



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

545 Fifth Avenue, 14th Floor Tel: (212) 286-9344
New York, New York 10017 Fax: (212) 286-9570
Internet: <http://www.ifac.org>

Agenda Item 6

DATE: 29 May 2007
MEMO TO: Members of the IPSASB
FROM: John Stanford
SUBJECT: Analysis of Submissions on ED 31, “Employee Benefits”

SESSION OBJECTIVE

To review responses to ED 31 “Employee Benefits” and to provide directions to Staff on key issues so that the ED can be amended and a final IPSAS brought to the November meeting in Beijing for approval.

ACTION REQUIRED

The Committee is asked to:

- **Note** the submissions on Exposure Draft 31 (ED 31), “Employee Benefits” and the Staff summary and analysis of those submissions;
- **Review and agree** the Staff recommendations in response to issues raised by respondents; and
- **Provide directions** on certain other issues raised in submissions;

AGENDA MATERIAL

6.1 Summary Analysis of Submissions: Specific Matters for Comment

6.2 Summary of Submissions: Other Comments

6.3 Additional Submissions Received

Second Distribution (if necessary)

6.4 Submissions

Posted previously to website

6.5 ED 31, “Employee Benefits”

Issued previously on website

BACKGROUND

The IPSASB issued ED 31, “Employee Benefits” in October 2006. ED 31 was drawn primarily from IAS 19, “Employee Benefits (revised 2004)”, but contained a number of differences for public sector specific reasons. Comments on ED 31 were requested by 28 February 2007. As at 28 May 2007 30 submissions had been received. If additional responses are received they will be made available to members before the Montreal meeting.

Summaries of submissions are included at Agenda Items 6.1 and 6.2. Agenda Item 6.1 summarizes the response to the Specific Matters for Comment (SMC), whilst Item 6.2 summarizes Other Comments raised by respondents. This memorandum analyzes respondents’ comments on the SMCs in the ED and gives the Staff view of the action, if any, that should be

taken in response to those comments in finalizing an IPSAS. It also considers some of the other matters raised by respondents. As with all summaries and analyses, judgment has been necessary in clarifying responses and drawing out major points made by respondents. The summary should therefore be read in conjunction with the submissions themselves. A list of respondents is given at Appendix A, at the end of this memorandum.

A large number of responses, particularly those in the “Actuaries and Other categories, focused on one or two issues and did not address all or many of the SMCs. For this reason the percentages of those agreeing and disagreeing with proposals in the SMCs are based on those expressing a view rather than as a percentage of the total number of respondents.

General Observations and Themes

Geographically the response was dominated by Europe with 17 of the 30 respondents. There were 6 responses from Canada and USA, 3 from Australia and New Zealand and 1 from each of Africa and Asia. A further 2 responses were from international organizations.

In terms of functional nature the response was:

- 9 member bodies (Responses 1-8 and 30)
- 3 standard-setters (Responses 9-11)
- 8 finance ministries and related bodies (Responses 12-18 and 20)
- 1 audit institution (Response 19)
- 4 actuaries (Responses 21, 23, 27 and 28)
- 5 others, including a supra-national organization and a regional accountancy body (Responses 22, 24, 25, 26 and 29)

The responses from actuaries, tended to focus on a few issues rather than the Specific Matters for Comment. They also tended to raise technical disagreements with the approaches in IAS 19 which were not public sector specific, for example disagreement with the projected unit credit method which is the actuarial valuation method underpinning IAS 19.

There was general support for ED 31 and for the IPSASB to issue a pronouncement on employee benefits. Of the 30 respondents, 23 broadly supported the ED. 3 respondents (14, 15, 16) did not support the approach set out in the ED. Respondent 14 considered that a standard based on IAS 19 is inappropriate in the public sector. Respondent 15 disagreed with key aspects of the approach, for example the changing of actuarial assumptions each reporting period. Respondent 16, also fundamentally opposed the approach. This respondent favored a treatment based on an existing approach for small and medium enterprises in its jurisdiction, which requires disclosure of a contingent liability for many defined benefit type plans rather than recognition of a liability.

Three respondents (6, 22, 28) expressed reservations about developing a standard at this time because of the IASB’s plan to revise IAS 19 in 2010. Respondent 30 also noted that the revised IAS 19 will be issued before an IPSAS becomes effective and raised the issue of how IPSASB plans to achieve convergence with the revised IAS 19.

Major Issues Raised by Respondents

ED 31 identified 10 SMCs on which the IPSASB indicated that it would particularly welcome comments. In addition, as noted, respondents provided a number of other comments.

While staff is seeking guidance on all SMCs, there were certain issues identified that require a more significant discussion by the IPSASB at this meeting. These are:

- the discount rate (SMC 4);
- definition of, and accounting requirements for, composite social security programs (SMC 2 and 3); and
- disclosures (SMC 7).

A detailed analysis of these issues is provided. An analysis of the responses to the other SMCs is also included.

1. Discount Rate – SMC 4

The risk-free discount rate used to discount post-employment benefit obligations should be determined by reference to:

- *Market yields at the reporting date on government bonds consistent with the currency and estimated term of the post-employment benefit obligations; or*
- *Market yields at the reporting date on high quality corporate bonds consistent with the currency and estimated term of the post-employment benefit obligations, where there is no deep market in government bonds, or where the market yield on government bonds is not the best representation of a risk-free rate*

If you think that the discount rate should be determined by reference to market yields at the reporting date on high quality corporate bonds please give your reasons.

This was the issue on which respondents were most divided. Of the 30 respondents, 21 commented on this issue. Of these 21, just under half (9 respondents) supported the proposal. 8 respondents favored a discount rate primarily based on corporate bonds, mainly because they did not think that there is an adequate public sector specific reason to depart from IAS 19. 4 respondents favored alternative approaches.

Of those respondents favoring alternative approaches Respondent 14 challenged the use of a risk-free interest rate as having no valid theoretical basis and argued that the anticipated rate of return on pension plan assets should be used. Two respondents (18, 20) proposed application of the government borrowing rate. Respondent 15 noted that obligations for post-employment benefits are measured on the basis of actuarial assumptions decided by the regulator, but did not provide further detail on how these assumptions are determined.

Two respondents (5, 30) questioned the use of a risk-free rate. One of these (30) argued in favor of a discount rate based on high-quality corporate bonds and challenged the requirement for a risk-free rate because it did not accept that, in determining that the discount rate should be based on high quality corporate bonds, the IASB had aimed for a risk-free rate. The respondent noted that if the IPSASB persists with a discount-rate that is a risk-free rate, the approach should be principles based and provide various options for reporting entities to choose from. In this context, another respondent (8) proposed that the Standard should clarify the definition of the

“risk-free rate” before referring to government bonds and high quality bonds equally as examples.

Respondent 29, a strong proponent of reliance on corporate bonds in conformity with its existing accounting policy, raised the issue of international organizations. Respondent 29 contended that any requirement to refer to the yield of government bonds in determining a risk-free discount rate presents a difficulty to international organizations that are not within a national jurisdiction and do not relate to a particular national government. The submission considered that “it would be a contradictory message to send to our Member States, if the adoption of IPSAS ‘caused’ a large increase in these reported liabilities, simply because the discount rate changed on IPSAS adoption from a generally accepted private sector practice, which is also a generally accepted international practice, to an IPSAS –specific approach.” Respondent 29 proposed that, if the IPSASB persists with the approach proposed in the ED, an exemption should be introduced allowing international organizations to continue to apply discount rates based on high quality corporate bonds.

Analysis

Staff notes that the IASB considered and rejected a discount rate based on the expected rate of return of pension plan assets. Staff acknowledges the robustness of the views of those who support a discount rate based on high quality corporate bonds and also acknowledges that the public sector specific rationale for moving primarily to a rate based on government bonds is contestable.

The term “a risk-free rate” is not defined in IAS 19. The use of the term a “risk-free rate” in the ED has been based on an interpretation of grey letter commentary in paragraph 79 of IAS 19, and the Basis for Conclusions for IAS 19. Paragraph 79 states that “the discount rate reflects the time value of money but not the actuarial or investment risk. Furthermore, the discount rate does not reflect the entity-specific credit risk borne by the entity’s creditors nor does it reflect the risk that future experience may differ from actuarial assumptions.” Paragraphs BC 28-BC 31 of IAS 19 consider whether the discount rate should be risk-adjusted. Paragraph BC 31 states that “the Board decided that the discount rate should reflect the time value of money but should not attempt to capture those risks.”

Whilst Staff has considered that it was appropriate to use the term “a risk-free rate” for the reasons outlined above, they asked IASB staff for an informal view on this issue. The results of this correspondence have been inconclusive. The United Kingdom Accounting Standards Board (UKASB) pronouncement on post-employment obligations, FRS 17, “Retirement Benefits” specifies a discount rate based on high quality corporate bonds and in commentary states that “a high quality corporate bond means a bond that has been rated at AA or equivalent status. The rate of return for such a bond reflects the time value of money and a small premium for risk. That premium is taken to reflect the options that the employer has to reduce the assumed scheme liabilities, including in extremis the option of closing down the scheme”. Many public sector entities are likely to have similar options available, dependent upon local circumstance.

Given respondents’ comments, Staff considers that it is appropriate to be consistent with the requirements for discount rates specified in IAS 19: market yields on high quality corporate bonds with market yields on government bonds to be used where there is no deep market in high quality corporate bonds. This means that issues such as the use of a basket of bonds rather than a

single bond and the appropriateness of entities using a rate based on a financial instrument that they have issued will not have to be addressed.

Staff Recommendation: The discount rate should be determined by reference to market yields at the reporting date on high quality corporate bonds. Where there is no deep market in such bonds the market yield at the reporting date on government bonds should be used.

2. Definition and accounting requirements for composite social security programs (SMC 2 and 3)

Two SMCs addressed issues related to composite social security programs. SMC 2 related to the definition of such programs set out in paragraph 10 while SMC 3 related to the accounting requirements (paragraphs 46-48).

i) Definition of composite social security programs

Specific Matter for Comment 2

The definition of composite social security programs in paragraph 10 is appropriate. If you do not agree that the definition is appropriate can you suggest an alternative definition??

The ED recognized that some social security programs operate to provide post-employment benefits. It therefore adopted the term “composite social security programs”, which it defined as “programs established by legislation that:

- (a) operate as multi-employer plans to provide post-employment benefits; as well as to
- (b) provide benefits that are not consideration in exchange for service rendered by employees.”

Of the 30 respondents, only 16 commented on the definition of composite social security programs. Of these, 11 were supportive, although a few of these respondents acknowledged that they had no direct experience of such programs e.g. no. 17. Respondent 9 supported the definition but suggested that the term legislation should be explained.

Those opposing the proposed definition considered the definition either otiose or unclear. Respondent 6 raised doubts as to whether one program could deliver both benefits for employment services and benefits in non-exchange transactions, while another (20) did not think that it is “clear what this definition achieves”, arguing that the reporting requirements for multi-employer plans are adequate to deal with social security systems. Respondent 24 disagreed with the approach because there is no such definition in IAS 19 and further noted that the definition might depend on outcomes from the Social Benefits project. Respondent 6 proposed wording for a slightly modified alternative definition:

“Composite social security programmes are established by legislation and operate either as multi-employer plans to provide post-employment benefits to employees in exchange for services rendered or are benefits provided by the state to its citizens that are not in exchange for services rendered, such benefits are not within the scope of this standard.”

Analysis

Programs that deliver post-employment benefits and non-exchange benefits are common, particularly in Europe. Given that it will not be immediately clear that such programs should be

accounted for as multi-employer plans, a definition of a composite social security program and accounting requirements are necessary.

Staff does not think that the definition proposed by Respondent 6 is appropriate as it does not acknowledge that composite social security programs can provide both post-employment benefits and non-exchange benefits. The proposed definition also conflates scope and definition.

Staff does not think that the term “legislation” needs explanation. “Legislation” has been used elsewhere in the IPSASB literature e.g. in the definition of a legal obligation in IPSAS 19, “Provisions, Contingent Liabilities and Contingent Assets”. Staff therefore proposes that the existing definition is retained in the final IPSAS.

Staff Recommendation: The definition of composite social security programs should be retained unchanged.

ii) *Accounting requirements for composite social security programs*

Specific Matter for Comment 3

The accounting requirements for composite social security programs in paragraphs 46-48 are appropriate. Under the proposed accounting requirements reporting entities are required to account for obligations under composite social security programs, which relate to consideration in exchange for service rendered by employees and former employees of the reporting entity, in the same way as for multi-employer plans. If you do not think that these requirements are appropriate can you suggest what the requirements for composite social security programs should be?

