AcSB
Accounting
Standards Board

Pension Plans

Responses to Exposure Draft

July 2022

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Katherine Christopoulos
Director, Accounting Standards Board
Accounting Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

May 26, 2022

Re: Exposure Draft - Pension Plans

Dear Ms. Christopoulos,

We have read the above-mentioned Exposure Draft that was issued in March 2022 and are pleased to have the opportunity to provide responses to your specific questions as outlined below.

1. *Do you agree with the proposals on identifying the split or amalgamation date? If not, why not and what alternatives should the Board consider?*

   We agree with the proposals on identifying the split or amalgamation date.

2. *Do you agree with the proposal to separately present the defined benefit and defined contribution components of the plan when a pension plan has combined both into one plan? If not, why not?*

   We agree with the proposal to separately present the two components of the plan.

3. *The AcSB proposes in paragraph 4600.21A that a buy-in annuity should be measured at an amount equal to the related pension obligation as this best represents the economics of a buy-in arrangement. Do you agree with this measurement approach? If not, why not and what alternatives should the Board consider?*

   With agree with the measurement approach for a buy-in annuity.

4. *Do you agree with the proposed timing of when pension plans should derecognize the pension obligations following a buy-out arrangement? If not, why not*?

   We agree with the proposed timing of when pension plans should derecognize the pension obligations following a buy-out arrangement.

5. *The AcSB proposes in paragraph 4600.32B that for buy-out annuities, pension plans disclose the nature of the annuities, the extent of pension obligations the annuities offset and, if applicable, the risk of the pension obligation returning to the pension plan. Do you agree these disclosures provide decision-useful information to users of pension plan financial statements? If not, why not and what disclosures should be required for buy-out annuity contracts?*

We agree the proposed disclosures provide decision-useful information to users of pension plan financial statements.

6. *The AcSB proposes in paragraph 4600.32C that pension plans with investments in master trusts should disclose additional details that enable users to understand the risks associated with the investments in the master trust. Do you agree with these enhanced risk disclosure requirements? If not, why not?*

   We agree with the enhanced risk disclosure requirements relating to investments in master trusts.

7. *Do you agree that the proposed amendments should apply for annual periods beginning on or after January 1, 2023, in accordance with the transitional provisions in paragraphs 4600.42-.44, with earlier application permitted? If not, why not?*

   We agree with the proposed effective date and transitional provisions.

8. *On transition, the amendments will not apply to the 2023 interim periods of pension plans with annual reporting periods beginning on or after January 1, 2023. As proposed, do you think the effective date provides sufficient time to pension plans that choose to early adopt the new requirements to those interim periods? If not, why not?*

   We agree with the proposed effective date and transitional provisions. We believe that the effective date provides sufficient time to pension plans that choose to early adopt the new requirements to those interim periods.

   Since there is an option to not early adopt, if the requirements are too onerous for the interim periods, the pension plan can wait until the effective date to adopt the new requirements.

9. *The AcSB proposes in paragraph 4600.42 that pension plans with investments in master trusts should provide additional risk disclosures from the earliest period presented. Do you think an option should be available to apply these amendments only to the period in which the amendments are first applied with no comparative disclosure for the earliest period presented? If so, why?*

   We agree with the proposal for additional risk disclosures relating to pension plans with investments in master trusts and agree that these disclosures should be from the earliest period presented.

   We do not agree than an option should be available to apply the amendments only to the period in which the amendments are first applied with no comparative disclosure for the earliest period presented. The proposed disclosure requirements are not onerous and would likely be readily available from the investment manager.

Thank you for your consideration of the above-noted responses. We would be pleased to elaborate on our comments in more detail if you require. If so, please contact me at 905-633-4913 or via email at pgonsalves@bdo.ca.

Yours sincerely,

Patricia Gonsalves, CPA
Private Companies Quality and A&A Standards Partner
BDO Canada LLP

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June 15, 2022

Katherine Christopoulos
Director, Accounting Standards Board
Accounting Standards Board
277 Wellington Street West
Toronto, ON, M5V 3H2

Re: Response to Accounting Standards Board (AcSB) March 2022 Exposure Draft: *Pension Plans, Section 4600*

Dear Ms. Christopoulos,

We appreciate the opportunity to comment on the Accounting Standards Board's (AcSB) Exposure Draft: *Pension Plans*, Section 4600 (the Exposure Draft).

OMERS commends the AcSB for your ongoing initiative to better understand and address the challenges stakeholders experience. We believe that additional clarification of guidance in Section 4600 will help to reduce diversity of application in practice, thereby improving financial reporting across the pension and benefit plan sector.

About OMERS

Founded in 1962, OMERS is one of Canada's largest defined benefit pension plans, with $121 billion in net assets as at December 31, 2021. OMERS is a multi-employer, jointly-sponsored pension plan, with over 1,000 participating employers ranging from large cities to local agencies, and over half a million active, deferred and retired members. Our members include union and non-union employees of municipalities, school boards, local boards, transit systems, electrical utilities, emergency services and children's aid societies across Ontario. OMERS teams work in offices around the world – serving members and employers – and originating and managing a diversified portfolio of high-quality investments in public markets, private equity, infrastructure, and real estate.

OMERS prepares our financial statements in accordance with the requirements of Section 4600, Pension Plans. Improvements to this standard could have a direct impact to our financial reporting. Our SVP Corporate Finance, Brandon Weening, is accountable for the preparation of OMERS financial statements, and is a member of the Pension Plan Working Group involved in the preparation of this Exposure Draft.

Our Response

Overall, OMERS supports the AcSB's project to review Section 4600, since it was last updated more than a decade ago.

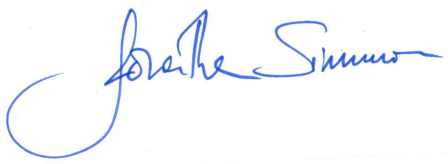
We believe that accounting standards should result in financial reporting that is relevant, reliable, and comparable. In our view, the Exposure Draft's proposed amendments clarify guidance for measurement, recognition, and the disclosure of relevant matters, thereby supporting these needs. We have no specific comments or suggestions for consideration. Rather, OMERS agrees with the proposed

amendments and believes that they will improve consistency of application and transparency, providing users of the financial statements with more relevant information.

We look forward to reading and commenting on future additional exposure drafts on Section 4600, addressing matters that are more directly impactful to OMERS.

Thank you for the opportunity to provide our comments. Should you have any questions regarding this letter please contact Brandon Weening (bweening@omers.com).

Sincerely,



Jonathan Simmons, FCPA, FCA
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HOOPP
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June 15, 2022

Katharine Christopoulos
Director, Accounting Standards Board
277 Wellington Street West
Toronto, ON M5V 3H2

Delivered via email to kchristopoulos@acsbcanada.ca

Dear Ms. Christopoulos:

Subject: Accounting Standards Board (AcSB) – Exposure Draft – Pension Plans

We have read the Exposure Draft (ED) issued in March 2022 titled '*Exposure Draft – Pension Plans*' and we are grateful for the opportunity to respond with our comments. We support the AcSB's project to address certain issues in the standard and to reduce diversity in practice.

HOOPP is a jointly sponsored, multi-employer, defined benefit pension plan. HOOPP independently manages all aspects of the pension provision, not only administering the pension plan but also investing member and employer contributions to ensure that pensions can be paid now and in the future.

