

August 1, 2022

ICAN/ED/R&T/AUG/01/2022

International Public Sector Accounting Standard Board
529 Fifth Avenue
New York, NY 10017

Dear Sir,

RESPONSE TO EXPOSURE DRAFT 82 – RETIREMENT BENEFIT PLANS

Please find below our response to the above-named Exposure Draft:

Specific Matter for Comment 1

The definition proposed for a defined benefit plan is consistent with IPSAS 39, *Employee Benefits* as follows:

‘Defined benefit plans are retirement benefit plans other than defined contribution plans.

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

Response to Specific Matter 1:

We agree with the Board’s proposed definition of retirement benefit plans. We believe that the definition proposed by the board in paragraph 9 captures retirement benefit plans that need to be under this exposure draft.

Specific Matter for Comment 2

This 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?

Response to Specific Matter 2:

We agree with the Board’s proposal to retain the IAS 26 definition for “actuarial present value of promised retirement benefits”. The suggested definition in the exposure draft aligns with recognition and measurement principles for recognition of obligations in the financial statements of a retirement benefit plan. It is also consistent with the overall objective of ED 82.

Specific Matter for Comment 3

This ED proposes that for defined benefit plans the actuarial present value of promised retirement benefits be recognized and presented on the face of the statement of financial position as a provision for that obligation. This removes 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 or in a separate actuarial report.

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

Response to Specific Matter 3:

We support the Board's proposal that the provision for the promised retirement benefits should be recognised on the face of the statement of financial position. This approach provides useful information to the users of the financial statements. We also recommend that additional disclosure requirements for such obligations such as assumptions used, sensitivity analysis of key inputs and information relating to estimation uncertainty should also be disclosed in the notes to the financial statements.

Specific Matter for Comment 4

IAS 26 does not specify whether or where the retirement benefit obligations for defined contribution plans should be recognized and presented. To achieve the objective of increased transparency and accountability, this ED proposes that defined contribution obligations should be recognized and presented on the face of the statement of financial position.

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

Response to Specific Matter 4:

This is a welcome development and it aligns with the overall objective of providing adequate information and driving transparency in financial reporting. However, it is imperative that the proposed requirements should be considered in the context of materiality even though it is made mandatory. Hence, aggregation if relevant and will not obscure the information value of the disclosure should be allowed.

Specific Matter for Comment 5

IAS 26 allows plan assets to be valued at amounts other than fair value. This ED proposes that plan investments should be measured at fair value.

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

Response to Specific Matter 5:

While we acknowledge and support the Board's approach of requiring plan assets to be at fair value to provide relevant information on the value of the assets to enable users understand if the plan assets are sufficient to cover the plan. The Board should also evaluate the implication of applying some of the fair value techniques allowed under IPSAS 41 in the measurement of a plan asset. The Board should also consider the possibility of an accounting mismatch due to the different measurement criteria between plan asset and the measurement of the retirement obligations. We therefore believe

additional guidance on presentation and measurement would be useful and relevant to the preparers and users of the financial statements.

Specific Matter for Comment 6

IAS 26 allows the actuarial present value of promised retirement benefits to be calculated using either current or projected salaries. This ED proposes that only projected salaries should be used.

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

Response to Specific Matter 6:

We agree with the Board's proposal to allow only the use of projected salary. The use of projected salaries ensures adequate measurement of the obligation and takes into consideration all the important assumptions. We however request that illustrative examples and additional guidance on measurement applying projected salaries should be provided to aid the seamless implementation of the proposed standards.

Specific Matter for Comment 7

This ED proposes that a retirement benefit plan be required to prepare a cash flow statement, whereas IAS 26 is silent on this. This ED also proposes the cash flow statement be prepared using the direct method.

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

Response to Specific Matter 7:

We agree with the Board on the proposed requirement for a cash flow statement to be prepared. We however believe that the use of indirect method should not be prohibited if for example the reporting entity can provide additional statement such as statement of financial performance.

Specific Matter for Comment 8

This ED proposes a prospective application of the requirements of the Standard, which would require an opening and closing statement of financial position in accordance with the Standard but no comparative figures in other financial statements.

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

Response to Specific Matter 8:

We welcome the flexibility provided by the Board to allow reporting entities implement the proposed standard without restating the comparative figures. We however suggest that the Board should not restrict entities that can implement a retrospective application where possible due to the benefit it allows when the comparative figures reflect the same measurement principles. Additionally, the option to apply retrospective application aligns with the overall objective of the exposure draft.

Specific Matter for Comment 9

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 benefits may vary. As a result, this ED proposes not to require contributions or benefits 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 Examples are provided to demonstrate different accounting presentations depending on how the contributions and benefits are viewed.

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

Response to Specific Matter 9:

We understand the Board's position of accommodating jurisdictional interpretation of how contribution and benefit should be reflected in the financial statements. However, we believe that in order to drive comparability and standardization the accounting treatment for contributions and benefit should be based on the principles of IPSAS. Jurisdictional interpretation can be provided as supplementary information.

We, therefore, recommend that the Board should require that the preparers of financial statements using this standard should evaluate the economic substance of that contribution and benefits considering principles of IPSAS.

We appreciate the privilege to contribute to the Exposure Draft and we are available should there be need for further clarification.

Yours faithfully,
For: Registrar/Chief Executive

ICAnaso

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