Of the 30 respondents, 16 commented on this issue. Eleven of these supported the accounting requirements. The 11 who were supportive were primarily the same as the 11 who supported the definition above, with two variations – Respondent 3 supported the accounting requirements but did not express a view on the definition. Respondent 9 agreed with the definition but did not agree with the accounting requirements.

Of the 5 respondents who did not agree, the reservations of 3 (6, 20, 24), reflected their reservations about the definition. Respondents 6 and 20 did not consider that requirements for the treatment of composite social security programs are necessary and considered that such arrangements could be dealt with directly as multi-employer plans.

Respondent 9 highlighted a number of drafting improvements in the sections of the ED on composite social security programs and state plans. Respondent 13 questioned whether the sections of the ED on composite social security programs are clear enough to allow preparers to determine who bears the risk or even what “bearing the risk” means. Although not directly responding to this SMC another respondent (25) also raised the issue of risk in the sense of ultimate responsibility for meeting payments in the context of schools and local government.

Analysis

Staff does not think that the consultation has provided any convincing rationale to change the requirements related to composite social security programs. Actuarial risk and investment risk are explained in paragraphs 27-31 of the section of the ED entitled “Post-employment Benefits:

Distinction between Defined Contribution Plans and Defined Benefit Plans.” In the view of staff it is inappropriate to go into detail about the nature of inter-governmental relations in particular jurisdictions. Staff, however, questions whether it is appropriate for reporting entities not to recognize expenses and liabilities related to post-employment benefits on the basis that such liabilities, along with other liabilities, might ultimately be met by another public sector entity if the reporting entity ceases to be a going concern.

There is a case for trying to allay reservations about the onerous nature of the accounting requirements for composite social security programs by suggesting that, in many cases, in accordance with paragraph 33, regardless of the analysis of risk, the information to allow entities to use defined benefit accounting will simply not be available. In such cases entities will default to much simpler defined contribution accounting. Staff notes that there is an alternative view that information is available, but that there can be “political reasons” against its presentation. On balance, Staff does not think that such a cross-reference is needed and that it might provide an unnecessary encouragement for entities to immediately adopt defined contribution accounting for transactions of the composite social security programs without first analyzing the position.

Staff accepts the amendments proposed by respondent 9 and will take them into account in amending the ED.

Staff Recommendation: The accounting requirements in ED 31 related to composite social security programs should be retained.

3. Disclosures (SMC 7)

The disclosures required for post-employment benefits in paragraph 140 are appropriate. If you consider that they are unduly onerous what disclosures should not be required? Conversely, if you think that the disclosures are inadequate what further disclosures would you include.

The proposed disclosures are the same as those in IAS 19, subject to modifications of terminology, with the sole addition of a requirement at paragraph 140(n)(ii) for entities to disclose whether discount rates used in the principal actuarial assumptions have been based on government bonds or high quality corporate bonds.

Of the 30 respondents, 20 provided feedback on this SMC. Of these, 12 thought the proposed disclosures were appropriate while 8 thought they were unduly onerous. Three respondents (12, 17, 18) identified specific disclosures that they felt were unnecessary. No respondent felt that the disclosure requirements were inadequate.

Analysis

In the light of the minimal modifications from IAS 19 disclosure requirements Staff does not think that an argument that the proposed requirements are more extensive and prescriptive than IAS 19 is persuasive. Staff notes that in a number of instances when disclosures were highlighted as onerous (e.g. paragraph 140 (h) and (i)) the information disclosed will have to be computed for other purposes in order to comply with the Standard.

This is perhaps an area where the criteria or “rules of the road” for departing from the related IAS are important to consider. For example, while the reservations of Respondent 18 on the

disclosure relating to one percentage point increases and decreases in medical cost trends (paragraph 140(o)) and five year trend information (paragraph 140(p)) are of merit, Staff doubts whether there is sufficient public sector specific reason to delete or modify these disclosures. In addition it is important to note the admonition of Respondent 5 against attempting to “improve” a Standard where there is insufficient public sector reason for modification. Regardless of the decision made on discount rates at SMC 4, Staff considers that the disclosure of whether discount rates are based on high quality corporate bonds or government bonds is worthwhile. Therefore Staff proposes that the disclosures in the ED are retained.

Staff Recommendation: Retain the disclosures in ED 31.

REMAINING SPECIFIC MATTERS FOR COMMENT (SMCs)

The following analysis relates to the remaining 6 specific matters for comment.

Specific Matter for Comment 1

This Standard should have within its scope short-term employee benefits, as well as post-employment benefits, other long-term benefits and termination benefits. If you think that short-term benefits should be dealt with in a separate Standard please give your reasons.

Consistent with IAS 19 the ED contained within its scope, short-term employee benefits, post-employment benefits, termination benefits and other long-term benefits. 21 of the 30 respondents commented on this and none disagreed with the proposed scope.

Analysis

The finalized Standard should have short-term employee benefits, post-employment benefits, other long-term benefits and termination benefits within its scope.

Staff Recommendation: The scope of ED 31 should include short-term employee benefits, post-employment benefits, termination benefits and other long-term benefits.

Specific Matter for Comment 5

The Standard does not provide guidance for entities reporting in jurisdictions where there is a deep market in neither government bonds nor high quality corporate bonds. Do you think that such guidance is necessary, and, if so what should such guidance be?

Of the 30 respondents, 17 commented on this issue. Of these 17, 11 considered that guidance was unnecessary. Respondent 6 stated that they are not in a position to judge whether such guidance is necessary, but that, if necessary, it would be appropriate for “second tier” guidance rather than incorporation in the Standard. Respondent 29 did not think that further guidance is necessary, because “there will always be a deep market in high quality corporate bonds available to use as a reference”.

Analysis

The issue of guidance for entities reporting in jurisdictions where there is a deep market in neither government bonds nor high quality corporate bonds is clearly relevant in some jurisdictions and for supra-national entities. However, Staff does not think that, overall, the response has provided sufficient rationale for the Standard to deal with this issue. Staff also notes and supports the comments of those, who, whilst acknowledging the issue’s significance, do not

think that it is public sector specific. Acceptance of the Staff proposal at SMC 4 that the requirements for discount rates should revert to those in IAS 19 would probably further diminishes the case for guidance. Staff therefore proposes that the Standard does not include guidance and that the rationale is explained in the Basis for Conclusions as in the ED.

Staff recommendation: Final IPSAS should not include guidance for entities reporting in jurisdictions where there is a deep market in neither government bonds nor high quality corporate bonds.

Specific Matter for Comment 6

Reporting entities should be permitted to adopt a policy of fully recognizing actuarial gains and losses in the period in which they occur in the Statement of Recognized Revenue and Expense in accordance with paragraph 106. If you do not think that such a policy is appropriate what requirements in relation to actuarial gains and losses should be reflected in the Standard?

This proposal seems relatively uncontentious. 22 respondents commented on this SMC; of these 18 supported the proposal that reporting entities should be permitted to adopt a policy of fully recognizing actuarial gains and losses in the period in which they occur in the Statement of Recognized Revenue and Expense.

Some respondents used this SMC to address the “corridor”- the approach in IAS 19 whereby entities are only required to recognize a portion of actuarial gains and losses as income or expense if net actuarial gains and losses at the end of the pervious reporting period exceed specified parameters. A few respondents (e.g. 5 and 9) said that, whilst they did not agree with the “corridor” approach, they could see no public sector specific reason for limiting the options that it provides. Respondent 9 considered that actuarial gains and losses should be recognized in the statement of financial performance and did not advocate the introduction of an additional statement. Respondent 18 commented that paragraph 105 already allows for a wide choice of recognition measures and that a further option appears unnecessary.

Analysis

Staff considers that the options proposed in the ED for the treatment of actuarial gains and losses including immediate recognition outside surplus and deficit should be retained in development of a Standard. Staff thinks that it needs to be made clear that the Statement of Recognized Revenue and Expense is not a totally new financial statement; rather the existing Statement of Changes in Net Assets/Equity for the Year is retitled the Statement of Recognized Revenue and Expense if actuarial gains and losses are recognized in it.

Staff recommendation: The final IPSAS should permit reporting entities to adopt a policy of fully recognizing actuarial gains and losses in the period in which they occur in the Statement of Recognized Revenue and Expense.

Specific Matter for Comment 8

This Standard becomes effective for reporting periods commencing on a date five years after its issuance, although it can be applied earlier (paragraph 175). If you do not agree with this approach do you think that there should be different dates for the introduction of requirements for different types of employee benefit?

The proposal that the Standard become effective for reporting periods commencing on a date 5 years after its issuance was made with the objective of facilitating an orderly implementation of the proposed Standard. 17 respondents commented on this SMC. Of these, 12 supported the proposal. 5 respondents had reservations about the proposed implementation arrangements. Two of these (6, 17) thought that the five-year lead time is excessive. Respondent 1 broadly supported the proposals, but suggested that consideration be given to reducing the lead-time for the implementation of the requirements for short-term benefits. Two respondents (2, 22) did not state a view on this SMC but noted that early adoption is permitted for entities that do not need the full five-year lead time. Respondent 10 endorsed stronger encouragement for early adoption.

Analysis

Staff considers that there is a case for a more rapid introduction of the requirements for short-term employee benefits. Staff also accepts that there is an issue that a revised Standard on Employee Benefits may have been issued by the IASB before the requirements in the IPSASB Standard take effect. However, in light of the overall support for the proposed implementation arrangements Staff proposes that the implementation requirements in the ED are retained but that, as proposed by Respondent 10, stronger encouragement be inserted for earlier adoption.

Staff recommendation: The final IPSAS should become effective for reporting periods commencing on a date five years after its issuance. The encouragement for earlier adoption should be strengthened.

Specific Matter for Comment 9

On first time adoption of this Standard all actuarial gains and losses related to initial liabilities for defined benefit obligations should be recognized in opening accumulated surpluses or deficits. If you disagree with this treatment please give your reasons.

This proposal on the treatment of actuarial gains and losses related to initial liabilities for defined benefit obligations was also made with the objective of facilitating an orderly implementation. It received strong support from those expressing a view. Of 18 submissions on this SMC, only 1 (6) opposed the proposal. Respondent 6 recommended that the transitional provisions in IAS 19 be incorporated into the Standard.

Analysis

Staff remains of the view that the proposals on first time adoption of the Standard are conducive to orderly implementation and that they are adequately explained in paragraphs BC10-BC14 of the Basis for Conclusions. Staff proposes therefore that they be retained in the Standard.

Staff recommendation: The final IPSAS should require all actuarial gains and losses related to initial liabilities for defined benefit obligations to be recognized in opening accumulated surpluses and deficits on first time adoption.

Specific Matter for Comment 10

The reliefs from providing comparative information in the first year of adoption of this Standard and from making disclosures requiring comparative information and information from prior periods are appropriate. If you do not think that these reliefs are appropriate please give your reasons.

The proposal on reliefs from providing comparative information and from making disclosures requiring comparative information and prior-period information were also made with the objective of facilitating an orderly implementation of the proposed Standard. 17 respondents commented on this SMC, with 14 supporting the reliefs. 2 respondents (5 12) disagreed on the basis that the five-year lead-time for implementation gives entities adequate time to collect and present comparative information. Respondent 20 also felt that the reporting of comparative information in the first year of adoption should be required, because “reporting comparative information compiled in a consistent basis is instrumental in providing reliable, comparable and understandable information to the users of the financial statements.”

Analysis

Staff acknowledges the argument that the lengthy lead-time for implementation does not necessitate the inclusion of further reliefs from providing comparative information in the first year of adoption. However, Staff thinks that, despite the lead-time for implementation, many entities will find developing the systems to provide the information required by this Standard challenging and will need the full 5 year lead-in. Staff therefore proposes that the reliefs from providing comparative information in the first year of adoption of this Standard and from making disclosures requiring comparative information and information from prior periods are appropriate and should be retained.

Staff recommendation: The final IPSAS should provide reliefs from providing comparative information in the first year of adoption of this Standard and from making disclosures requiring comparative information and information from prior periods.

Other Issues

Pages 56-70 of Agenda Item 6.2 contain a detailed summary of additional issues identified in submissions and provides the Staff response. This memorandum does not duplicate that analysis. It considers six areas where Staff thinks that consideration should be given to amending the ED as it is developed into a final Standard:

- i) Reclassification of long-term disability benefits
- ii) Multi-employer plans and plans under common control;
- iii) Multi-employer plans with common rates;
- iv) Consequential amendment to IPSAS 20, “Related Party Disclosures”;
- v) Reimbursements; and
- vi) Authoritative nature of Examples in body of text

i) Reclassification of long-term disability benefits

At paragraph 146 the ED mirrors IAS 19 in including long-term disability benefits as an example of other long-term employee benefits. Respondent 18 argued that long-term disability benefits “are too significant for governments to be in this category” and recommended that long-term disability benefits incurred by governments be classified as a post-employment defined benefit. A change of classification would provide options to entities for the treatment of actuarial gains and losses and would allow past service cost which has not vested to be recognized on a straight line basis over the average period until the benefits become vested. Under the IAS 19 requirement incorporated into ED 31 actuarial gains and losses and past service cost related to other long-term employee benefits have to be recognized immediately.