HOOPP has been helping to build financially secure retirements for Ontario's healthcare workers for over 60 years. HOOPP is now one of Canada's largest pension plans. Currently, there are over 400,000 active, deferred and retired members, over 600 participating employers (both private and public sector entities), and HOOPP's net assets available for benefits as at December 31, 2021 were $114 billion. HOOPP is an independent pension service provider to hospitals, as well as many private sector healthcare employers.

HOOPP's responses to select questions within the ED follow. HOOPP does not have any comments on the other questions within the ED.

Thank you for the opportunity to comment on this ED. If you have any questions, please do not hesitate to contact Juliana Duray Kikuchi at jduraykikuchi@hoopp.com or 416-350-4277.

Sincerely,
HEALTHCARE OF ONTARIO PENSION PLAN

B Thomson

Barbara Thomson
SVP, Finance & CFO

Responses to Specific Questions:

1. The AcSB proposes in paragraph 4600.05(fa) that the amalgamation date is the date on which a pension plan obtains the legal right to the assets and becomes liable for the obligations of one or more pension plans with which it is merging. Similarly, paragraph 4600.05(ab) proposes that the split date is the date on which a pension plan loses the legal right to the assets and is no longer liable for the obligations of the pension plan. The Board also proposes additional guidance related to these requirements in paragraphs 4600.18A-.18B. Do you agree with these proposals on identifying the split or amalgamation date? If not, why not and what alternatives should the Board consider?

HOOPP's Response:

We agree with the proposals in paragraph 4600.05(fa) that the amalgamation date 'is the date on which a pension plan obtains the legal right to the assets and becomes liable for the obligations of one or more pension plans with which it is amalgamating' and in paragraph 4600.05(ab) that the split date 'is the date on which a pension plan loses the legal right to the assets and is no longer liable for the obligations of the pension plan'.

We do not agree with the proposed language in paragraphs 4600.18A - .18B, specifically '*the later of when*' language for determining when the legal right to the assets and liability for the obligations has transferred. We recommend that instead of using '*the later of when*', these paragraphs should use wording such as '*taking into account when*' or '*taking into consideration when*' so as not to be overly prescriptive and restrict application of the guidance in instances where the legal right to the assets and liability for the obligations may not be the later of the scenarios listed in paragraphs 4600.18A (a), (b) and (c) and 4600.18B (a), (b) and (c).

There have been plan mergers in Ontario, for example, where the effective date per the legal contract was the date on which the legal right to the assets and the legal liability for the obligations were transferred. In these cases, the Regulator approved the merger before the effective date per the legal contract, and the assets were transferred several weeks after the effective date per the legal contact. In other words, the sequence of events was as follows:

1. Regulatory approval date
2. Effective date per the legal contract
3. Asset transfer date

In these cases, it would not be appropriate to follow '*the later of when*' language in paragraphs 4600.18A - .18B because as of the effective date per the legal contract, the acquiring pension plan was legally obligated to service the pension obligation of the merging pension plan. Also in these cases, the assets were recorded on the effective date per the legal contract, which is akin to trade date accounting, as opposed to settlement date or cash accounting. This accounting treatment created an increase in investment assets and an offsetting increase in pension obligations on the same date, being the effective date per the legal contract.

We noted that paragraph 4600.18A uses the word 'commonly' but paragraph 4600.18B does not. We recommend that the word 'commonly' be used, or not used, consistently in these paragraphs.

Paragraphs 4600.18A(b) and 4600.18B(b) refers to transferring assets and liabilities. We have taken the use of the word transfer to mean the transfer of physical custody; however, this is subject to interpretation. We recommend that this be clarified or defined.

We noted that paragraphs 4600.18A and 4600.18B do not explicitly address recognition and derecognition. Given that paragraph 4600.18 addresses recognition and indicates 'except as specified in

paragraphs 4600.18A - .18B', we have taken this to mean that amalgamations and splits are recognized / derecognized on the amalgamation date and split date according to paragraphs 4600.05(fa) and 4600.05(ab) respectively. We recommend that this be clarified.

In respect to paragraphs 4600.37A - .37B, we agree that information about the amalgamation or split should be disclosed in the financial statements when a pension plan is finalizing an amalgamation or split as at the date of financial statement completion. We suggest adding more guidance on what details should be disclosed in these circumstances and clarifying what is meant by the words '*is finalizing'*.

7. Do you agree that the proposed amendments should apply for annual periods beginning on or after January 1, 2023, in accordance with the transitional provisions in paragraphs 4600.42-.44, with earlier application permitted? If not, why not?

HOOPP Response:

We agree with the proposed effective date and transitional provisions in paragraphs 4600.43. We suggest adding further clarification to paragraph 4600.43 to state that stakeholders will apply paragraphs 4600.05(fa), 4600.05(ab) and 4600.18A - .18B *prospectively* for annual financial statements relating to fiscal periods beginning on or after January 1, 2023.

ACPM | ACARR
The Association of Canadian Pension Management
L'Association canadienne des administrateurs de régimes de retraite

June 13, 2022

Katharine Christopoulos, CPA, CA
Director, Accounting Standards Board
Accounting Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

RE: Pension Plans Exposure Draft March 2022

Dear Ms. Christopoulos,

We have read the above-mentioned exposure draft that was issued in March 2022 and are pleased to have the opportunity to respond with comments to your specific questions outlined below.

1. **The AcSB proposes in paragraph 4600.05(fa) that the amalgamation date is the date on which a pension plan obtains the legal right to the assets and becomes liable for the obligations of one or more pension plans with which it is merging. Similarly, paragraph 4600.05(ab) proposes that the split date is the date on which a pension plan loses the legal right to the assets and is no longer liable for the obligations of the pension plan. The Board also proposes additional guidance related to these requirements in paragraphs 4600.18A-.18B. Do you agree with these proposals on identifying the split or amalgamation date? If not, why not and what alternatives should the Board consider?**

   We agree with providing guidance as to the basis on which to determine an amalgamation date or split date. Further, we agree with the criteria outlined in paragraphs 4600.18A - .18B, excepting for the criterion in subsection (b) in each of the paragraphs. The criterion in subsection (b) requires consideration for the actual transfers of assets and liabilities, as applicable. Generally, we do not believe this should be a consideration on the basis that this is not aligned with the principles of accrual accounting that underpins the preparation of financial statements in accordance with generally accepted accounting principles. Applying such a criterion would, in our view, result in a cash-basis approach that differs from the basis of accounting as outlined in paragraph 4600.09, *Pension plan financial statements shall be prepared using the accrual basis of accounting*. However, in-spite of the foregoing, we appreciate that certain legal arrangements may not allow for the right to the assets and liabilities to be assumed until such time that the actual assets and liabilities have been transferred. As such, we believe the exposure draft's guidance as outlined in paragraphs 4600.18A - .18B is too prescriptive and could result in inappropriate accounting. We believe the language used should be a '*consideration of the criteria outlined in the subsections (a) through (c)* rather than '*at the later of when*'. .

2. **The AcSB proposes that pension plans that have defined benefit and defined contribution plans combined into one plan should separately present the defined benefit and defined contribution components of the plan. Do you agree with this proposal? If not, why not?**

   We agree. We think it provides useful and appropriate information to readers to understand the impact to the overall pension plan when there are multiple benefit components within a pension plan.

3. **The AcSB proposes in paragraph 4600.21A that a buy-in annuity should be measured at an amount equal to the related pension obligation as this best represents the economics of a buy-in arrangement. Do you agree with this measurement approach? If not, why not and what alternatives should the Board consider?**

   We agree. However, there may need to be further guidance provided specifically given that most defined benefit plans prepare financial statements with the exclusion of pension obligations as allowed by respective pension plan regulatory authorities. Given that pension obligations are excluded, it could result in variance in practice amongst preparers since there is no clear guidance on the basis of measurement when pension obligations are not being included in financial statements.

