

PROJECT HISTORY

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The IPSASB discussed the remaining key issues in the revision of IPSAS 25, *Employee Benefits*.

Net Interest Approach

The IPSASB decided to include the net interest approach in the proposed revisions to IPSAS 25. The IPSASB acknowledged that the net interest approach is not reflected in Government Finance Statistics (GFS) reporting guidelines. This is due to the different objectives of GFS, rather than to a public sector specific reason that warrants departure from IAS 19.

Discount Rate to Value Post-Employment Benefit Obligations

The IPSASB considered the different requirements in IPSAS 25 and IAS 19 regarding the section on discount rate.

The IPSASB agreed with staff recommendation to delete paragraph 95 because it was not identified a public sector specific reason to maintain it.

Regarding the paragraphs 91 and 94 in IPSAS 25 when comparing with paragraphs 83 and 86 of IAS 19, respectively, the IPSASB agreed that the departure from IAS 19 preceded the development and publication of the Process for Reviewing and Modifying IASB Documents and that this project is a limited scope project to converge with IAS 19 amendments. The IPSASB also agreed that there are public sector reasons that warrant a departure from IAS 19 to apply a more principles-based approach to choose the discount rate, namely:

- (a) It is not appropriate to discount public sector liabilities by using as a first option a discount rate based on corporate bonds;
- (b) Given the diversity of public sector pension plans, it is more appropriate to allow the preparer to choose the most appropriate discount rate.

Therefore, the IPSASB agreed to retain the current requirements in paragraphs 91 and 94 of IPSAS 25.

Disclosures

The IPSASB considered the different disclosures requirements in IAS 19 and GFS reporting guidelines.

The IPSASB did not identify more disclosures to be included in the revised version of IPSAS 25 to address GFS reporting guidelines requirements.

Therefore, the IPSASB agreed with staff's recommendation to maintain the revised IAS 19 disclosures in the draft ED.

Rebuttable Presumptions

The IPSASB agreed to retain the rebuttable presumptions on state plans and long-term disability payments because this is a limited scope project to address only IAS 19 amendments.

Definitions and Terminology

The IPSASB agreed with the staff's recommendation to sub-divide definitions into categories related to (i) employee benefits; (ii) classification of plans; (iii) net defined benefit asset (or liability); and (iv) definitions relating to defined benefit cost. The IPSASB also agreed to additional definitions, the deletion of a few definitions, and a number of other modifications of current definitions.

The IPSASB agreed with staff's recommendation to retain the terms "constructive obligation", "reliable" and "fair value" in IPSAS 25, rather than replacing them with the Conceptual Framework terms: "non-legally binding obligation", "faithful representation" and "market value", respectively, because a more general review of the recognition and measurement criteria in the current literature will be undertaken in the light of the Conceptual Framework.

The IPSASB also agreed with staff's recommendation to retain the terms "revenue" and "controlled/controlling entities" in IPSAS 25, because they are consistent with the Conceptual Framework.

The IPSASB agreed to remove the term "in exchange" from the definition of Termination benefits to avoid confusion with the terminology of "exchange" and "non-exchange" that is used in IPSAS literature.

IAS 19 uses the term "the end of the annual reporting period". The IPSASB also agreed to remove the term "annual" because was of the view that for the purpose of this standard the reporting period can be other than annual.

Other Recommended Changes to IPSAS 25

The IPSASB did not agree with staff's recommendation to include paragraph AG1A (Examples Illustrating Paragraphs 17 and 18: Accounting for Short-term Paid Absences) of the draft ED in IPSAS 25 because this is a limited scope project to address only IAS 19 amendments.

Approval of the ED and Exposure Period

The IPSASB **approved ED 59**. Sixteen members voted in favor, with two absentees. The IPSASB agreed that the comment period would be three months. ED 59 is planned for issuance in January 2016.