Analysis

Staff accepts that long-term disability benefits are likely to be much more significant for many public sector entities than in the private sector, especially in areas like policing and defense. In substance such arrangements may be post-employment benefits. Staff therefore proposes to delete the example of “long-term disability benefits” from the list in paragraph 146 of the section “Other Long Term Employee Benefits”. This modification might give preparers flexibility in treating “long-term disability benefits as “post-employment benefits” provided that they can substantiate a convincing rationale. Members’ views are sought on this issue.

Staff recommendation: Delete the example of “long-term disability benefits” from the list of examples of other long-term benefits in paragraph 146.

ii) Multi-employer plans and plans under common control

Paragraph 35 of the ED states that a public sector entity participating in a defined benefit multi-employer plan “will normally” have access to sufficient information to account for its share of the defined benefit obligation, and only in rare cases, when it does not have such access, it may account for the plan, as if it were a defined contribution plan.” Respondent 18 contested this assertion and considered that “the contrary may be more common in the public sector.”

Respondent 18 argued that in cases of plans under common control only the higher level of government or the organization sponsoring the plan should have to provide any information about the accrued benefits of the plan as a whole and that controlled entities should only be required to account and present the benefits as for a defined contribution plan.

Analysis

Staff thinks that, in the public sector, users are likely to be interested in the aggregate obligation of the economic entity rather than the individual obligations of controlled entities. Staff therefore considers that there is considerable merit in this proposal of Respondent 18, provided that there is a full reference in the financial statements of the controlled entity to the fact that aggregate information on the defined benefit obligation of the economic entity is presented in the financial statements of the controlling entity.

Staff recommendation: In cases of plans under common control, only the controlling entity should have to account on a defined benefit basis and controlled entities should be permitted to account on a defined contribution basis.

iii) Multi-employer plans with common rates

Paragraph 35(b) included a modification to the IAS 19 text. A sentence was added stating that “An indication that there is no consistent and reliable basis for allocating the obligation may be that there are common rates of employer and employee contributions for all entities participating in the plan rather than differential rates which reflect actuarial assumptions specific to particular entities”. Respondent 30 considered that a Standard should give more guidance on multi-employer plans with common rates. In the Netherlands many pension funds apply common rates to all entities participating in the fund. Staff understands that such arrangements include listed entities. Respondent 30 proposed that paragraph 35 should be clearer that defined contribution accounting is to be applied in such cases and i proposed the following wording:

“In the case of a multi-employer plan with common rates for employer and employee contributions there is no reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan. Therefore, a multi-employer plan with common rates is accounted for in accordance with paragraph 32.”

Analysis

The purpose of this modification was to identify what staff perceived to be a public sector issue where a large number of small public sector entities participate in a multi-employer plan. Although identified as a change from IAS 19 in the marked-up version considered at the Tokyo meeting in March 2006 there was little or no discussion on this issue (certainly nothing was minuted) and it was not addressed in the Basis for Conclusions. Staff has discussed this issue out-of-session with the Dutch Member. As indicated in the submission of Respondent 30, plans with common rates are a feature of the corporate sector in the Netherlands. Therefore, this is not a public sector specific issue. In the light of this discussion, although no other submission has raised points on this issue, Staff considers that the final sentence of paragraph 35(b) should be deleted. Staff certainly does not think that there is any case for adopting a rule that in the case of a multi-employer plan with common rates for employer and employee contributions there is no reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan.

Staff recommendation: Delete the final sentence of paragraph 35(b).

iv) Consequential Amendment to IPSAS 20, “Related Party Disclosures”

Paragraph 57 of the ED states that: “where required by IPSAS 20, “Related Party Disclosures” an entity discloses information about contributions to defined contribution plans.” Respondent 9 pointed out that, currently, IPSAS 20 does not include in its definition of a related party “a post employment benefit plan for the benefit of employees of the entity, or of any part of the entity.” As a result, IPSAS 20 does not require the disclosure of transactions with post-employment benefit plans. The respondent proposed that an appropriate consequential amendment be made to IPSAS 20.

Analysis

Staff agrees that either a consequential amendment to the definition of related party in paragraph 4 of IPSAS 20 is necessary or, alternatively, that paragraph 57 of the ED is deleted. Staff considers that it may be necessary to consult on such a consequential amendment. Under the current Improvements Program IPSAS 20 is due for revision in 2008 and it may be appropriate to propose the appropriate change to include “a post employment benefit plan for the benefit of employees of the entity, or of any part of the entity ”within the definition of a related party as part of the planned revision. This will be addressed as part of the project updating IPSASs when IPSAS 20 is considered.

Staff recommendation: Make a consequential amendment to IPSAS 20.

v) Reimbursements

Paragraph 121 contains commentary that the parties to which an entity might look to reimburse part or all of the expenditure required to settle a defined benefit obligation might include other public sector entities as well as insurers. The paragraph provides the example of national governments entering into legally enforceable commitments to pay part or all of the expenditure required to settle the defined benefit obligations of a supra-national body. Respondent 29 recommended that paragraph 121 be deleted because the paragraph is unclear and may encourage entities to recognize ‘artificial assets’ which do not meet the normal definition and recognition criteria for assets. Respondent 29 considered that paragraph 120 and the general definition of assets used in IPSASs provide sufficient guidance on the issue of reimbursements.

Analysis

Staff accepts this point and proposes to consolidate the opening sentence of paragraph 121 into paragraph 122 and delete the remainder of existing paragraph 121. There will be an explanation in the Basis for Conclusions that consideration was given to expanding the commentary on reimbursements but that it was decided not to do so.

Staff recommendation: Consolidate the opening sentence of paragraph 121 into paragraph 122 and delete the remainder of existing paragraph 121.

vi) Authoritative nature of Examples in body of text

Respondent 24 proposed that all examples should be authoritative.

Analysis

In alignment with IAS 19 Staff does not think that the Implementation Guidance should be authoritative. Staff considers that there is a case for making the Examples in the body of the ED authoritative, as they are in IAS 19. The rationale for these Examples being Non-authoritative is to align ED 31 with ED 30, Impairment of Cash-generating Assets”. Therefore any decision taken here would ideally be applied consistently to ED 30

Staff recommendation: Make a decision as to whether Examples in the body of the ED should be authoritative and consider this in the context of consistency with ED 30

Appendix A

LIST OF RESPONDENTS

1	Association of Chartered Certified Accountants (UK)
2	Chartered Institute of Public Finance and Accountancy (UK)
3	FAR SRS (Sweden)
4	Institut der Wirtschaftsprüfer (IDW) (Germany)
5	The Institute of Chartered Accountants in England & Wales
6.	Institute of Chartered Accountants of Scotland (UK)
7	Institute of CPAs of Cyprus- _Public Sector Committee
8	Japanese Institute of CPAs
9	South African Accounting Standards Board
10	United Kingdom Accounting Standards Board
11	Australian Accounting Standards Board
12	Heads of Treasury Accounting and Reporting Advisory Committee (HOTARAC) (Australia)
13	Ministry of Economy, Finance and Industry (France)
14	Ministry of Finance of Quebec (Canada)
15	National Financial Management Authority (Sweden)
16	State of Geneva (Switzerland)
17	Swiss Finance Ministers (Switzerland))
18	Treasury Board Secretariat (Canada)
19	Australasian Council of Auditors-General
20	Comptroller General of British Columbia (Canada)
21	American Academy of Actuaries (USA)
22	Fédération des Experts Comptables Européens (FEE)

23	International Actuarial Association
24	Jean-Bernard Mattret
25.	Johan Christiaens (Belgium)
26.	Joseph S Maresca (USA)
27.	Mahoney and Associates-Actuaries (USA)
28.	Mercer Consulting (UK)
29.	United Nations Group
30	Royal Nivra (Netherlands)

SUMMARY ANALYSIS OF RESPONSES TO ED 31, “EMPLOYEE BENEFITS”

SPECIFIC MATTER FOR COMMENT (1)

This Standard should have within its scope short-term employee benefits, as well as post-employment benefits, other long-term benefits and termination benefits. If you think that short-term benefits should be dealt with in a separate Standard please give your reasons.

SUMMARY OF OVERALL VIEW

AGREES	A	21
DOES NOT AGREE	B	0
NO CLEAR VIEW EXPRESSED	C	9
TOTAL		30

Percentage supporting view (A)) – out of those expressing view 100%
Percentage supporting view (B) – out of those expressing view 0%

	NAME	VIEW	COMMENT
1	Association of Chartered Certified Accountants (UK)	A	
2	Chartered Institute of Public Finance and Accountancy (UK)	A	We agree with the Standard’s inclusion of short-term employee benefits. This facilitates read across to IAS 19, and does not make the IPSAS significantly more complex. There are no sector specific reasons for adopting a different approach.
3	FAR SRS (Sweden)	A	Agree that short term benefits should be included in the standard as it is in IAS 19.
4	Institut der Wirtschaftsprüfer (IDW) (Germany)	A	Scope in line with IAS 19.
5	The Institute of Chartered Accountants in England & Wales	A	Do not think that short-term benefits should be dealt with in a separate ED.

6.	Institute of Chartered Accountants of Scotland (UK)	A	Agree that short-term employee benefits should be dealt with in this standard. This approach is consistent with IAS 19 on 'Employee Benefits' and there is no sector specific reason for adopting a different approach.
7	Institute of CPAs of Cyprus- Public Sector Committee	A	Believe that short-term employee benefits should be dealt with in the same Standard for the following reasons: -This is the approach followed in IAS 19 -It is a small issue with a straightforward treatment -There is no other more appropriate Standard in which to include it.
8	Japanese Institute of CPAs	A	
9	South African Accounting Standards Board	A	Short-term benefits do not give rise to any peculiar accounting treatment, and we therefore propose that they be retained as part of this Standard.
10	United Kingdom Accounting Standards Board	A	
11	Australian Accounting Standards Board	C	
12	Heads of Treasury Accounting and Reporting Advisory Committee (HOTARAC) (Australia)	A	
13	Ministry of Economy, Finance and Industry (France)	A	
14	Ministry of Finance of Quebec (Canada)	C	

15	National Financial Management Authority (Sweden)	A	
16	State of Geneva (Switzerland)	C	
17	Swiss Finance Ministers (Switzerland))	A	
18	Treasury Board Secretariat (Canada)	C	
19	Australasian Council of Auditors-General	A	For reasons of completeness we believe that it is appropriate for the Standard to include all employee benefits within the one standard.
20	Comptroller General of British Columbia (Canada)	A	Agree that having one standard for employee benefits provides better consistency and clarity in the guidance. We agree it is useful to include short-term employee benefits within the scope of this guidance as opposed to a separate standard.
21	American Academy of Actuaries (USA)	C	
22	Fédération des Experts Comptables Européens (FEE)	A	Agree with the Standard's inclusion of short-term employee benefits. This facilitates read across to IAS 19, and does not make the IPSAS significantly more complex. There are no sector specific reasons for adopting a different approach.
23	International Actuarial Association	C	
24	Jean-Bernard Mattret	A	
25.	Johan Christiaens (Belgium)	C	

26.	Joseph S Maresca (USA)	C	
27.	Mahoney and Associates- Actuaries (USA)	C	
28.	Mercer Consulting (UK)	A	
29.	United Nations Group	A	
30	Royal Nivra (Netherlands)	A	No public sector reason to deviate from scope of IAS 19.

SPECIFIC MATTER FOR COMMENT (2)

The definition of composite social security programs in paragraph 10 is appropriate. If you do not agree that the definition is appropriate can you suggest an alternative definition??