4. **The AcSB proposes in paragraph 4600.24A that a pension plan should derecognize the investment asset and related pension obligation in a buy-out arrangement when the risks of the pension obligation are transferred to the issuer of the annuity. Do you agree with the proposed timing of when pension plans should derecognize the pension obligations following a buy-out arrangement? If not, why not?**

   We agree. However, in keeping with our comments relating to Question no. 1 above, the inclusion of criterion (c) in paragraph 4600.24B could result in a cash-basis accounting approach to the recognition of the transaction.

5. **The AcSB proposes in paragraph 4600.32B that for buy-out annuities, pension plans disclose the nature of the annuities, the extent of pension obligations the annuities offset and, if applicable, the risk of the pension obligation returning to the pension plan. Do you agree these disclosures provide decision-useful information to users of pension plan financial statements? If not, why not and what disclosures should be required for buy-out annuity contracts?**

   We generally agree with the proposed disclosure requirements but included in the disclosure requirements is for risks associated with a pension obligation returning to the pension plan. We do not believe this is an appropriate disclosure requirement given the nature of a buy-out annuity contract where it relieves the pension plan of the obligation that has transferred to the annuity issuer. The relevant assets are also transferred and, in such case, it doesn't seem appropriate that a pension plan would be disclosing risks of potential return of the obligation.

If this disclosure requirement is retained, it would require more prescriptive guidance on the nature and extent of disclosures that is expected of a pension plan.

6. **The AcSB proposes in paragraph 4600.32C that pension plans with investments in master trusts should disclose additional details that enable users to understand the risks associated with the investments in the master trust. Do you agree with these enhanced risk disclosure requirements? If not, why not?**

   We agree.

7. **Do you agree that the proposed amendments should apply for annual periods beginning on or after January 1, 2023, in accordance with the transitional provisions in paragraphs 4600.42-.44, with earlier application permitted? If not, why not?**

   We agree.

8. **On transition, the amendments will not apply to the 2023 interim periods of pension plans with annual reporting periods beginning on or after January 1, 2023. As proposed, do you think the effective date provides sufficient time to pension plans that choose to early adopt the new requirements to those interim periods? If not, why not?**

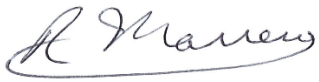
   We agree.

9. **The AcSB proposes in paragraph 4600.42 that pension plans with investments in master trusts should provide additional risk disclosures from the earliest period presented. Do you think an option should be available to apply these amendments only to the period in which the amendments are first applied with no comparative disclosure for the earliest period presented? If so, why?**

   We do not agree that an option should be provided to apply the risk disclosures only to the period in which the amendments are first applied with no comparative disclosures for the earlier period presented. We believe this information would be readily accessible by pension plans that currently invest in a master trust and should not cause an undue burden.

Thank you for giving us the opportunity to comment on the exposure draft.

Yours sincerely,



Ric Marrero,
Chief Executive Officer
ACPM (Association of Canadian Pension Management)

Grant Thornton
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June 14, 2022

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Director, Accounting Standards Board
277 Wellington Street West
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Dear Ms. Christopoulos:

Re: Exposure Draft – Pension Plans [March 2022]

Grant Thornton LLP (we) would like to thank you for the opportunity to provide comments on the Accounting Standards Board's (the "Board") Exposure Draft *Pension Plans* (the "ED").

In general, we are supportive of the Board's proposed changes to Section 4600 *Pension Plans*; however, we believe revisions to the proposed disclosures for buy-out annuities are necessary to clarify their practical application for preparers and to improve their decision-usefulness to users. Our specific comments are found in Appendix A.

If you wish to discuss our comments or concerns, please contact Craig Weigel (Craig.Weigel@ca.gt.com).

Yours sincerely,

Grant Thornton LLP

Chartered Professional Accountants
Licensed Public Accountants

Appendix A – Responses to Exposure Draft questions

5. The AcSB proposes in paragraph 4600.32B that for buy-out annuities, pension plans disclose the nature of the annuities, the extent of pension obligations the annuities offset and, if applicable, the risk of the pension obligation returning to the pension plan. Do you agree these disclosures provide decision-useful information to users of pension plan financial statements? If not, why not and what disclosures should be required for buy-out annuity contracts?

We have the following concerns when considering the decision-usefulness of the proposed disclosures in paragraph 4600.32B:

- The Basis for Conclusions conveys that these disclosures address the possibility of the transferred pension obligation "boomeranging" back to the pension plan. We question the usefulness of requiring these disclosures for arrangements in which the regulatory criteria to discharge the pension obligation were met, or when there are no risks of the obligation returning to the pension plan. We also question the probability of such boomerang risks: for annuities purchased from insurance companies, those insurance companies are generally highly regulated for solvency purposes and have Assuris coverage, which can impact whether any pension obligation returns to the pension plan. Disclosing amounts related to boomerang risks that are possible but not likely is potentially confusing to users looking to assess the financial status of the pension plan. Therefore, if the Board wishes to include disclosures for boomerang risks, we believe they should only be required for buy-out annuities where it is likely that the pension obligation will return to the pension plan.

- Paragraph 4600.32B does not specify how to measure the amount of the pension obligations transferred to a third party (for disclosure purposes), which could lead to diversity in practice:

    - A pension plan typically obtains an actuarial valuation only for the members it is responsible for. If the pension obligation transferred (for disclosure purposes) is meant to be measured annually and on the same basis as the pension obligation retained, this would require obtaining an additional actuarial valuation or roll-forward for any members included in buy-out annuities, solely for disclosure purposes. We believe this would require undue cost and effort (both actuarial and administrative) if the boomerang risk is less than likely. Furthermore, the proposed disclosure is required "for each year the pension plan retains the annuity". These arrangements can have extensive durations (e.g., 10 to 15 years). Requiring additional actuarial valuations and/or roll-forwards for the next 10 to 15 years for new annuities, or continuing to require additional valuations and/or roll-forwards for annuities purchased 10 to 15 years ago that are still in effect when the amendments are first applied, would be onerous and provides little useful information if the boomerang risk is less than likely.

    - Alternatively, if the intention of paragraph 4600.32B is simply to disclose the initial amount of the pension obligation that was transferred on the buy-out date, we believe this needs to be made clear within the guidance. However, we would question the usefulness of continuing to disclose the initial amount "for each year the pension plan retains the annuity", because the transferred pension obligation will decline as benefits are paid by the issuer of the annuity.

Paragraph 4600.44 implies that these disclosures are also required for the comparative period for the year in which the amendments are first applied. We believe transition relief should be provided such that the disclosures are only required starting from the year in which the amendments are first applied. This would prevent pension plans from having to obtain separate actuarial valuations and/or roll-forwards for both the comparative period and the current period in relation to the same annuity, on transition.

ORDRE DES COMPTABLES PROFESSIONNELS AGRÉÉS DU QUÉBEC

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Montréal, le 14 juin 2022

Katherine Christopoulos
Directrice, Conseil des normes comptables
Conseil des normes comptables
277, rue Wellington Ouest
Toronto (Ontario) M5V 3H2

Madame,

Vous trouverez ci-joint les commentaires du Groupe de travail sectoriel Régimes de retraite mis en place par l'Ordre des comptables professionnels agréés du Québec, concernant l'exposé-sondage intitulé « Régimes de retraite *».*

Nous vous serions reconnaissants de nous faire parvenir une copie de la traduction anglaise de nos commentaires.

