

AC-4-5-12

29 April 2016

Mr John Stanford  
The Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
529 Fifth Avenue, 6th Floor  
New York, NY 10017 United States of America

Dear John

**ED 59 – AMENDMENTS TO IPSAS 25, EMPLOYEE BENEFITS**

Thank you for the opportunity to comment on ED 59 – Amendments to IPSAS 25 *Employee Benefits*.

The New Zealand Treasury consolidates the Financial Statements of the Government of New Zealand. The New Zealand Government operates the largest defined benefit plan in New Zealand. As at 30 June 2015 the present value of the unfunded defined benefit obligation was NZD10.8 billion.

The Treasury is pleased to submit its response to the IPSASB's questions below.

***Specific Matter for Comment 1***

*Do you agree with the proposals in the Exposure Draft for revision of IPSAS 25? If not, please indicate what proposed amendments you do not agree with and provide reasons.*

The Treasury supports these proposals and in particular, we support the removal of the corridor approach.

We can see no public sector reasons to warrant departure from the requirements in IAS 19 *Employee Benefits* so agree with the alignment of IPSAS 25 with IAS 19.

However, the Treasury supports the different approach to discount rates continuing between IPSAS 25 and IAS 19 and agrees with the IPSASB's view that the discount rate should reflect the time value of money rather than IAS 19's more rules-based approach

Determining the discount rate by reference to market yields on government bonds, high quality corporate bonds, or any other financial instruments is one of the most difficult judgments for valuing pension liabilities, particularly in our jurisdiction, where the pension cash flows have much longer durations than any relevant market instruments that proxy a risk-free rate.

**Specific Matter for Comment 2**

*IPSAS 25 currently includes a section on Composite Social Security Programs (paragraph 47-49). The IPSASB is considering deleting this section because the IPSASB is not aware that it has been applied in any jurisdiction. If you do not agree that this section should be deleted, please provide a reason for your response along with any proposed revisions.*

We have no objections to the removal of the section on Composite Social Security Programs as we are not aware of such programmes in New Zealand.

Yours sincerely



Nicola Haslam  
Manager, Fiscal Reporting