SUMMARY OF OVERALL VIEW

AGREE	A	11
DISAGREE	B	5
NO CLEAR VIEW EXPRESSED	C	14
TOTAL		30

Percentage supporting views (A)– out of those expressing view 69%

Percentage supporting view (B) – out of those expressing view 31%

	NAME	VIEW	COMMENT
1	Association of Chartered Certified Accountants (UK)	C	
2	Chartered Institute of Public Finance and Accountancy (UK)	A	The definition of composite social security programs in paragraph 10 appears a sensible basis for discussion of when related streams of payments should be disaggregated into employee benefits and other payments.
3	FAR SRS (Sweden)	C	

4	Institut der Wertschaftsprufer (IDW) (Germany)	A	<p>The definition of composite social security programs in paragraph 10 appears to provide a sensible basis when there is a need to differentiate related streams of payments between employee benefits and other payments.</p> <p>Points out that there might be jurisdictions in which, depending on the wording of the relevant legislation, the employee does not receive the benefit in exchange for service rendered.</p> <p>Nevertheless, the amount of the post-employment benefit depends on the length of the employee's service. In our view, such a program is in substance a post-employment benefit program. If such a program operates as a multi-employer plan, it falls within the category (a) of the definition of composite social security programs.</p>
5	The Institute of Chartered Accountants in England & Wales	A	

6.	Institute of Chartered Accountants of Scotland (UK)	B	<p>Believe that the definition of composite social security programmes could be improved. It is not clear from the definition whether or not the proposed standard envisages that composite social security programmes provided by employers to their employees could provide both benefits which are for services rendered and which are not for services rendered. We cannot envisage such a scenario therefore we have interpreted the definition as relating to programmes provided by employers to their employees (including those instances where the state provides the benefits on behalf of employers) and to benefits provided by the state to its citizens. On this basis we recommend the following definition:</p> <p>‘Composite social security programmes are established by legislation and operate either as multi-employer plans to provide post-employment benefits to employees in exchange for services rendered: or are benefits provided by the state to its citizens that are not in exchange for services rendered, such benefits are not within the scope of this standard.’</p> <p>However, it may be preferable to dispense with the term ‘composite social security programmes’ as the term ‘multi-employer plans’ appears to suffice. This would enable the material on composite social security programmes in paragraphs 46 to 48, which refers back to paragraphs 32 and 33 on multi-employer plans, to be removed</p>
7	Institute of CPAs of Cyprus-Public Sector Committee	A	<p>Definition is appropriate. However, due to the complexity and the similarities between multi-employer plans, state plans and composite social security programs, we suggest that the Standard should include real life examples that fall into each of the above categories.</p>
8	Japanese Institute of CPAs	A	
9	South African Accounting Standards Board	A	<p>Agree in principle except that we propose that “legislation” as used in this definition be explained, as this concept in the public sector may cover a wide range of arrangements.</p>

10	United Kingdom Accounting Standards Board	A	
11	Australian Accounting Standards Board	C	
12	Heads of Treasury Accounting and Reporting Advisory Committee (HOTARAC) (Australia)	C	
13	Ministry of Economy, Finance and Industry (France)	B	The proposed standard addresses only one case: the one where obligations arise in consideration in exchange for service rendered by employees and past-employees of the reporting entity.
14	Ministry of Finance of Quebec (Canada)	D	
15	National Financial Management Authority (Sweden)	D	
16	State of Geneva (Switzerland)	B	
17	Swiss Finance Ministers (Switzerland))	A	Agree with definition from a theoretical point of view. However, there are no such programs in Switzerland and therefore we cannot assess the practical implications.
18	Treasury Board Secretariat (Canada)	D	
19	Australasian Council of Auditors-General	A	Definition seems appropriate. The text in paragraph 47 could be tightened up to only refer to 'composite' programs when referring to programs that provide both 'employee service related' and 'non-employee service related (social security)' benefits.

20	Comptroller General of British Columbia (Canada)	B	Disagree with the need for this separate definition. The reporting requirements listed under this program namely, paragraphs 46 to 48, states that the reporting requirements are the same as for a multi-employer plan, therefore it is not clear what this definition achieves. The standards that the Province of BC is currently reporting against provides for definitions of plans or programs as: defined benefit plans, defined contribution plans and multi-employer and multi-employer benefit plans. We have found these definitions adequately address all benefit plans or programs that we participate in.
21	American Academy of Actuaries (USA)	C	
22	Fédération des Experts Comptables Européens (FEE)	A	
23	International Actuarial Association	C	
24	Jean-Bernard Mattret (France)	B	IAS 19 does not address composite social security programs.....Definition depends on future ED about social benefits.
25.	Johan Christiaens (Belgium)	C	
26.	Joseph S Maresca (USA)	C	
27.	Mahoney and Associates- Actuaries (USA)	C	
28.	Mercer Consulting (UK)	C	
29.	United Nations Group	C	No position has been reached on this issue, because it does not affect United Nations System organizations.
30	Royal Nivra (Netherlands)	A	

SPECIFIC MATTER FOR COMMENT (3)

The accounting requirements for composite social security programs in paragraphs 46-48 are appropriate. Under the proposed accounting requirements reporting entities are required to account for obligations under composite social security programs, which relate to consideration in exchange for service rendered by employees and former employees of the reporting entity, in the same way as for multi-employer plans. If you do not think that these requirements are appropriate can you suggest what the requirements for composite social security programs should be?

SUMMARY OF OVERALL VIEW

AGREE	A	11
DO NOT AGREE	B	5
NO CLEAR VIEW EXPRESSED	C	14
TOTAL		

Percentage supporting view (A) – out of those expressing view 69%

Percentage supporting view (B) –out of those expressing view 31%

	NAME	VIEW	COMMENT
1	Association of Chartered Certified Accountants (UK)	C	
2	Chartered Institute of Public Finance and Accountancy (UK)	A	The accounting requirements for composite social security programs seem sensible. The approach appears, prima facie, to account for as employee benefits those items which have the specific characteristic of compensation in consideration of employment.
3	FAR SRS (Sweden)	A	Agrees that these transactions are to be handled as employee benefits.
4	Institut der Wirtschaftsprüfer (IDW) (Germany)	A	
5	The Institute of Chartered Accountants in England & Wales	A	
6.	Institute of Chartered Accountants of Scotland (UK)	B	

7	Institute of CPAs of Cyprus- _Public Sector Committee	A	
8	Japanese Institute of CPAs	A	
9	South African Accounting Standards Board	B	
10	United Kingdom Accounting Standards Board	A	
11	Australian Accounting Standards Board	C	
12	Heads of Treasury Accounting and Reporting Advisory Committee (HOTARAC) (Australia)	C	
13	Ministry of Economy, Finance and Industry (France)	B	The appropriateness of the accounting requirements is not obvious....and not clear enough in order to determine who bears the final risk.
14	Ministry of Finance of Quebec (Canada)	C	
15	National Financial Management Authority (Sweden)	C	
16	State of Geneva (Switzerland)	C	
17	Swiss Finance Ministers (Switzerland))	A	Agree from a theoretical point of view but lack the necessary practical experience for a sound opinion. If there are different opinions from constituencies with relevant experience these should be given priority.
18	Treasury Board Secretariat (Canada)	C	

19	Australasian Council of Auditors-General	A	Believe that the accounting requirements for composite social security programs in paragraphs 46-47 are appropriate. See the 'general comment' below in relation to paragraph 48.
20	Comptroller General of British Columbia (Canada)	B	See answer to Question 2. Does not consider that there is any need for the definition.
21	American Academy of Actuaries (USA)	C	
22	Fédération des Experts Comptables Européens (FEE)	A	
23	International Actuarial Association	C	
24	Jean-Bernard Mattret (France)	B	See answer to SMC 2.
25.	Johan Christiaens (Belgium)	C	
26.	Joseph S Maresca (USA)	C	
27.	Mahoney and Associates- Actuaries (USA)	C	
28.	Mercer Consulting (UK)	C	
29.	United Nations Group	C	
30	Royal Nivra (Netherlands)	A	

SPECIFIC MATTER FOR COMMENT (4)

The risk-free discount rate used to discount post-employment benefit obligations should be determined by reference to:

- *Market yields at the reporting date on government bonds consistent with the currency and estimated term of the post-employment benefit obligations; or*
- *Market yields at the reporting date on high quality corporate bonds consistent with the currency and estimated term of the post-employment benefit obligations, where there is no deep market in government bonds, or where the market yield on government bonds is not the best representation of a risk-free rate*

If you think that the discount rate should be determined by reference to market yields at the reporting date on high quality corporate bonds please give your reasons.

SUMMARY OF OVERALL VIEW

AGREE THAT DISCOUNT RATE SHOULD BE BASED ON GOVERNMENT BONDS	A	9
CONSIDER THAT DISCOUNT RATE SHOULD BE BASED ON CORPORATE BONDS	B	8
DISCOUNT RATE ON OTHER BASIS	C	4
NO CLEAR VIEW EXPRESSED	D	9
TOTAL		30

Percentage supporting view (A) – out of those expressing view 43%
 Percentage supporting view (B – out of those expressing view 38%
 Percentage supporting view (C) – out of those expressing view 19%

	NAME	VIEW	COMMENT
1	Association of Chartered Certified Accountants (UK)	D	

2	Chartered Institute of Public Finance and Accountancy (UK)	A	<p>We agree with the approach to the risk-free discount rate. This is similar in principle to the approach in IAS 19, but suggests that government bond rates should be used before corporate bond rates, except where government bonds do not give the best representation of a risk-free rate.</p> <p>Having said this, we would note that in some jurisdictions the public sector practice is to use a corporate bond rate. The factors underlying the choice of an appropriate rate may not be the same in all jurisdictions and may be affected, for example, by the relative size of the government and corporate sectors, and the interaction between those sectors</p>
3	FAR SRS (Sweden)	B	Does not think that convincing arguments are being presented to describe why public sector entities should use another rate of return than privately owned companies when they coexist on the same financial market
4	Institut der Wirtschaftsprüfer (IDW) (Germany)	A	
5	The Institute of Chartered Accountants in England & Wales	B	Do not agree that the discount rate used to discount post-employment benefit obligations should be determined as set out in the exposure draft. IAS 19 does not countenance a risk-free rate for discounting, and specifically requires the use of high quality corporate bonds for this purpose (unless there is no deep market in such bonds, when a government bond rate should be used). The exposure draft does not develop any basis for diverging from the standard in the case of the public sector. We therefore believe that that the discount rate should be determined by reference to market yields at the reporting date on high quality corporate bonds

6.	Institute of Chartered Accountants of Scotland (UK)	D	Members of the Committee (ICAS Public Sector Committee) have been unable to conclude on whether the discount rates should be based on market yields on government bonds or on high quality corporate bonds. In the Committee's view there are merits in using the yields of either class of financial instrument. For example, using government bond yields could reduce the volatility in local government accounts, based on the UK-experience. However, using high quality corporate bond yields would aid comparability with IAS 19 and therefore private sector practice.
7	Institute of CPAs of Cyprus-Public Sector Committee	A	
8	Japanese Institute of CPAs	D	Think that the Standard should clarify the definition of "the risk-free discount rate" first, then refer to government bonds and high quality corporate bonds equally as examples.
9.	South African Accounting Standards Board	A	Agree with the proposed rate and hierarchy. In South Africa we believe that the yield on government bonds with a similar term to the obligation is most representative of a risk-free rate.
10	United Kingdom Accounting Standards Board	B	Whilst we accept that it is not "wrong" to use a government bond rate...we are not necessarily convinced there is sufficient justification for departing from the IAS 19 requirement to use a corporate bond rate,
11	Australian Accounting Standards Board	A	Consistent with one of the proposals in AASB ED 151, "Australian Additions to, and Deletions from, IFRS". This is proposed in ED 151, because the AASB concluded that the rate for high quality corporate bonds is not relevant for such entities. Whilst ED 151 does not address whether to use a high quality corporate bond rate when the government bond rate is deemed not to be appropriate (either because of lack of a liquid market, or because it is not the best representation of a risk-free rate) the AASB acknowledges that, in some jurisdictions the government bond rate might not be the most appropriate rate for discounting post-employment benefits and agrees that this option should be made available for those jurisdictions.