Veuillez prendre note que l'Ordre des comptables professionnels agrèès du Quèbec agit seulement à titre de facilitateur et ce document ne constitue pas une réponse de ce dernier, mais le point de vue des membres participant au groupe de travail. De plus, ni l'Ordre des comptables professionnels agréés du Québec, ni quelque personne que ce soit ayant participé à la préparation des commentaires ne peuvent être tenus responsables relativement à leur utilisation et ils ne sont tenus à aucune garantie de quelque nature que ce soit découlant de ces commentaires, comme décrit dans le déni de responsabilité joint à la présente.

Veuillez agréer, Madame Christopoulos, nos salutations distinguées.

Annie Smargiassi, CPA auditrice

Représentante du Groupe de travail sectoriel Régimes de retraite de l'Ordre des comptables professionnels agréés du Québec

p. j. Déni de responsabilité et commentaires

DÉNI DE RESPONSABILITÉ

Les documents préparés par les Groupes de travail techniques et sectoriels de l'Ordre des comptables professionnels agréés du Québec (Ordre) ci-après appelés les « commentaires », sont fournis selon les conditions décrites dans la présente, pour faire connaître l'opinion des groupes de travail sur des énoncés de principes, des documents de consultation, des exposés-sondages préliminaires ainsi que des exposés-sondages publiés par le Conseil des normes comptables, le Conseil des normes d'audit et de certification, le Conseil sur la comptabilité dans le secteur public, le Conseil sur la gestion des risques et la gouvernance et d'autres organismes.

Les commentaires fournis par ces comités ne doivent pas être utilisés comme substitut à des missions confiées à des professionnels spécialisés. Il est important de noter que les lois, les normes et les règles sur lesquelles sont émis les commentaires peuvent changer en tout temps et que, dans certains cas, les commentaires écrits peuvent être sujets à controverse.

Ni l'Ordre, ni quelque personne que ce soit ayant participé à la préparation des commentaires ne peuvent être tenus responsables relativement à l'utilisation de ces commentaires et ils ne sont tenus à aucune garantie de quelque nature que ce soit découlant de ces commentaires. Les commentaires donnés ne lient pas, par ailleurs, les membres des Groupes de travail, l'Ordre ou, de façon plus particuliére, le Bureau du syndic de l'Ordre.

La personne qui se réfère ou utilise ces commentaires assume l'entiére responsabilitè de sa dèmarche ainsi que tous les risques liès à l'utilisation de ceux-ci. Elle consent à exonèrer l'Ordre à l'ègard de toute demande en dommages-intérêts qui pourrait être intentée par suite de toute dècision qu'elle aurait pu prendre en fonction de ces commentaires. Elle reconnaît également avoir accepté de ne pas faire état de ces commentaires reçus via les Groupes de travail dans les avis exprimés ou les positions prises.

MANDAT DES GROUPES DE TRAVAIL DE L'ORDRE

Les Groupes de travail de l'Ordre des comptables professionnels agréés du Québec ont comme mandat notamment de recueillir et de canaliser le point de vue des praticiens exerçant en cabinet et de membres œuvrant dans les affaires, les services gouvernementaux et l'industrie ainsi que le point de vue d'autres personnes concernées œuvrant dans des domaines d'expertise connexes.

Pour chaque exposé-sondage ou autre document étudié, les membres des Groupes de travail mettent leurs analyses en commun. Les commentaires ci-dessous reflètent les points de vue exprimés et, sauf indication contraire, ces commentaires font l'objet d'un consensus parmi les membres des Groupes de travail ayant participé à cette analyse.

Les commentaires formulés par les Groupes de travail ne font l'objet d'aucune sanction de l'Ordre. Ils n'engagent pas la responsabilité de celui-ci.

COMMENTAIRES GÉNÉRAUX

Les membres sont heureux que le Conseil des normes comptables (CNC) se penche sur les sujets qui sont abordès dans l'exposè-sondage, car ceci aidera à limiter la diversité dans la pratique et à uniformiser la présentation et la comptabilisation des éléments traités.

QUESTIONS SPÉCIFIQUES DU CNC

1. *Le CNC propose, à l'alinèa 4600.05 fa), que la date de regroupement corresponde à celle à laquelle le régime de retraite obtient le droit établi sur les actifs du ou des régimes de retraite avec lesquels il se regroupe et devient responsable des obligations de ceux-ci. De même, il propose à l'alinèa 4600.05 ab) que la date de scission corresponde à celle à laquelle le régime de retraite perd le droit établi sur les actifs visés par la scission et n'est plus responsable des obligations visèes par la scission. Le CNC propose ègalement d'ajouter des indications concernant ces exigences aux paragraphes 4600.18A et .18B. Appuyez-vous les propositions concernant la détermination de la date de scission ou de regroupement? Dans la négative, pourquoi, et quelles solutions le CNC devrait-il envisager?*

Les membres ont des préoccupations au sujet des critères énoncés aux paragraphes .18A et .18B.

D'abord, selon eux, les alinéas .18A, b) et .18B, b), tels que proposés, mènent à la comptabilisation des opérations sur une base de caisse dans la quasi-totalité des fusions et scissions des régimes de retraites quèbècois. Selon la règlementation en vigueur au Quèbec, même si, dans le cas d'une fusion ou d'une scission de règimes de retraite, les actifs d'un règime de dèpart ne sont pas transfèrès dans le nouveau régime d'arrivèe à la date effective, le nouveau règime issu de la fusion ou de la scission est créé ou considéré comme créé à la date effective de ladite fusion ou scission. Dans cette situation, les membres du groupe sont d'avis que le règime d'arrivèe a tout de même un droit sur les actifs du règime de dèpart (c'est-à-dire un droit contractuel de recevoir de la trèsorerie ou d'autres actifs financiers selon la décision prise par le promoteur ou le comité de retraite) et les montants sont connus avec suffisamment de précision à la date effective, car des évaluations actuarielles sont exigées spécifiquement pour le nouveau régime à la date effective de la fusion ou scission. Les membres sont d'avis qu'il s'agit d'actifs financiers par dèfinition qui doivent être comptabilisés, à titre de compte à recevoir, à la date effective ou au plus tard à l'approbation de la fusion ou scission par le promoteur et les participants, le cas échéant. Toutefois, certains membres, tel Retraite Québec, l'autoritè de règlementation des régimes de retraite, souhaitent que la date choisie soit la date effective, date à laquelle toutes les informations sont connues et transmises. Les membres font remarquer qu'aucune

évaluation actuarielle du montant du transfert et des obligations n'est exigèe ni fournie à la plus tardive des dates prèsentèes dans les propositions, c'est-à dire à la date du transfert physique des actifs dans la quasi-totalité des situations au Québec. De plus, selon la règlementation, les cotisations des membres doivent être versèes dans le nouveau règime (le règime d'arrivèe) à compter de sa date effective et le montant à transférer est ajusté du rendement des actifs du régime de départ à compter de la date effective et le montant du transfert ainsi ajusté est éventuellement versé dans le régime d'arrivèe. Ainsi, si les états financiers des régimes fusionnés ou du régime scindé et celui issu de la scission sont préparés selon les exigences proposées (à la plus tardive des dates), les membres sont d'avis que les participants aux régimes n'auront pas la bonne information concernant leurs régimes respectifs faisant en sorte que les états financiers ne seraient pas utiles ni pertinents.

