads to a $1 increase in retirement obligations. This is not the case for a defined benefit plan, where the relationship between contribution and benefit accrual is rooted in actuarial calculations that usually extend into perpetuity. We welcome the option to present the information in the notes as an alternative, rather than a statement that is inappropriately forced to balance.

Another important point is that most plans will not conduct a full actuarial valuation every year – a point that is acknowledged under paragraphs 13 and 14. This means that the opening position could reflect the last actuarial valuation and the closing position could also be based on the same actuarial valuation (or vice versa). Therefore any reconciliation presented to comply with paragraphs 16 (a) or 16 (b) will be more a reflection of the methods that are used to "roll forward" the last actuarial valuation, rather than reflect the true movements in benefit obligations. For plans with triennial actuarial valuations, they even be comparing one roll-forward with another (i.e. no actuarial valuation for any of the years used in the statement).