12	Heads of Treasury Accounting and Reporting Advisory Committee (HOTARAC) (Australia)	A	Supports the use of government bonds to determine the discount rate to be applied, as government bonds often better reflect the nature, structure and risks associated with public sector employee entitlement obligations.
13	Ministry of Economy, Finance and Industry (France)	A	Both references should be maintained.
14	Ministry of Finance of Quebec (Canada)	C	Use of risk-free interest rate has no valid theoretical basis. Pension plans' assets are invested according to an investment policy under which a certain rate of return can be anticipated. This anticipated rate of return is the rate that must be used to discount the value of future benefits.
15	National Financial Management Authority (Sweden)	C	Not appropriate to use valuation methods for post-employment benefits based on assumptions that fluctuated from month to month for decision making in the government sector. In Sweden obligations to post-employment benefits are measured on the basis of actuarial assumptions decided by the Swedish Financial Supervisory Authority.
16	State of Geneva (Switzerland)	D	
17	Swiss Finance Ministers (Switzerland))	B	No public sector specific reason to depart from IFRS. Even if the interest rate of government bonds should be used the definition is clearly inadequate.
18	Treasury Board Secretariat (Canada)	C	Believe that the discount rate to be used should be the cost of borrowing of the government as expressed by market rates on government bonds at the reporting date or at the date of preparation or update of the actuarial valuation

19	Australasian Council of Auditors-General	A	<p>Believe that the Standard should include a definition of the “risk-free discount rate” as such rate usually only means that it is free from default risk, but not other risks such as market risks and liquidity risk. In other words, it is not literally a “risk free” rate.</p> <p>We agree that the market yields on government bonds should be the primary reference for determining the risk free discount rate. We also agree that the market yield on high quality corporate bonds could be used where there is no deep market in government bonds or where the market yield on government bonds is not the best representation of the risk-free rate, but only to the extent that it is a better reflection of the risk-free rate than the available government bond rate</p>
20	Comptroller General of British Columbia (Canada)	C	<p>Do not agree with using the market yield rate for the risk-free rate as this rate will tend to inflate the post-employment benefit obligation over the government bond rate. We suggest using the government borrowing rate as the most accurate risk-free discount rate in estimating the post-employment benefit obligation.</p>
21	American Academy of Actuaries (USA)	D	
22	Fédération des Experts Comptables Européens (FEE)	B	<p>The government bond rate would normally be expected to give a better indication of the time value of money for the public sector, (rather than the corporate bond rate, which would normally be expected to give a better view in the commercial sector). However, we note that there remains an argument for using a consistent rate for both public and private sector entities, on the basis for example that they operate in the same economy, and that this would lead to the use of corporate bond rates for the public sector</p>
23	International Actuarial Association	D	
24	Jean-Bernard Mattret (France)	A	
25.	Johan Christiaens (Belgium)	D	
26.	Joseph S Maresca (USA)	D	

27.	Mahoney and Associates-Actuaries (USA)	D	
28.	Mercer Consulting (UK)	B	Although there will be differences in the level of security of the pensions promise between public sector and many public companies, the differences between public companies can also be significant. Applying the same selection criteria (the yield on AA corporate bonds) is justifiable.
29.	United Nations Group	B	There is no public sector specific reason to require application of a different discount rate in ED 31 from that used in IAS 19, "Employee Benefits". We recommend that the discount rate be determined by reference to market yields on high quality corporate bonds, as is done in IAS 19. Introducing this difference between IAS 19 and ED 31 reduces the comparability of information on employee benefits existing in the private sector and those occurring in the public sector and undermines convergence. If the IPSASB determines that yields from government bonds should be used as the first choice, with high quality corporate bond yields only used in particular exceptional circumstances, we recommend that the exceptions be expanded to allow international organizations to continue to apply yields from high quality corporate bonds
30	Royal Nivra (Netherlands)	B	No public-sector specific reason to deviate from the discount rate in IAS 19. If IPSASB remains of the opinion that the discount rate should be a risk-free rate, then we think the Standard should be more principles based by stating that the appropriate rate is a risk-free rate and offering te reporting entity various options to choose from.

SPECIFIC MATTER FOR COMMENT (5)

The Standard does not provide guidance for entities reporting in jurisdictions where there is a deep market in neither government bonds nor high quality corporate bonds. Do you think that such guidance is necessary, and, if so what should such guidance be?

SUMMARY OF OVERALL VIEW

GUIDANCE NOT NECESSARY	A	11
GUIDANCE NECESSARY	B	6
NO CLEAR VIEW EXPRESSED	C	13
TOTAL		30

Percentage supporting view (A) – out of those expressing view 65%
Percentage supporting view (B) – out of those expressing view 35%

	NAME	VIEW	COMMENT
1	Association of Chartered Certified Accountants (UK)	C	
2	Chartered Institute of Public Finance and Accountancy (UK)	A	There may be a need for guidance for entities reporting in jurisdictions where there are no deep markets in government bonds/high quality corporate bonds. However, given the complexities likely to be inherent in such jurisdictions, further detailed consideration would need to be given to the relevant alternatives which reflect their economic conditions. In the absence of such considerations, the Standard may need to acknowledge that it does not provide such guidance.
3	FAR SRS (Sweden)	A	
4	Institut der Wirtschaftsprüfer (IDW) (Germany)	B	

5	The Institute of Chartered Accountants in England & Wales	A	While we think such guidance might be useful, we do not believe it is necessary. Where there is no deep market it will be necessary to use a best estimate instead, which would necessarily be arrived at differently depending on the specific circumstances. As pointed out in the Basis for Conclusions, this is not specifically a public sector issue.
6.	Institute of Chartered Accountants of Scotland (UK)	A	Do not have sufficient information to be able to assess whether such guidance is necessary. However, we believe that if such guidance is necessary then it should not be included within this proposed standard but should be included in second tier guidance.
7	Institute of CPAs of Cyprus-Public Sector Committee	B	Standard could consider the use of government bonds effective interest rates, the market risk-free interest rate and the government bond rate in a global market in which there is trading activity by jurisdictions with common characteristics (e.g. Eurobond rates for EMU countries)
8	Japanese Institute of CPAs	B	Think that the Standard should define “the risk-free discount rate” first and give guidance and several examples. This will enable each reporting entity to determine which rate is the most appropriate as “the risk-free discount rate” in its jurisdiction.
9	South African Accounting Standards Board	A	Believe that the guidance provided in paragraph 93 ... is appropriate
10	United Kingdom Accounting Standards Board	A	
11	Australian Accounting Standards Board	C	
12	Heads of Treasury Accounting and Reporting Advisory Committee (HOTARAC) (Australia)	C	HOTARAC is ...of the opinion that the optimal approach to determine a discount rate for entities in jurisdictions where there is no deep market in government bonds or high quality corporate bonds, is to use an independent actuary. This will ensure that the rate used will reflect the nature, structure, risk and term of the obligations.

13	Ministry of Economy, Finance and Industry (France)	A	
14	Ministry of Finance of Quebec(Canada)	C	
15	National Financial Management Authority (Sweden)	C	
16	State of Geneva (Switzerland)	C	
17	Swiss Finance Ministers (Switzerland))	B	In such situations, public sector entities should apply the same interest rate like enterprises adopting IFRS in this country. In some cases this may be the interest rate calculated for a currency basket the country's currency is pegged to.
18	Treasury Board Secretariat (Canada)	C	
19	Australasian Council of Auditors-General	B	Believe that guidance should be provided to assist entities in determining whether a “deep market” exists for either government bonds or high quality corporate bonds. In the absence of a clear cut alternative for governments in the situation where there is neither a deep market in government bonds or high quality corporate bonds, guidance should be provided to require that a ‘best estimate’ be applied to minimise the risks, at one extreme, that the reliability of measurement might be used as a basis for non-recognition and, at the other, that as that liabilities might be understated by the application of too high a discount rate. The guidance should identify both factors that are relevant and factors that are not relevant in setting a rate in these circumstances.
20	Comptroller General of British Columbia (Canada)	A	Agree that the inclusion of guidance for these entities is not necessary.
21	American Academy of Actuaries (USA)	C	

22	Fédération des Experts Comptables Européens (FEE)	A	Given the complexities likely to be inherent in such jurisdictions, further detailed consideration would need to be given to the relevant alternatives which reflect their economic conditions. In the absence of such considerations, the Standard may need to acknowledge that it does not provide such guidance.
23	International Actuarial Association	C	
24	Jean-Bernard Mattret (France)	A	
25.	Johan Christiaens (Belgium)	C	
26.	Joseph S Maresca (USA)	C	
27.	Mahoney and Associates- Actuaries (USA)	C	
28.	Mercer Consulting (UK)	C	
29.	United Nations Group	A	There is no need for further guidance, because there will always be a deep market in high quality corporate bonds available to use as a reference. What appears to be needed is further guidance on identifying a deep market for high quality corporate bonds.
30	Royal Nivra (Netherlands)	B	Does not agree with wording of Specific Matter for Comment.

SPECIFIC MATTER FOR COMMENT (6)

Reporting entities should be permitted to adopt a policy of fully recognizing actuarial gains and losses in the period in which they occur in the Statement of Recognized Revenue and Expense in accordance with paragraph 106. If you do not think that such a policy is appropriate what requirements in relation to actuarial gains and losses should be reflected in the Standard?

SUMMARY OF OVERALL VIEW

POLICY OF FULL RECOGNITION IN NET ASSETS/EQUITY APPROPRIATE	A	18
POLICY OF FULL RECOGNITION IN NET ASSETS/EQUITY INAPPROPRIATE	B	4
NO CLEAR VIEW EXPRESSED	C	8
TOTAL		30

Percentage supporting view (A) – out of those expressing view 82%

Percentage supporting view (B) – out of those expressing view 18%

	NAME	VIEW	COMMENT
1	Association of Chartered Certified Accountants (UK)	C	
2	Chartered Institute of Public Finance and Accountancy (UK)	A	We agree. Permitting full recognition of actuarial gains and losses in the SORRE is an approach allowed by IAS 19. There are no sector specific reasons for restricting this treatment.
3	FAR SRS (Sweden)	A	
4	Institut der Wirtschaftsprüfer (IDW) (Germany)	A	In line with IAS 19.

5	The Institute of Chartered Accountants in England & Wales	A	We agree that entities should be permitted to adopt a policy of fully recognising actuarial gains and losses in the period in which they occur, in line with the provisions of IAS 19. In fact, we do not agree with the ‘corridor’ approach permitted under IAS 19, but regardless of this we do not believe it is appropriate in principle for the IPSASB to limit available options unless there are clear public sector imperatives to do so. We note that paragraphs 104 to 110 of the proposed IPSAS do embellish IAS 19, and it is not clear that this is to deal with issues specific to the public sector. We question whether this gilding of the IAS is appropriate.
6.	Institute of Chartered Accountants of Scotland (UK)	A	No sector specific reason to adopt a different approach.
7	Institute of CPAs of Cyprus-Public Sector Committee	A	
8	Japanese Institute of CPAs	A	
9	South African Accounting Standards Board	B	Support the elimination of alternative accounting treatments as far as possible. Believe that the introduction of this additional statement...would unduly complicate the presentation of financial statements in the public sector. Propose that gains and losses arising from the application of paragraph 68(b) as well as where entities elect to recognise actuarial gains and losses in the period in which they occur, be recognized in the statement of financial performance.
10	United Kingdom Accounting Standards Board	A	Although we dislike the corridor approach, we accept that it is allowed by IAS 19 and that it should be an option for the proposed IPSAS.
11	Australian Accounting Standards Board	A	These requirements are essentially the same as those of the revised IAS 19 (post December 2004).

12	Heads of Treasury Accounting and Reporting Advisory Committee (HOTARAC) (Australia)	A	<p>Option aligns with the statistical reporting requirements of the International Monetary Fund and will therefore progress the objective of GAAP-GFS harmonization.</p> <p>It should be noted that the “corridor” approach is not accepted under Government Finance Statistics (GFS). Accordingly, the IPSASB, as a proponent of harmonization of GAAP-GFS should try and ensure the proposed standard is harmonized with GFS requirements.</p>
13	Ministry of Economy, Finance and Industry (France)	A	
14	Ministry of Finance of Quebec(Canada)	B	<p>Recommends maintaining the existing obligation (sic) of recognizing experience gains and losses and impacts of adjustments to actuarial assumptions over the expected average remaining working lives of participants.</p>
15	National Financial Management Authority (Sweden)	B	<p>Don’t agree that actuarial assumptions should be changed each reporting period. The corridor method should therefore not be relevant because we prefer the use of a method of slow change in actuarial assumptions.</p>
16	State of Geneva (Switzerland)	C	
17	Swiss Finance Ministers (Switzerland))	A	<p>Fully agree with the treatment.</p>
18	Treasury Board Secretariat (Canada)	B	<p>Paragraph 105 already allows for a wide choice of recognition measures, from minimum amortization of gains and losses outside the corridor to any systematic method of faster recognition to results. Therefore an additional choice of immediate recognition of gains and losses that would be recorded to the liability and to a new statement affecting directly the equity does not seem necessary. Since these amounts would not need to be presented in the annual surplus or deficit, this additional choice could decrease the comparability of financial statements amongst governments and ultimately not serve well the public and we do not favour it.</p>

19	Australasian Council of Auditors-General	A	
20	Comptroller General of British Columbia (Canada)	A	Agree with the recognition of gains and losses in the period which they occur and consistent application of the valuation of the gains and losses. Full recognition of the actuarial gains and losses in the period in which they occur is consistent with the Province of BC's reporting practice.
21	American Academy of Actuaries (USA)	C	
22	Fédération des Experts Comptables Européens (FEE)	A	There are no sector specific reasons for restricting this treatment.
23	International Actuarial Association	C	
24	Jean-Bernard Mattret (France)	A	
25.	Johan Christiaens (Belgium)	C	
26.	Joseph S Maresca (USA)	C	
27.	Mahoney and Associates- Actuaries (USA)	C	
28.	Mercer Consulting (UK)	C	
29.	United Nations Group	A	
30	Royal Nivra (Netherlands)	A	

SPECIFIC MATTER FOR COMMENT (7)

The disclosures required for post-employment benefits in paragraph 140 are appropriate. If you consider that they are unduly onerous what disclosures should not be required? Conversely, if you think that the disclosures are inadequate what further disclosures would you include.