Il est important de se rappeler que les informations financières incluses à la Déclaration Annuelle de Renseignements (DAR ou AIR en anglais – Annuel Information Return) réglementaire doivent refléter les transferts à compter de la date effective de la scission ou fusion. Conséquemment, si la date la plus tardive proposèe par l'exposé-sondage est retenue, ceci créerait des écarts importants entre les deux jeux d'information financiére, ce qui serait alors source de confusion et diminuerait grandement l'utilitè des ètats financiers autant pour l'autoritè de règlementation que les administrateurs et les participants aux régimes.

Dans un autre ordre d'idée, au Québec, les fusions et scissions sont approuvées rétrospectivement à leur date effective et il y a fréquemment une fin d'exercice entre la date effective et la date d'approbation. Par conséquent, si les propositions de l'exposé-sondage étaient adoptées telles quelles, les membres souhaiteraient avoir des indications sur la façon de comptabiliser les approbations rétrospectives. Doit-on redresser les états financiers déjà émis? Si oui, sur quelle base? Ces états financiers ne contiennent pas d'erreur et il ne s'agit pas d'un changement de méthode comptable.

Au Quèbec, le rôle de Retraite Quèbec est de s'assurer que la réglementation et les droits des participants soient respectés. Ainsi, son pouvoir est de nature à valider la conformité de la demande des régimes et non de nature discrétionnaire. Les représentants de Retraite Québec ont confirmé n'avoir jamais refusè une scission ou une fusion proposée par des promoteurs et acceptée par les participants. Selon eux, utiliser la date d'approbation réglementaire serait inappropriè. De plus, dans la quasi-totalitè des cas, l'approbation de Retraite Quèbec est postèrieure à la date effective, mais le

traitement de la fusion ou scission selon la règlementation est tout de même requis à cette date effective (par exemple, cotisations requises et ajustement du montant transféré à compter de la date effective).

Voici un exemple additionnel de situation pour mieux illustrer les préoccupations des membres :

- Date effective de fusion demandée par les promoteurs : 31 décembre 2021;
- Date de publication des états financiers : 1er juin 2022. La DAR est requise au 30 juin (soit 6 mois après la fin de l'exercice);
- Une èvaluation actuarielle est requise dans les 9 mois suivants l'exercice financier et disons que celle-ci est reçue en juin 2022;
- Date d'approbation de l'autoritè de réglementation : 15 octobre 2022, mais la décision est rétroactive au 31 décembre 2021;
- L'èvaluation actuarielle annuelle du 31 décembre 2021 est exigée et devra refléter la scission-fusion, soit à la date effective : ainsi, les montants à transfèrer d'un règime à l'autre seront connus et présentés;
- Les rendements sur les actifs à transférer doivent être ajoutés au montant du transfert à compter du 31 décembre 2021 et seront intègrès au transfert d'actifs à effectuer;
- Les actifs incluant l'ajustement sur les rendements des actifs sont transfèrès le 1er décembre 2022. Le transfert comme tel pourrait avoir lieu au cours de l'exercice suivant dèpendant du moment où l'approbation a ètè reçue et de la capacité du dépositaire des actifs à procéder au transfert, ce qui repousserait alors le transfert sur un autre exercice financier.

En suivant les recommandations du paragraphe 18A, la fusion serait comptabilisée uniquement à compter du 1er dècembre 2022 ou même l'année suivante si les délais pour procéder au transfert sont plus longs, soit la date de transfert des actifs. Les états financiers établis au 31 décembre 2021 (et possiblement ceux du 31 décembre 2022) ne tiendraient pas compte des actifs et des rendements associés qui doivent être transférés au règime d'arrivèe (donnant ainsi une information incomplète aux participants). Ce délai entre le moment de comptabilisation tel que proposè par l'exposè-sondage pour fins comptable (à la date du transfert des actifs) d'une part et réglementaire (à la date effective) d'autre part causerait des écarts.

De plus, parce que les états financiers ne sont pas publiés lors de réception de la décision de l'autoritè de règlementation, on doit se questionner sur la façon de traiter cet événement postérieur, s'il dèborde sur un second exercice financier. Est-ce que la date d'approbation est un èvènement qui fournit une

indication supplémentaire sur une situation qui existait à la date du bilan ou non 3820.04) ? Est-ce qu'un ajustement des états financiers établis au 31 décembre 2021 et 2022 (le cas échéant) serait requis ou non? Quoi qu'il en soit, les ètats financiers ne refléteraient pas les droits des participants dans le nouveau régime et la situation nécessiterait probablement deux redditions de comptes distinctes, ce qui n'est pas souhaitable.

Les membres sont d'avis que la date visèe devrait être la date effective ou au plus tard à l'approbation de la fusion ou scission par le promoteur et les participants, le cas échéant dans tous les cas de fusion et de scission pour que les droits et obligations des régimes soient adéquatement présentés. Évidemment, ètant donnè qu'à ce moment les placements n'auront pas encore ètè physiquement transférés, un solde à payer et à recevoir est alors constaté respectivement par le régime de départ et le règime d'arrivèe. Ce solde est par la suite mis à jour par les règimes respectifs pour reflèter notamment l'ajustement en fonction des rendements des placements encore possédés par le régime de départ. De plus, comme indiquè prècèdemment, pour Retraite Quèbec, l'autoritè de réglementation au Québec, la date choisie devrait être la date effective, sans égard aux approbations.

Cependant, si le CNC décide que la proposition des membres du groupe n'est pas approprièe, les membres recommandent que la date de transfert des actifs soit éliminée des dates potentielles de comptabilisation pour les raisons invoquées précédemment.

2. *Le CNC propose que les régimes de retraite combinant un volet à prestations définies et un volet à cotisations définies présentent séparément ces deux volets. Appuyez-vous cette proposition? Dans la négative, pourquoi?*

Les membres sont d'accord avec les propositions, mais ils ont soulevé des préoccupations et le fait que certains éclaircissements seront nécessaires.

D'abord, ils ont indiquè qu'au Quèbec certains règimes comportent des niveaux ou volets qui sont plus diversifiés que les indications du chapitre proposé. Par exemple, certains volets à prestations définies ont été « fermés » et donc n'autorisent pas de nouveaux participants à ce volet. Ils ont cité le cas des universités et des municipalités qui doivent composer avec un volet ouvert et un volet fermé de régimes à prestations définies. Ne pas présenter ces différents volets d'un règime à prestations dèfinies ne ferait pas de sens pour les participants, car ils doivent obtenir des informations pertinentes à propos du volet duquel ils reçoivent des prestations ou encore auquel ils cotisent. Selon les membres, l'idèal serait d'obliger la prèsentation de tous les volets distinctement et de mieux dèfinir les règimes mixtes, pour y

inclure ce genre de volet. Certains membres ont toutefois soulevè des enjeux potentiels d'audit des soldes d'ouverture des volets.

3. *Le CNC propose, au paragraphe 4600.21A, que les contrats de rentes sans rachat des engagements soient èvaluès au montant de l'obligation correspondante au titre des prestations de retraite, celui-ci reflètant le mieux l'aspect èconomique de ces contrats. Cette approche d'èvaluation vous convient-elle? Dans la négative, pourquoi, et quelles solutions le CNC devrait-il envisager?*

Dans le contexte de la prèparation d'ètats financiers du règime qui respectent entiérement les PCGR, les membres sont d'accord avec la proposition.

