Swiss Comment to

ED 59 Amendments to IPSAS 25, Employee Benefits

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1. Introduction

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

The SRS-CSPCP has approved the Comments to *ED 59 Amendments to IPSAS 25, Employee Benefits* for the attention of the IPSAS Board.

2. General Remarks

The SRS-CSPCP is of the view that a revision of IPSAS 25 converged with IAS 19 is necessary and sensible.

3. Specific Matter for Comment 1

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

The SRS-CSPCP is in agreement with the broad lines of the revision of IPSAS 25. The abolition of the corridor method is welcomed in particular. The method is in any case not applied by the Confederation or in the Swiss Federal Institutes of Technology area.

The SRS-CSPCP welcomes it if, given the peculiarities of the Swiss pension system, the IPSAS Board could consider the following matters in the new IPSAS 25:

1) Occupational pensions are provided in Switzerland mainly though hybrid pension schemes. Currently they are classified as defined benefit plans, although the employer does <u>not guarantee</u> the benefit as such.
2) In the event of a deficit, normally <u>both employers and employees</u> (<u>sometimes even the pensioners</u>) have to make restructuring contributions. A solution should quickly be found for their recognition. The SRS-CSPCP welcomes it, if the IPSAS Board could approach the IASB to conclude the research project as rapidly as possible.
3) In Switzerland pension schemes must be organized either as foundations (*Stiftungen*) or public law institutions (*Einrichtungen des öffentlichen Rechts*). They therefore have their own legal personality and keep their own accounts. They are organized with equal representation of management and employees, that is are <u>not</u> controlled by the employer.

The comments on the peculiarities of the Swiss pension system can here be only brief. The SRS-CSPCP will be pleased to provide further information and explanations.

In addition the SRS-CSPCP draws attention to the following critical points:

1) In this ED all the illustrative examples have been deleted. The SRS-CSPCP would welcome the inclusion in the revised standard of examples, as before. Such examples help the better understanding and application of the standard, which is in parts complicated. The SRS-CSPCP is, however, aware that the earlier examples cannot be taken over, because the majority are based on the corridor method.
2) The SRS-CSPCP has noticed that the disclosure requirements will be more extensive with the new standard. If an entity wishes to satisfy all requirements, this means that the notes to the accounts will be bulkier. This is not necessarily conducive to information. The SRS-CSPCP therefore welcomes it if the IPSAS Board could define as necessary only the most important *Disclosures*, based on the materiality principle.

4. Specific Matter for Comment 2

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

As far as Switzerland is concerned, the SRS-CSPCP is of the opinion that the section on Composite Social Security Programs (Sections 47 – 49) can be deleted, because they are not applied in the country.

Lausanne, May 2, 2016