SUMMARY OF OVERALL VIEW

APPROPRIATE	A	12
UNDULY ONEROUS	B	8
INADEQUATE	C	-
NO CLEAR VIEW EXPRESSED	D	10
TOTAL		30

Percentage supporting views (A) (B) – out of out of those expressing view 60%

Percentage supporting view (B) – out of those expressing view 40 %

Percentage supporting view (C)) – out of those expressing view 0%

	NAME	VIEW	COMMENT
1	Association of Chartered Certified Accountants (UK)	D	
2	Chartered Institute of Public Finance and Accountancy (UK)	A	We agree. The detailed disclosures required for post-employment benefits closely reflect IAS 19. There are no sector specific reasons for adopting a different approach.
3	FAR SRS (Sweden)	A	
4	Institut der Wirtschaftsprüfer (IDW) (Germany)	A	Reflects closely IAS 19.
5	The Institute of Chartered Accountants in England & Wales	B	The proposed requirements are more extensive and more prescriptive than those in IAS 19. The IPSASB has not demonstrated that public sector entities are ill-served by the requirements of IAS 19, and we suggest that the IPSAS should follow the IAS 19.

6.	Institute of Chartered Accountants of Scotland (UK)	B	<p>Believe that the level of detail required in relation to the disclosure of information about pension scheme accounts in the accounts of public sector entities, for example the material in 140(e) and 140(f), would be unduly onerous for both reporting entities and the pension schemes having to provide the information. We recommend that the IPSASB considers reducing such disclosure requirements.</p> <p>With respect to additional disclosures, we would expect public sector entities to disclose within their accounts where pension scheme accounts can be obtained.</p>
7	Institute of CPAs of Cyprus-Public Sector Committee	B	<p>Believe that the ED becomes unduly onerous in requesting disclosures 140(d) and 140(o).</p>
8	Japanese Institute of CPAs	A	
9	South African Accounting Standards Board	A	<p>While the disclosures in paragraph 140 are lengthy, we are of the opinion that they provide users with pertinent information about the nature of an entity's post-employment obligations; and how the plan and obligations have performed, and increased or decreased over a number of years. Paragraph 142 users with pertinent information about the nature of an entity's post-employment obligations; and how the plan and obligations have performed, and increased or decreased over a number of years. Paragraph 142 permits entities to aggregate information about their various plans, and we believe that this will enable users to present information in a meaningful and less cumbersome manner.</p> <p>However, we suggest that entities with many defined pension plans should be provided with the option to disclose combined information (for all plans) instead of per plan. Many public entities have many defined pension plans and hence the requirement to disclose the information per plan would be onerous.</p>

10	United Kingdom Accounting Standards Board	A	Consider the proposed disclosure requirements are appropriate. We would also draw your attention to the ASB's Reporting Statement, "Retirement Benefits-Disclosures", which suggests additional disclosures, particularly in terms of providing users of financial statements to obtain a clear view of the risks and rewards arising from defined benefit pension schemes.
11	Australian Accounting Standards Board	D	
12	Heads of Treasury Accounting and Reporting Advisory Committee (HOTARAC) (Australia)	B	HOTARAC believes that the disclosure requirements....are excessive and include unnecessary repetition. The disclosure requirements have not been tailored for the nature and risks associated with public sector post-employment benefits. As such HOTARAC has identified a number of disclosure requirements that should be deleted. Disclosure requirements that HoTARAC believes should be deleted are paragraphs 140(h),(i), (k) and (q).
13	Ministry of Economy, Finance and Industry (France)	A	
14	Ministry of Finance of Quebec (Canada)	D	
15	National Financial Management Authority (Sweden)	B	More important to have risk assessment how changes in actuarial assumptions affect the annual report.
16	State of Geneva (Switzerland)	D	
17	Swiss Finance Ministers (Switzerland))	B	Would welcome a more condensed list of disclosures in order to help the readers of the financial statements, although paragraph 140 does not cause substantial difficulties for the preparers. We think that the most essential information is listed in paragraph 140(n).
18	Treasury Board Secretariat (Canada)	B	Do not agree with disclosures proposed at paragraph 140(o), 140(p) and 140(q).)

19	Australasian Council of Auditors-General	A	
20	Comptroller General of British Columbia (Canada)	B	Agree with the disclosure in paragraph 140 but would suggest that the high level of aggregation a government reports at in the summary financial statements the information will not be enhanced by more disclosure at the aggregated level. At a segregated level, a Hospital Society for example would disclose in their financial statements the level of detail suggested in paragraph 140. Therefore, disclosure of the details outlined in paragraph 140 would be complied with in our jurisdiction through a combination of the aggregated and segregated levels of reporting.
21	American Academy of Actuaries (USA)	D	
22	Fédération des Experts Comptables Européens (FEE)	A	The detailed disclosures required for post-employment benefits closely reflect IAS 19. There are no sector specific reasons for adopting a different approach.
23	International Actuarial Association	D	
24	Jean-Bernard Mattret (France)	A	
25.	Johan Christiaens (Belgium)	D	
26.	Joseph S Maresca (USA)	D	
27.	Mahoney and Associates- Actuaries (USA)	D	
28.	Mercer Consulting (UK)	D	
29.	United Nations Group	A	
30	Royal Nivra (Netherlands)	A)

SPECIFIC MATTER FOR COMMENT 8

This Standard becomes effective for reporting periods commencing on a date five years after its issuance, although it can be applied earlier (paragraph 175). If you do not agree with this approach do you think that there should be different dates for the introduction of requirements for different types of employee benefit?

SUMMARY OF OVERALL VIEW

AGREE	A	12
DISAGREE OR CONSIDER THAT DIFFERENT DATES SHOULD BE APPLIED FOR DIFFERENT TYPES OF EMPLOYEE BENEFITS	B	5
NO CLEAR VIEW EXPRESSED	C	13
TOTAL		30

Percentage supporting view (A) – out of those expressing view 71%
Percentage supporting view (B) – out of those expressing view 29%

	NAME	VIEW	COMMENT
1	Association of Chartered Certified Accountants (UK)	B	Broadly support the proposal (but) we consider that consideration should be given to reducing the lead-time for the adoption of proposals relating to accounting for short-term employee benefits.
2	Chartered Institute of Public Finance and Accountancy (UK)	C	We have no observations to make on the effective date; the important thing is that early adoption is permitted.
3	FAR SRS (Sweden)	B	Feels that a five year conversion period will cause comparability problems.
4	Institut der Wirtschaftsprüfer (IDW) (Germany)	C	Important thing is that early adoption is permitted.
5	The Institute of Chartered Accountants in England & Wales	A	We agree with a five-year deferral of full implementation, but we suggest that full disclosures should be required after, say, two or three years

6.	Institute of Chartered Accountants of Scotland (UK)	B	A five year transitional period seems excessive for any standard therefore it would have been helpful if the consultation document included details of why a five year period had been chosen. The ability to adopt the proposed standard early notwithstanding, we question whether it is worthwhile developing an IPSAS on employee benefits as the International Accounting Standards Board plans to issue a revised IAS 19 in 2010 and we recommend that the IPSASB considers delaying this project for the time being
7	Institute of CPAs of Cyprus-Public Sector Committee	A	
8	Japanese Institute of CPAs	A	
9	South African Accounting Standards Board	A	
10	United Kingdom Accounting Standards Board	A	Whilst we accept the need for the proposed effective date to be five years after the date the proposed standards is issued, with early adoption permitted, we would seek stronger encouragement of the early adoption option.
11	Australian Accounting Standards Board	C	
12	Heads of Treasury Accounting and Reporting Advisory Committee (HOTARAC) (Australia)	A	The period proposed in ED 31 is sustainable, provided that IPSASB monitors IAS 19 and makes changes as required.
13	Ministry of Economy, Finance and Industry (France)	B	Transitional provisions are a better way to implement such a standard.
14	Ministry of Finance of Quebec (Canada)	C	

15	National Financial Management Authority (Sweden)	A	
16	State of Geneva (Switzerland)	C	
17	Swiss Finance Ministers (Switzerland))	B	Advocate a much shorter period until effective date. From our experience, the preparation of the relevant information ..should be possible within one year. Longer periods bring the disadvantage of full compliance with IPSAS even if substantial information....is missing of feefficiently measured.
18	Treasury Board Secretariat (Canada)	C	
19	Australasian Council of Auditors-General	A	Believes that the entire Standard should become effective at the same time.
20	Comptroller General of British Columbia (Canada)	A	Agree that the effective date of five years after the issuance date is appropriate and that the application should be within this timeframe for all benefit plans. This provides adequate time to address transitional issues and to ensure the detailed information is accessible in order to comply with reporting requirement
21	American Academy of Actuaries (USA)	C	
22	Fédération des Experts Comptables Européens (FEE	C	We have no observations to make on the effective date; the important thing is that early adoption is permitted.
23	International Actuarial Association	C	
24	Jean-Bernard Mattret (France)	A	
25.	Johan Christiaens (Belgium)	C	
26.	Joseph S Maresca (USA)	C	
27.	Mahoney and Associates- Actuaries (USA)	C	

28.	Mercer Consulting (UK)	C	
29.	United Nations Group	A	
30	Royal Nivra (Netherlands)	A	

SPECIFIC MATTER FOR COMMENT 9

On first time adoption of this Standard all actuarial gains and losses related to initial liabilities for defined benefit obligations should be recognized in opening accumulated surpluses or deficits. If you disagree with this treatment please give your reasons.

SUMMARY OF OVERALL VIEW

AGREE	A	17
DISAGREE	B	1
NO CLEAR VIEW EXPRESSED	C	12
TOTAL		30

Percentage supporting views (A)– out of those expressing view 94%
Percentage supporting view (B) – out of those expressing view 6%

	NAME	VIEW	COMMENT
1	Association of Chartered Certified Accountants (UK)	C	
2	Chartered Institute of Public Finance and Accountancy (UK)	A	We agree that on first time adoption all actuarial gains and losses related to initial liabilities for defined benefit obligations should be recognized in opening accumulated surpluses or deficits. This is consistent with IAS 19 as applied today, following the extinction of the five year transitional period.
3	FAR SRS (Sweden)	A	
4	Institut der Wirtschaftsprüfer (IDW) (Germany)	A	
5	The Institute of Chartered Accountants in England & Wales	A	

6.	Institute of Chartered Accountants of Scotland (UK)	B	<p>Recommend that the provisions on first time adoption for this proposed standard are consistent with the requirements for first time adoption of IAS 19, specifically paragraphs 153 to 156 and paragraph 160 of IAS 19.</p> <p>The first sentence of paragraph 168, which is in grey text, effectively repeats the first sentence of the material in 167, which is in bold text. We recommend that, if the material in paragraph 168 is unchanged following the consultation, paragraph 167 is amended to avoid any duplication of the material in paragraph 168.</p>
7	Institute of CPAs of Cyprus-Public Sector Committee	A	
8	Japanese Institute of CPAs	A	
9	South African Accounting Standards Board	A	<p>Supports this approach from a practicality point of view. Given that many entities in the public sector have more than one defined contribution and defined benefit plan, it may be easier for them to recognize all gains and losses arising on initial recognition and to apply the provisions in the Standard relating to actuarial gains and losses prospectively.</p>
10	United Kingdom Accounting Standards Board	A	
11	Australian Accounting Standards Board	A	<p>Whilst the Board recognizes that this proposal differs from the requirements of IAS 19, “Employee Benefits”, whereby entities can elect to recognise any increase in the liability over five years, it considers that the proposal is reasonable because the proposed IPSASB’s application date is five years after issuance of the IPSAS.</p> <p>The Board further agrees that any cumulative actuarial gains and losses from the inception of the defined benefit plan(s) until the date of first adoption of the Standards should not be split into recognised and unrecognised portions. The Board considers that this “clean slate” approach is appropriate because public sector entities that apply the IPSAS might not have the necessary records to determine the recognized/unrecognized portion of cumulative actuarial gains and losses.</p>

12	Heads of Treasury Accounting and Reporting Advisory Committee (HOTARAC) (Australia)	C	
13	Ministry of Economy, Finance and Industry (France)	A	
14	Ministry of Finance of Quebec (Canada)	C	
15	National Financial Management Authority (Sweden)	C	
16	State of Geneva (Switzerland)	C	
17	Swiss Finance Ministers (Switzerland))	A	
18	Treasury Board Secretariat (Canada)	C	