Les membres prècisent toutefois que de nombreux règimes au Quèbec ne prèsentent pas l'obligation au titre des prestations définies de retraite, car l'autoritè règlementaire accepte les ètats financiers à usage particulier de régimes de retraite dressès sur une base qui exclut l'obligation de retraite. Le placement dans le contrat de rente sans rachat des engagements est tout de même présenté dans les ètats financiers et la dèclaration annuelle de renseignements (DAR). Un rapport d'audit selon la NCA 800 est ainsi produit. Par ailleurs, les participants et promoteur(s) reçoivent les informations sur les actifs et passifs actuariels afférents aux contrats de rente qui sont préparés par les actuaires, mais ces passifs sont établis selon les principes de l'èvaluation de solvabilitè. Selon les propositions, les valeurs de l'actif relatif au contrat de rentes et de l'obligation actuarielle affèrente seraient calculées et présentées dans les états financiers du régime en utilisant la méthode comptable retenue pour évaluer les obligations au titre des prestations de retraite.

Les membres sont d'avis que pour beaucoup de règimes au Quèbec, la valeur proposèe dans l'exposè-sondage n'est pas nècessairement disponible et calculèe en pratique à un faible coút. Ainsi, ils suggérent que les propositions prèvoient une autre mèthode d'èvaluation quand cette donnèe n'est pas disponible. Voici des exemples de questions soulevées par les membres : est-ce que la méthode utilisée par le promoteur pourrait être permise? Est-ce qu'une valeur reprèsentant le meilleur estimè serait acceptable?

4. *Le CNC propose, au paragraphe 4600.24A, que le régime de retraite décomptabilise les actifs dètenus sous forme de placements et l'obligation correspondante au titre des prestations de retraite, dans le cadre d'un contrat de rentes avec rachat des engagements, lorsque les risques associés à cette obligation sont transférés à l'èmetteur de la rente. Le moment auquel il est proposè que le règime de retraite dècomptabilise ses obligations au titre des prestations de retraite, dans le cadre d'un*

contrat de rentes avec rachat des engagements, vous convient-il? Dans la négative, pourquoi?

Les membres sont d'avis que les critéres exposès au paragraphe .24B mènent à comptabiliser les rentes avec rachat des engagements sur une base de caisse et ils ne sont pas d'accord à conserver le critére .24B c). Ils se sont demandè à partir de quel moment la compagnie d'assurance assume les risques des rentes transférées lorsque le paiement à la compagnie d'assurance est diffèrè dans le temps. Si la compagnie d'assurance n'assume aucun risque tant que la prime n'est pas versèe, alors le critére .24B c) serait pertinent. Dans cette situation, certains membres sont d'avis que le critère .24B c) devrait être nuancé pour préciser que le paiement de la prime est lié au transfert des risques liés à l'obligation de retraite à la compagnie d'assurance.

Ils ajoutent que dans plusieurs circonstances, les primes sont souvent prépayées en partie et que des ajustements de prime sont exigès par la suite. Ils sont d'avis que le transfert des risques doit être dissociè du dècaissement de la prime lorsque ce dernier n'est pas liè au transfert des risques.

Si le critère .24B c) est conservé, certains membres sont d'avis qu'il devrait être nuancè afin de prèciser que la prime versèe visèe par l'alinèa .24B c) exclut tout ajustement ultèrieur de la prime telle que prèvue au contrat de rentes.

De plus, du côté terminologique, les membres notent que dans le paragraphe 24C le mot « cotisations spéciales » devrait être remplacé par « primes ou ajustements de primes », car ce type de versements à la compagnie d'assurance ne constitue pas des cotisations au sens de la Partie IV du Manuel de CPA Canada ou au sens de la règlementation. De plus, il est recommandé de changer cette même terminologie utilisée au paragraphe 36 de la Base des conclusions.

5. *D'ailleurs, en ce qui concerne les contrats de rentes avec rachat des engagements, le CNC propose, au paragraphe 4600.32B, que le régime de retraite indique la nature des rentes, la mesure dans laquelle les rentes compensent les obligations au titre des prestations de retraite et, s'il y a lieu, le risque que le règime de retraite doive reprendre en charge l'obligation au titre des prestations de retraite. Selon vous, la communication de ces informations sera-t-elle utile au processus dècisionnel des utilisateurs d'ètats financiers de régimes de retraite? Dans la négative, pourquoi, et quelles informations devraient plutôt être communiquées relativement aux contrats de rentes avec rachat des engagements?*

Les membres ont indiquè que lorsqu'un règime de retraite achète un contrat de rente avec rachat des engagements, il n'est pas nècessairement en mesure d'obtenir l'information demandèe au paragraphe

4600.32B de la tierce partie à qui il a transféré les risques, notamment le montant des obligations postérieurement au transfert. Ils se sont demandé si le paragraphe faisait allusion au montant initial ou au montant en date de la pèriode courante prèsentè dans les ètats financiers. Ils sont d'avis que si les risques ont ètè transfèrès à une tierce partie, l'information est pertinente au moment du transfert. Selon eux, à la suite du transfert, cette information n'est pas pertinente, car les risques ne sont plus assumés par le régime de retraite. Ils précisent que si les risques sont significatifs et qu'ils ne sont pas transfèrès à une tierce partie, l'information est toutefois pertinente. Dans ce dernier contexte, le passif actuariel n'est toutefois pas dècomptabilisè et en fait le règime a achetè un contrat de rente sans rachat des engagements.

Ils ont citè, par analogie, l'information exigèe par le paragraphe .40 du chapitre 3856, qui ne prévoit pas d'information additionnelle dans les exercices subsèquents au transfert, à moins qu'un lien subsiste entre le cédant et les actifs cédés, notamment la gestion, une garantie ou des restrictions sur les droits conservès. Dans cette derniére situation, l'information à fournir est une description des liens et non une quantification des risques comme tels.

Les membres sont aussi d'avis que des informations additionnelles doivent être prèsentèes par les régimes de retraite sur la gestion de leurs risques.

Les membres ont indiqué que la règlementation encadrant les contrats de rentes et les définitions et/ou mécanismes contractuels de ces contrats varient entre les provinces. Ils sont donc d'avis que les termes soient clairement définis dans le chapitre et que des exemples devraient être ajoutés pour aider à la compréhension des exigences et de leur impact.

De plus, des membres ont indiqué que dans certains contrats de rachats de rentes, « dit » avec rachat des engagements, le régime conserve tout de même un certain niveau de risque, qualifié de « risque Boomerang », ces membres sont donc en accord avec les obligations d'information prévues dans les propositions.

6. *Le CNC propose, au paragraphe 4600.32C, que les régimes de retraite qui détiennent des placements dans une fiducie globale soient tenus de fournir des informations supplémentaires qui permettent aux utilisateurs de comprendre les risques associés à ces placements. Êtes-vous en faveur de ces obligations d'information accrues? Dans la négative, pourquoi?*

Les membres se sont demandè si l'analyse de sensibilitè exigèe pour les placements devra être faite pour les placements individuellement inclus dans la fiducie globale ou plutôt globalement pour la fiducie

globale elle-même, et si c'est le cas, des indications supplèmentaires sont nècessaires pour les aider à réaliser cette analyse. Les exigences ne sont pas claires selon eux.

De plus, ils font remarquer que certaines fiducies globales possèdent des actifs qui ne sont pas des placements et des instruments financiers, ainsi que des dettes associées à ceux-ci, comme des immeubles et des hypothèques. Aussi, selon eux, des informations additionnelles sur ces actifs devraient être divulguées dans ces circonstances, car ils représentent des actifs et des passifs de la fiducie globale et devraient être présentés.

