

Ross Smith  
Technical Director  
International Public Sector  
Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street, 4<sup>th</sup> Floor  
Toronto, Ontario M5V 3H2  
CANADA

Lausanne, July 5, 2022

## Swiss Comment to ED 82 Retirement Benefit Plans

Dear Ross,

With reference to the request for comments on the proposed Consultation Paper, we are pleased to present the Swiss Comments to the ED 82 Retirement Benefit Plans. We thank you for giving us the opportunity to put forward our views and suggestions. You will find our comments for the ED 82 in the attached document.

Should you have any questions, please do not hesitate to contact us.

Yours sincerely,

SRS-CSPCP



Prof Nils Soguel, President



Evelyn Munier, Secretary

Comments to the ED 82 Retirement Benefit Plans

# Swiss Comment to

## ED 82 Retirement Benefit Plans

Table of Content	Page
1. Introduction.....	3
2. General Remarks.....	3
3. Specific Matter for Comment 1 .....	3
4. Specific Matter for Comment 2 .....	3
5. Specific Matter for Comment 3 .....	3
6. Specific Matter for Comment 4.....	4
7. Specific Matter for Comment 5.....	4
8. Specific Matter for Comment 6 .....	4
9. Specific Matter for Comment 7 .....	4
10. Specific Matter for Comment 8 .....	5
11. Specific Matter for Comment 9.....	5

## 1. Introduction

The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) was established in 2008 by the Swiss Federal Ministry of Finance together with the cantonal Ministers of Finance. One of its aims is to provide the IPSAS Board with a consolidated statement for all three Swiss levels of government (municipalities, cantons and Confederation). The SRS-CSPCP has discussed the ED 82 Retirement Benefit Plans.

## 2. General Remarks

For Switzerland this ED is of minor significance, because Pension Funds, including public funds, are subject to the Occupational Retirement, Survivors and Disability Pensions Act (BVG) and keep their accounts in accordance with the Swiss Accounting Standard FER 26.

However, the SRS-CSPCP points out that the UNO's Pension Fund (United Nations Joint Staff Pension Fund), which has its head office in Geneva, is not subject to the BVG. The SRS-CSPCP recommends that IPSAS clarify whether the accounting for this type of *Pension Fund* can be governed by the new standard.

## 3. Specific Matter for Comment 1

*This Exposure Draft (ED) proposes amending the IAS 26 definition of 'defined benefit plans' to include all retirement benefit plans that are not defined contribution plans. 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?*

The SRS-CSPCP agrees with this definition.

## 4. 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?*

The SRS-CSPCP agrees with this proposal.

## 5. 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?*

The SRS CSPCP supports the IPSASB's proposal to recognize promised retirement benefits among the provisions in the balance sheet (statement of financial position). As a matter of fact pension funds in Switzerland are also required to recognize their obligations as provisions.

**6. 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?*

The SRS-CSPCP agrees with this proposal.

**7. 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?*

The SRS-CSPCP is in principle in agreement with measuring pension plan assets at *fair value*. It points out, however, that in the Measurement Project the talk is of *current operational value* and *fair value*. The SRS-CSPCP wishes that, when adopting the Measurement Standard, it be reviewed whether the *fair value* per Measurement Standard unchanged is the right approach for measuring the assets of a pension fund. It is important that consistency between this ED and the Measurement Standard be maintained.

**8. 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?*

The SRS-CSPCP agrees with this proposal, in order that consistency with IPSAS 39 is maintained. It wishes also that in a future standard either guidelines for the interest rate for calculating the present value of the future obligation be made or reference be made to IPSAS 39.

**9. 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?*

The SRS-CSPCP is of the view that the direct method for preparing the cash flow statement is most suitable and preferable. Pension fund contributions and pension payments can be presented transparently using the direct method. However, there should be no obligation to do so. One should bear in mind that in the event of consolidation certain additional work is necessary, because in most cases the parent organization uses the indirect method.

**10. Specific Matter for Comment 8**

*This ED proposes 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?*

The SRS-CSPCP agrees with this proposal.

**11. 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?*

The SRS-CSPCP agrees with this proposal.

Lausanne, July 5, 2022