19	Australasian Council of Auditors-General	A	Acknowledge that it may be difficult to obtain prior period information to satisfy the reporting requirements of the Standard if an entity decided to early adopt or where the entity prepares comparative information for more than one reporting period. Accordingly, we believe that an entity should be allowed to: (a) retrospectively apply the requirements of the standard to all comparative periods as long as a consistent policy is applied to all subsequent reporting periods; or (b) recognise all actuarial gains and losses in the opening accumulated surpluses or deficits of the earliest comparative period; or (c) recognise all actuarial gains and losses related to initial liabilities for defined benefit obligations in the opening accumulated surpluses or deficits on first time adoption where it is impracticable for an entity to restate its comparative information to satisfy the requirements of the Standard.
20	Comptroller General of British Columbia (Canada)	A	Agree in order to apply these standards consistently once adopted the opening accumulated surpluses or deficits should recognize all actuarial gains and losses related to liabilities of defined benefit obligations to that date.
21	American Academy of Actuaries (USA)	C	
22	Fédération des Experts Comptables Européens (FEE)	A	Agree that on first time adoption all actuarial gains and losses related to initial liabilities for defined benefit obligations should be recognized in opening accumulated surpluses or deficits. This is consistent with IAS 19 as applied today, following the extinction of the five year transitional period.
23	International Actuarial Association	C	
24	Jean-Bernard Mattret (France)	A	
25.	Johan Christiaens (Belgium)	C	
26.	Joseph S Maresca (USA)	C	
27.	Mahoney and Associates- Actuaries (USA)	C	

28.	Mercer Consulting (UK)	C	
29.	United Nations Group	A	
30	Royal Nivra (Netherlands)	A	

SPECIFIC MATTER FOR COMMENT 10

The reliefs from providing comparative information in the first year of adoption of this Standard and from making disclosures requiring comparative information and information from prior periods are appropriate If you do not think that these reliefs are appropriate please give your reasons

SUMMARY OF OVERALL VIEW

APPROPRIATE	A	14
INAPPROPRIATE	B	3
NO CLEAR VIEW EXPRESSED	C	13
TOTAL		30

Percentage agreeing with view (A) – out of those expressing view 82%
 Percentage agreeing with view (B) – out of those expressing view 18%

	NAME	VIEW	COMMENT
1	Association of Chartered Certified Accountants (UK)	C	
2	Chartered Institute of Public Finance and Accountancy (UK)	A	We are content with the proposed reliefs from providing comparative information in the first year of adoption. These may facilitate earlier adoption in some jurisdictions.
3	FAR SRS (Sweden)	A	
4	Institut der Wirtschaftsprüfer (IDW) (Germany)	A	
5	The Institute of Chartered Accountants in England & Wales	B	Do not believe that these reliefs are appropriate. If our suggestion to require full disclosure before five years is adopted, the information for comparatives will be available anyway. Regardless of this, we believe that five years provides sufficient time for entities to be able to present comparative information in the first year of adoption.

6.	Institute of Chartered Accountants of Scotland (UK)	A	We would prefer comparative information in relation to disclosures to be included in the first year the standard is adopted and it is important to bear in mind that a requirement to supply prior year comparatives could encourage entities to undertake preparatory work for adoption on a more timely basis; this could potentially reduce any difficulties arising on implementation. However, we appreciate that the reliefs are being offered to encourage earlier adoption and on balance we support this approach. A reduction in the disclosure requirements contained in paragraph 140 along the lines we propose, under specific matter for comment 7, may encourage the disclosure of comparative information in the first year of adoption.
7	Institute of CPAs of Cyprus-Public Sector Committee	A	
8	Japanese Institute of CPAs	A	
9	South African Accounting Standards Board	A	Given the extensive disclosures, calculations and valuations, it would be unduly onerous for entities to apply this Standard retrospectively or to restate their previous financial information.
10	United Kingdom Accounting Standards Board	A	We consider that the reliefs from providing comparative information in the first year of adoption of the proposed standard are reasonable, although we would encourage this information to be provided where available.
11	Australian Accounting Standards Board	C	
12	Heads of Treasury Accounting and Reporting Advisory Committee (HOTARAC) (Australia)	B	HoTARAC is of the view that relief on providing comparative information is not appropriate. Comparative information provides trend information on the performance of the entity. With the Standard not becoming mandatory for five years after the Standard is issued, entities will have adequate time to collect & prepare trend information.
13	Ministry of Economy, Finance and Industry (France)	A	

14	Ministry of Finance of Quebec (Canada)	C	
15	National Financial Management Authority (Sweden)	C	
16	State of Geneva (Switzerland)	C	
17	Swiss Finance Ministers (Switzerland))	C	Linked to answer 8 (implementation arrangements). (With) a one year effective period only, consider these reliefs to be appropriate. However, if a period longer than one year is applied.... There should be no reliefs in respect of comparative information.
18	Treasury Board Secretariat (Canada)	C	
19	Australasian Council of Auditors-General	A	
20	Comptroller General of British Columbia (Canada)	B	Feel providing comparative information in the first year is appropriate. Reporting comparative information compiled in a consistent basis is instrumental in providing reliable, comparable and understandable information to the users of the financial statements.
21	American Academy of Actuaries (USA)	C	
22	Fédération des Experts Comptables Européens (FEE)	A	Content with the proposed reliefs from providing comparative information in the first year of adoption. These may facilitate earlier adoption in some jurisdictions.
23	International Actuarial Association	C	
24	Jean-Bernard Mattret (France)	A	
25.	Johan Christiaens (Belgium)	C	
26.	Joseph S Maresca (USA)	C	

27.	Mahoney and Associates-Actuaries (USA)	C	
28.	Mercer Consulting (UK)	C	
29.	United Nations Group	A	
30.	Royal Nivra (Netherlands)	A	

ED 31. "EMPLOYEE BENEFITS" SUMMARY OF OTHER COMMENTS

Submission Number	Name	Respondent Comment	Staff Response
		REFERENCES TO SHARE-BASED PAYMENTS AND PROFIT-SHARING	
6	Institute of Chartered Accountants of Scotland	Paragraph 2 refers to share based payments being excluded from the proposed standard. As IPSASs are to be applied by public sector entities which are not business enterprises any mention of share based payments within IPSASs may not be unnecessary. However, if government business enterprises operate share ownership schemes, although we are not aware of any, it may be appropriate to refer to share based payments within IPSAS for the purposes of preparing group accounts. In paragraph 5(a) and in the heading above paragraph 20 the reference to 'profit-sharing' does not seem to fit with the public sector context.	Staff accepts that share-based payments schemes are likely to be very rare in the public sector outside GBEs. However, staff considers it appropriate to retain the scope exclusion in IAS 19. In acknowledgement of the likelihood that profit-sharing is likely to be rare in the public sector commentary will be modified to include references to "bonus plans that are related to service delivery objectives or aspects of financial performance". Headings will also be modified to reduce the salience of "profit-sharing". Staff recommends the use of the term "performance -related payments and bonus plans" as suggested by the South African Accounting Standards Board below..
9	South African Accounting Standards Board	Paragraph 21 states that: 'Because of the nature of public sector entities, profit sharing plans are far less common in the public sector than for profit oriented entities.' We believe that this is particularly the case in the South African public sector. Entities that operate on a commercial basis do not apply public sector accounting standards, and we therefore propose that references to profit-sharing bonuses be deleted and that the term 'performance bonuses' be used.	Accept. See above.

9	South African Accounting Standards Board	Use the terminology 'bonus payments' and 'profit sharing payments' consistently throughout the text of the document. For example the last sentence of paragraph 21 refers to 'performance related payments, bonus payments, and profit sharing payments', whereas paragraph 23 refers to 'performance related payments and bonus plans	Accept and will review.
		CONSEQUENTIAL AMENDMENT TO IPSAS 20	
9	South African Accounting Standards Board	IPSAS 20 currently does not include in its definition of a related party 'a post employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.' As a result, IPSAS 20 does not require the disclosure of transactions with post-employment benefit plans. We propose that appropriate consequential amendments be made to IPSAS 20.	Agrees that a consequential amendment to definition of related party in paragraph 4 of IPSAS 20 is necessary. See memorandum at 6.0 for further discussion.
		MULTI-EMPLOYER PLANS WITH COMMON RATES	
30	Royal Nivra	Standard should give more guidance on multi-employer plans with common rates. In the Netherlands many pension funds apply common rates to all entities participating in the fund. Paragraph 35 must be clearer on the use of the defined contribution approach in this case. Suggested wording is: <i>In the case of a multi-employer plan with common rates for employer and employee contributions there is no reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan. Therefore, a multi-employer plan with common rates is accounted for in accordance with paragraph 32.</i>	Staff considers that the final sentence of paragraph 35(b) should be deleted, because, in the light of the Royal Nivra submission, this is clearly not a public sector specific issue.
		STATE PLANS: COMPARISON WITH IAS 19	
9	South African Accounting Standards Board	Propose that a paragraph be inserted in the Comparison with IAS 19 to the deviation from the text (i.e. removing the wording 'not subject to control or influence of the reporting entity) in IAS 19 regarding state plans, as well as the additional commentary paragraphs that were inserted in the proposed Standard	Agree.

		VALUATION OF ASSETS AT MARKET VALUE	
14	Ministry of Finance of Quebec	Public sector entities should be free to use any asset valuation method that converges towards market value over a reasonable time horizon in order to maintain a degree of stability in asset valuation.	The requirement that plan assets be measured at fair value at the reporting date and deducted from the carrying amount of the obligation is central to IAS 19. Staff acknowledges the view that a reliance on fair value can lead to volatility, but considers that there is no clear public sector reason for divergence from IAS 19 and that the introduction of wide discretion in valuation methods will undermine consistency between public sector entities.
		PAST SERVICE COST ARISING FROM CHANGES TO CONDITIONS OF RETIREMENT PLANS	
14	Ministry of Finance of Quebec	The recognition method should be systematic, which is not the case in the proposed standard. .. Any changes having an impact on past service should be recognized over the expected average remaining working lives of participants	ED 31 mirrors IAS 19 in its treatment of past service cost. Subject to constraints prohibiting the recognition of gains solely as a result of past service cost in the reporting period, past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested, following plan changes, past service cost is recognized immediately. Staff does not think that there is a public sector specific reason to permit further deferral beyond that permitted in IAS 19 and incorporated into ED 31.

		OTHER EMPLOYEE BENEFITS: ACTUARIAL GAINS AND LOSSES	
14	Ministry of Finance of Quebec	Governments should be free to choose the method of recognition of actuarial gains and losses provided they apply the same method for actuarial gains and losses and apply it consistently from one period to the next	ED 31 mirrors IAS 19 in requiring actuarial gains and losses related to other long-term employee benefits to be recognized immediately with no application of the "corridor" as with post-employment obligations. Staff does not consider that there is a public sector specific reason to deviate from the IAS 19 approach.
		MULTI-EMPLOYER PLANS AND PLANS UNDER COMMON CONTROL	
18	Treasury Board Secretariat: Canada	<p>Paragraph 35 states that a public sector entity participating in a defined benefit multi-employer plan "will normally" have access to sufficient information to account for its share of the defined benefit obligation, and only in "rare cases", when it does not have such access, it may account for the plan, as if it were a defined contribution plan.....The contrary may be more common in the public sector.</p> <p>In such a case we are of the opinion that only the higher level of government or the organization sponsoring the plan should have to provide any information about the accrued benefits of the plan as a whole.</p> <p>We recommend that controlled entities should only be required to account and present the benefits as for a defined contribution plan.</p>	Staff considers that there is considerable merit in this proposal, provided that there is a full reference in the financial statements of the controlled entity to the fact that aggregate information on the defined benefit obligation is presented in the financial statements of the controlling entity.

		CLASSIFICATION OF DISABILITY BENEFITS AS "OTHER LONG-TERM EMPLOYEE BENEFITS" AND TREATMENT OF ACTUARIAL GAINS AND LOSSES AND OF PAST SERVICE COSTS	
18	Treasury Board Secretariat: Canada	"Long-term disability benefits" are too significant for governments to be in this category (i.e. other long-term benefits). We recommend that disability benefits incurred by governments be classified with the other post-employment defined benefits and follow the same accounting rules for recognition of gains and losses and past service costs.	Staff acknowledges that, in many jurisdictions, disability benefits are likely to be highly financially significant. Staff also acknowledges that part of the rationale for their treatment on a simplified basis in IAS 19 is "the introduction of, or changes to, other long-term employee benefits rarely causes a material amount of past service cost." This rationale may not be so clear-cut in the public sector. Staff is not fully convinced that there is a sufficiently specific public sector reason to depart from IAS 19 and classify long-term disability benefits as post-employment benefits rather than other long-term employee benefits. However Staff suggests that the example of long-term disability benefits is deleted from the example of other long-term employee benefits in paragraph 146.