Des membres se demandent si le fait d'annexer les ètats financiers de la fiducie globale aux états financiers du règime de retraite pourrait suffire à fournir toute l'information pertinente aux utilisateurs. Ils croient que cette solution simple devrait être envisagée, ou encore une inclusion par renvoi. Une telle méthodologie s'assimile à ce que le paragraphe B6 d'IFRS 7 *Instruments financiers : Informations à fournir* prévoit.

Lorsque le référentiel comptable applicable à la fiducie globale est le référentiel pour les entreprises à capital fermè (les NCECF) et qu'aucune analyse de sensibilité ou de hiérarchisation des justes valeurs n'est alors exigèe par ce rèfèrentiel, l'administrateur du règime devra alors prendre des arrangements complèmentaires afin d'obtenir les informations requises pour les fins du règime s'il veut se prévaloir d'une telle mèthodologie.

Finalement, les membres font remarquer que dans certains cas, tous les régimes inclus dans la fiducie globale ont la même politique de placement et donc, les placements peuvent être attribués au prorata de la participation. Toutefois, dans d'autres fiducies globales, les régimes n'ont pas tous la même politique de placement et donc, une attribution au prorata n'est pas adéquate. Les membres sont d'avis que ces situations devraient être mieux analysées et reflétées dans les propositions.

7. *Êtes-vous d'avis que les modifications proposèes devraient s'appliquer pour les exercices ouverts à compter du 1er janvier 2023, comme l'indiquent les dispositions transitoires ènoncèes aux paragraphes 4600.42 à .44, et que l'application anticipée devrait être permise? Dans la négative, pourquoi?*

Les membres indiquent qu'une pèriode de 18 mois entre la date de publication d'une norme dèfinitive et sa date d'entrèe en vigueur leur donne normalement suffisamment de temps pour bien l'appliquer. Ils ont donc indiqué que la période proposée dans l'exposè-sondage semble être plus courte et ne leur laisserait pas suffisamment de temps pour implanter les changements proposés.

Ils ajoutent qu'ils sont en accord avec la proposition au paragraphe .42 qui permet l'application anticipèe des modifications par les régimes le souhaitant et qui sont en mesure d'appliquer les changements plus rapidement.

8. *Les règimes de retraite ne seront pas tenus d'appliquer les modifications pour les pèriodes intermèdiaires de 2023 d'un exercice ouvert à compter du 1er janvier 2023. Estimez-vous que la date d'entrèe en vigueur proposèe donne suffisamment de temps aux régimes de retraite qui choisiraient d'appliquer de façon anticipèe les nouvelles exigences à ces périodes intermédiaires? Dans la négative, pourquoi?*

Selon les membres, il existe très peu de régimes au Québec qui présentent des états financiers intermédiaires au Québec. Ils n'ont pas relevè d'enjeu à ce propos.

9. *Le CNC propose, au paragraphe 4600.42, que les régimes de retraite détenant des placements dans une fiducie globale soient tenus de fournir des informations supplémentaires sur les risques dès la première période présentée. Croyez-vous qu'il faille donner aux régimes la possibilité de se conformer à cette exigence seulement pour la période pour laquelle les modifications sont appliquées pour la première fois et non dès la première période présentée?*

Selon les membres, l'information pourrait être difficile à obtenir et les coûts pour obtenir cette information, importants, si l'on vise la premiére pèriode prèsentèe. De plus, comme ènoncè dans la réponse à la question 5, les informations à propos des rentes avec rachat des engagements risquent de ne pas être disponibles pour ces années antérieures présentées.

Ainsi, selon les membres, les dispositions transitoires pourraient prévoir un choix entre une adoption complètement rétrospective ou une adoption rètrospective modifiée au dèbut de l'exercice d'adoption sans retraitement des informations pour la période antérieure. De telles approches ont été utilisées pour l'adoption d'IFRS 9 (7.2.15), IFRS 15 (C3) et IFRS 16 (C5) notamment.

AUTRES COMMENTAIRES

Obligation au titre des prestations de retraite des régimes à cotisations définies dans le contexte d'un règime mixte

À la lumière des exemples 2 et 3 qui prèsentent l'obligation de retraite pour le volet à cotisations dèfinies, les membres ont questionnè l'interaction entre les paragraphes .10c) et .12 g) des propositions, qui prévoient qu'un **régime à cotisations définies** ne prèsente pas l'obligation au titre des prestations de retraite ni l'ètat de l'èvolution de l'obligation au titre des prestations de retraite. Ils ont donc conclu, sur

la base des exemples 2 et 3, que ces informations sont requises dans le cadre d'un **régime mixte**. Selon eux la situation des règimes mixtes est frèquente et la prèsentation de l'obligation au titre des prestations de retraite fait du sens pour eux dans l'ètat de la situation financiére afin que les utilisateurs puissent bien comprendre les ètats financiers dans le contexte où l'information du volet à cotisations déterminées est juxtaposée au volet à prestations déterminées. Pour eux, il existe vraiment une obligation au titre des prestations de retraite dans ces régimes qui devrait être présentée dans le cas des régimes mixtes. Toutefois, le paragraphe 12A est silencieux sur le besoin de présenter un état de l'èvolution des obligations au titre des prestations de retraite et les exemples 2 et 3 n'indiquent pas si un état de l'èvolution de l'obligation au titre des prestations de retraite doit être présenté pour le régime en y présentant les deux volets séparément. Les membres suggèrent que le paragraphe 12A et les exemples 2 et 3 soient modifiès pour traiter de la prèsentation de l'ètat de l'èvolution de l'obligation au titre des prestations de retraite.

De plus, comme les exemples 2 et 3 prèsentent l'obligation au titre des prestations de retraite pour le volet à cotisations définies, les membres se sont demandé si ces exemples sont conformes au paragraphe 12 g) tel que modifiè dans les propositions. Ils sont donc d'avis que les propositions devraient être clarifiées et modifiées à ce sujet. Pour certains d'entre eux, le paragraphe .12 g) devrait être modifié en conséquence, par exemple en ajoutant à la fin de l'alinèa 12 g) : *(cette disposition ne s'applique pas aux règimes de retraite à cotisations dèfinies)*. Il serait ainsi plus clair qu'un **régime mixte** doive présenter les obligations au titre des prestations de retraite de tous les volets.

D'autres membres se demandent si le fait d'exclure l'obligation au titre des prestations de retraite pour un règime à cotisations dèfinies n'induit pas le lecteur en erreur puisque le règime a une obligation de verser la valeur de l'actif du règime aux participants du régime. Ainsi, ces autres membres suggèrent que l'alinèa 12 g) ne soit pas modifiè et que la proposition d'ajouter le mot "dèfinies" soit retirèe. Par ailleurs, ces membres se sont questionnés sur la pertinence du paragraphe 36 dans les situations où l'obligation au titre des prestations de retraite n'est pas prèsentèe lorsqu'il s'agit d'un règime de retraite à cotisations définies.

Nous notons que la référence au paragraphe 32C, lequel porte sur les fiducies globales, dans l'introduction de chacun des exemples 2 et 3 ne semble pas avoir de pertinence.

Forme que peuvent prendre les états financiers des régimes de retraite

Les membres ont questionnè la prèsentation reflètèe dans l'exemple 3 de l'annexe. D'abord, ils ont affirmè ne pas avoir vu cette forme de prèsentation dans leur pratique. Ensuite, ils sont d'avis que cette forme de présentation est difficile à analyser pour un participant, car elle ne lui permet pas de bien apprécier la situation financière du volet dans lequel il participe, car tous les comptes sont regroupés pour les différents volets.