		CURRENT SERVICE COST AND PRESENTATION	
18	Treasury Board Secretariat: Canada	<p>At page 14 of the ED, current service cost is defined as follows: "Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period." This definition would technically refer to the gross amount that would increase a future benefit liability in a period, irrespective of the amount of contributions provided by governments or employees. However, there are inconsistencies as to how this concept is used in paragraph 140. -Paragraph 140 (c) (i) requires disclosure of the current service cost in the reconciliation of the defined benefit obligation. This would be based on the definition at page 14, except that c) iii) later requires information about plan participants' contributions. This amount would normally not enter in this reconciliation, unless the current service cost is considered to be a net amount</p>	<p>The definition of current service cost at paragraph 10 and the disclosure at paragraph 140 mirror those in IAS 19. Staff raised the points made by the Treasury Board Secretariat with IASB Staff. The view of IASB Staff is that employer contributions (a cash flow from the employer to the plan) are not part of current service cost (an expense). Staff therefore does not consider that there is any need to amend the ED.</p>
		<p>Paragraph 140 (g) (i) requires disclosure of the current service cost in the benefit expense. However, the amount in expense should be the net of the "current service cost" as defined at page 14 less any plan member's contributions. Therefore, the information on plan member's contributions should either appear here instead of at (c) (iii) or the definition of "current service cost" should be revisited or a new item called "net current service cost" should be added to be shown in expense.</p>	<p>See above.</p>

		ASSET CAP	
28	Mercers	There is a very real difference between central Government plans and public companies as far as the surplus cap is concerned. Fundamentally, central government will find it much easier to benefit from surplus assets than public companies. Current laws preventing asset refunds or controlling the use of assets can generally be changed, and any assets that are "unrecoverable" on the closure of a plan would generally fall into Government coffers. We recommend that paragraph 68(b) is replaced with "the maximum amount that is considered to be of practical use to the entity" and that paragraphs 69, 70 and 72 are deleted. This would be appropriate for both central Government and other Government entities.	At the whole-of-government level Staff acknowledges the argument that if a plan controlled by central government is closed any assets are likely to be recovered by the government. However, staff does not consider that this is a justification for the deletion of the provisions on asset caps in paragraphs 68-72 for all public sector entities. Staff also notes that there is a requirement at paragraph 140(f)iii) that requires the disclosure of any amount not recognized as an asset, so that this information is available to users.
		USE OF PROJECTED UNIT CREDIT METHOD	
28	Mercers Human Resource Consulting	Projected unit method does not provide a uniform budgeting of cost. Referring to the attributed benefit as the amount of benefit that employees have "earned" for their service in current and prior periods (paragraph 60(a)) may be misleading. The benefit "earned" would normally be understood as the related termination benefit. the current unit method attributes benefits in a way that more closely matches benefits "earned" under a typical defined benefit plan.	The Basis for Conclusions in IAS 19 explains the IASB's reasoning for adopting the projected unit credit method. Regardless of any deficiencies staff does not think that there is an adequate reason for divergence from IAS 19.

		FUND ACCOUNTING	
25	Johan Christiaens	In fund accounting used by the American GASB standards attention is paid to so-called hybrid funds of which pension funds are a good example. GASB considers a number of funds that are accounted for separately. The financial statements of those funds are disclosed separately except for their "Government-Wide Statements" in which they are all integrated. An interesting question would be to what extent is such a fund accounting approach consistent with IPSAS ED 31. In other words, is it acceptable that governments do not disclose pension provisions in their Statement of Financial Position, but refer to the separate financial statements of a juridical or factual separate entity? Is it in accordance with IPSAS ED 31 for a government allowed to disclose their Statement of Financial Position with unrecorded pension provisions stating that pensions will be reported separately like in a pension fund.	Both the separate Introduction (paragraph IN 1) and the Scope (paragraph 3) state that the ED does not apply to retirement benefit plans. Simply referring to the statements of another entity rather than recognizing expenses and liabilities in an entity's own statements would not be in accordance with the requirements in the ED. The issue of fund accounting seems general and is best explored in the conceptual framework project.
		SCOPE	
25	Johan Christiaens	Unless we misunderstood IPSAS ED 31 we have the impression that only governmental employees are considered (see also paragraph 43 of ED 31). Around the world many governments not only insure the pension of their employee, but also the pensions for which enterprises have contributed for their personnel. Many countries prohibit enterprises to insure themselves the pensions for their retirees. Therefore, enterprises should deduct social security amounts including contributions for pensions and transfer these resources to a certain central government that will ensure the legal pension of those enterprise employees. The same central government is often also the insurer of governmental staff in certain other governments. A rather important question now occurs: is IPSAS ED 31 regulating only the pension benefits of the employees and retirees of a certain government or also the pension benefits for which mostly the central government is the insurer? We have the impression that only the former are discussed. One could argue that the term employee should be extended to citizens for which the government plays the role of pension insurer	Staff acknowledges the financial significance of potential governmental obligations to the employees of other entities through social security programs and also the significance of programs where government is guarantor of last resort for private sector pension plans. However, the scope of the ED is limited to employee benefits of reporting entities.

		TRANSITION PERIOD FOR OTHER LONG-TERM LIABILITIES	
29	United Nations System	<p>We recommend that a five year transition period with respect to recognition of long term liabilities be included for this standard. The following paragraph should be included in the section headed 'First Time Adoption of the Standard.'</p> <p>Entities are not required to recognize long term employee benefit liabilities accumulated prior to the date of first adoption for reporting periods beginning on a date within three years following the date of first adoption of accrual accounting in accordance with International Public Sector Accounting Standards.</p> <p>This transitional period is necessary in order to give entities the time they need to collect information required to meet the measurement and disclosure requirements for long term employee liabilities.</p>	<p>The five year transition period suggested is effectively provided by the proposal that the Standard becomes effective for annual financial statements covering periods beginning five years after issuance. Staff does not think that further transitional provisions for other long-term benefits are necessary.</p>
		REIMBURSEMENTS	
29	United Nations System	<p>We recommend that paragraph 121 be deleted. This paragraph is unclear and may encourage entities to recognize 'artificial assets' which do not meet the normal definition and recognition criteria for assets. We consider that paragraph 120 and the general definition of assets used in IPSAS provide sufficient guidance on this.</p>	<p>Staff accepts this point and proposes to consolidate the opening sentence of paragraph 121 into paragraph 122 and delete the rest of existing paragraph 121.</p>

		ULTIMATE RESPONSIBILITY FOR RISK	
25	Johan Christiaens	<p>Insurance - Reinsurance: In many countries insurance and reinsurance companies are seriously regulated in their activities, accounting policies and financial reporting. On the other hand governments often play an important role in (re)insurance activities without being regulated from an accounting point of view. e.g. International governmental – non-profit organisations can have many persons on their payroll. As an employer often they are also paying out their retirees and they seem to be the insurer of the pension liabilities leading to the need for disclosing pension provisions. However, it is fairly possible that the resources they receive from their member countries take yearly into account the pensions to be paid out. Hence, one can argue that actually the international organisation seems to be the pension insurer, but like in a 100% Quota Share insurance the international organisation is reinsured by the member countries. Then the question arises who is actually the insurer and the reinsurer or is it a relationship of insurer and “agent” and what will be the accounting consequences?</p> <p>Who has to account for the provisions? Our suggestion is to deal with this problem in ED 31.</p>	Staff acknowledges that the issue of ultimate risk may be relevant in a number of jurisdictions, but does not consider it appropriate to provide detailed guidance on this issue.
		OTHER	
24	Jean-Bernard Matter	All examples should be authoritative.	Staff agrees that examples in body of text should be authoritative.
27	Mahoney and Associates	Commentary in Paragraph 62 should clarify what is meant by “...unacceptable damage...” in terms of employee relations.	The phrase "unacceptable damage" is taken directly from paragraph 3(c) of IAS 19. Staff does not see any reason to expand.
27	Mahoney and Associates	Commentary in paragraph 79 should be specific in terms of how to demarcate period during which "no material amount of further benefits is accrued".	The commentary mirrors that in paragraph 70 of IAS 19.

27	Mahoney and Associates	Commentary in paragraph 84 should clarify what is meant by "mutually compatible" actuarial assumptions.	The term "mutually compatible" in the context of actuarial assumptions parallels paragraph 72 of IAS 19. Commentary in paragraph 87 explains the term. Staff does not consider that there is any reason to add further explanation.
27	Mahoney and Associates	Commentary in Paragraph 67 should be specific in terms of entities retaining a "...qualified actuary..." to measure material post-employment obligations.	Staff does not think it appropriate to go into more detail by, for example, listing detailed professional qualifications or membership bodies.
27	Mahoney and Associates	Commentary in paragraph 100 should clarify that the impact of medical inflation on medical costs is to be recognized.	It is stated in black letter that "medical costs shall take account of estimated future changes in the cost of medical services". Staff sees no reason to repeat this in commentary.
27	Mahoney and Associates	Amortization suggested in paragraph 115 is impractical when benefits do not vest, as is the case with most post-employment healthcare benefit obligations	This reference mirrors the reference in paragraph 100 of IAS 19 (2004)
27	Mahoney and Associates	The reference to "...plans operating in a high inflation environment..." requires elaboration with examples.	The reference at paragraph 140(o) mirrors that in paragraph 120(o) of IAS 19. Whilst Staff acknowledges that further clarification might be useful this is not a public sector specific issue.
27	Mahoney and Associates	Examples illustrating paragraph 82 note that "employees expected to leave within 10 years..." are to be excluded from attribution. From a probabilistic perspective, this is not practical without doing extremely costly, labor-intensive Monte-Carlo modelling.	The example is derived from IAS 19.
28	Mercers Human Resource Consulting	Interpretation of IAS 19 for multi-employer plans has been very difficult in some countries (particularly the Netherlands). We believe that multi-employer plans are particularly common in the public sector and that better guidance in applying the standard in this area will be needed.	Accept that guidance will be helpful, but do not think that it is appropriate to modify requirements and commentary related to multi-employer plans. Further guidance is better left to other sources.

28	Mercers Human Resource Consulting	Note that government plans will often include significant amounts of government debt and wonder whether anything is gained from treating this as self-investment.	Staff considers that this is primarily an issue when and if an IPSAS based on IAS 26, "Accounting and Reporting by Retirement Benefit Plans" is developed.
28	Mercers Human Resource Consulting	Section on frequency of valuation (paragraph 66) would be more helpful if the FAS 87 terminology-"reasonably expected not to be materially different...." were used (Staff Note: paragraph 66 mirrors paragraph 56 of IAS 19 and uses stronger phrase "do not differ materially.")	Staff assumes that the differences between the FASB and IASB wording will be picked up and considered as part of the Convergence project. Staff does not think that there is a public sector specific rationale to align the wording with FAS 87, unless, and until, IAS 19 is modified.
28	Mercers Human Resource Consulting	Wonder whether minor contingencies such as the risk of Insurance Company default (with liability falling back on the entity) might be better handled by a short disclosure of risk rather than by turning a defined contribution plan disclosure into a defined benefit plan disclosure because of this risk.	Staff does not think that there is a public sector specific reason to modify the requirements relating to "Insured Benefits", which mirror paragraphs 39-42 of IAS 19.
28	Mercers Human Resource Consulting	Understand that the five-year spreading forward of increased liability mentioned in the "comparison with IAS 19" on page 89 is no longer available under IAS 19.	Transitional provisions in the version of IAS 19 in the current IFRS Compendium allow an entity to make an irrevocable choice to recognize an increase in liability as an expense on a straight line basis over up to five years from the date of adoption.
29	United Nations System	We recommend the inclusion of further guidance on short-term employee benefits, including examples that illustrate recognition point, measurement and disclosures.	Staff accepts that some users might find further guidance worthwhile, but does not think that there is a public sector specific reason to include such guidance in a Standard. Staff also notes that the ED does not proposed specific disclosures

25	Johan Christiaens	In certain governments pension benefits increase caused by a likewise increase in the salaries of the current employees. Thus, in case the wages of the current governmental personnel are increased as a consequence of e.g. increasing productivity, the retired governmental employees are given a rise in their pension payments. The philosophy of this kind of regulation is that you should not let your governmental retirees down when improving the salary conditions for the current employees. In general this kind of change is taken care of in ED 31. Nevertheless, the example above might be an additional more specific example.	Staff considers that this is dealt with adequately in paragraphs 95 and 97 which require the measurement of post-employment obligations to reflect requirements for an entity to change benefits in future periods if required by the formal terms of a plan or a constructive obligation that goes beyond those terms.
29	United Nations System	There appear to be some errors in the examples on pages 36 to 53. We recommend that these examples be reviewed and checked for errors.	Staff will liaise with UN system staff and review as part of development of Standard