Terminologie - Prestations définies ou prestations déterminées

Les membres saluent ce changement qui harmonise la terminologie des différents référentiels canadiens.

Terminologie – Obligation au titre des prestations de retraite VS Obligation au titre des prestations constituées

Les membres ont noté des incohérences entre les termes définis au paragraphe .05 et ceux utilisés dans la norme. Ainsi, l'expression « obligation au titre des prestations de retraite » utilisée au paragraphe 24A n'est pas définie dans la norme. Cependant, on définit l'expression « obligation au titre des prestations constituées » qui n'est pas du tout utilisée dans la norme.

Également, la définition en .05a), soit « méthode de répartition des prestations » n'est pas utilisée dans la norme et ne devrait donc pas être incluse dans les définitions afin d'éviter la confusion.

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Building a better working world

Katherine Christopoulos
Director, Accounting Standards Board
Accounting Standards Board
277 Wellington Street West
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June 14, 2022

Dear Ms. Christopoulos:

Ernst & Young LLP ("EY" or "we") welcome the opportunity to provide comments to the Accounting Standards Board ("AcSB" or the "Board") on the March 2022 Pension Plans Exposure Draft (the "Exposure Draft"). Our responses to the specific questions posed in the Exposure Draft are included below.

Comments on Specific Questions Requested by the AcSB

1. The AcSB proposes in paragraph 4600.05(fa) that the amalgamation date is the date on which a pension plan obtains the legal right to the assets and becomes liable for the obligations of one or more pension plans with which it is merging. Similarly, paragraph 4600.05(ab) proposes that the split date is the date on which a pension plan loses the legal right to the assets and is no longer liable for the obligations of the pension plan. The Board also proposes additional guidance related to these requirements in paragraphs 4600.18A-.18B. Do you agree with these proposals on identifying the split or amalgamation date? If not, why not and what alternatives should the Board consider?

   We agree with criteria (a) and (c) in paragraphs 4600.18A and .18B for identifying the split or amalgamation date. However, we do not believe that it makes sense to delay recognition of the amalgamation or split until the date of transfer of the assets and assumption of the liabilities (criterion (b)), which is generally the last of the three events to occur.

   Delaying recognition until the transfer of assets and assumption of liabilities results in accounting that is similar to a cash basis of accounting instead of an accrual basis of accounting as required by paragraph 4600.09. Furthermore, delaying the recognition of plan assets or liabilities until the date of transfer may contradict with the definitions of "asset" and "liability" used in International Financial Reporting Standards and Canadian accounting standards for private enterprises. For example, a pension plan would account for withdrawal requests by recognizing the withdrawal and by accruing a liability upon receipt of the withdrawal request from the member instead of upon the transfer of the assets out of the pension plan.

   In practice, we observe that, while it can take some time to coordinate the transfers of the assets with the various investment managers, custodians and trustees, pension plans consider regulatory approval to be a critical event that gives a pension plan the legal right to proceed with an amalgamation or a split. The receiving pension plan generally has an agreement with the transferring pension plan detailing terms and conditions such as the management and rights of the assets between the date of regulatory approval and the date of the transfer of assets and assumption of liabilities.

2. The AcSB proposes that pension plans that have defined benefit and defined contribution plans combined into one plan should separately present the defined benefit and defined contribution components of the plan. Do you agree with this proposal? If not, why not?

   We agree with this proposal as we believe that it provides useful information on the components of a pension plan and also encourages more relevant comparative information.

   However, we note that it is becoming increasingly common for pension plans to have structures that do not fit into the traditional definitions of "defined contribution pension plan" and "defined benefit pension plan." As a result, the definitions that are currently used in Section 4600 are becoming less relevant as various hybrid plans emerge and risk becoming obsolete at some point in the future, even as the AcSB proceeds with further changes to address the evolving pension plan environment; ideally, Section 4600 would be able to accommodate these new types of plans without having to be amended each time a new type of plan emerges. There could also be existing pension plans that, due to the current definitions, are classified as one type of plan or another but could contain components that are different in nature. Such pension plans could include hybrid plans that are defined contribution in nature but have a minimum defined benefit guarantee, plans that provide conditional benefits (e.g., indexing to the extent that it is affordable), and plans that contain a "flex account" that a plan member can use to purchase an enhancement to their defined benefit (e.g., an improved early retirement benefit, a bridge benefit, or an improved survivor benefit). The current proposal does not require these components to be presented separately.

3. The AcSB proposes in paragraph 4600.21A that a buy-in annuity should be measured at an amount equal to the related pension obligation as this best represents the economics of a buy-in arrangement. Do you agree with this measurement approach? If not, why not and what alternatives should the Board consider?

   We agree with this measurement approach as we believe that the value of the annuity is generally equal to the related pension obligation and does best represent the economics of a buy-in annuity.

   However, we note that there are a number of defined benefit pension plans in Canada that prepare plan financial statements using special purpose financial reporting frameworks that are prescribed by laws, regulations and/or regulators. These frameworks, such as Regulation 909 of the Pension Benefits Act *(Ontario), often require plan financial statements to be prepared in accordance with most, but not all (i.e., the recognition of pension obligations) of the requirements of Section 4600. All else being equal, under the measurement approach that is proposed by the Exposure Draft, plan financial statements that are prepared in accordance with these frameworks would be required to measure buy-in annuities at the value of an element that is not presented or prepared in the plan financial statements. In such cases, it is unclear how these pension plans would value their buy-in annuities. They would either have to seek guidance from their regulator or develop their own accounting policy, which may lead to diversity in practice among these plans.*

4. The AcSB proposes in paragraph 4600.24A that a pension plan should derecognize the investment asset and related pension obligation in a buy-out arrangement when the risks of the pension obligation are transferred to the issuer of the annuity. Do you agree with the proposed timing of when pension plans should derecognize the pension obligations following a buy-out arrangement? If not, why not?

   We agree with the proposed timing of when plans should derecognize the pension obligations following a buy-out arrangement.

5. The AcSB proposes in paragraph 4600.32B that for buy-out annuities, pension plans disclose the nature of the annuities, the extent of pension obligations the annuities offset and, if applicable, the risk of the pension obligation returning to the pension plan. Do you agree these disclosures provide decision-useful information to users of pension plan financial statements? If not, why not and what disclosures should be required for buy-out annuity contracts?

   We agree these disclosures provide decision-useful information to users of pension plan financial statements.

   However, we recommend that the AcSB clarify the desired extent of disclosures required for the risk of a pension obligation returning to the pension plan. Paragraph 4600.32B as proposed by the Exposure Draft is unclear as to whether the desired disclosures are quantitative in nature, qualitative in nature, or both. It is also unclear as to whether or not certain related matters are expected to be discussed in disclosures contemplated under paragraph 4600.32B, such as the risk of insufficient assets or even bankruptcy of the issuer of a buy-out annuity, inadequate reinsurance and deficient Assuris coverage. Because it is unclear what the content of this risk disclosure would be, there may be diversity in practice.

6. The AcSB proposes in paragraph 4600.32C that pension plans with investments in master trusts should disclose additional details that enable users to understand the risks associated with the investments in the master trust. Do you agree with these enhanced risk disclosure requirements? If not, why not?

   We agree with these enhanced risk disclosure requirements as we believe that the same disclosures should be made for assets that are both inside and outside of a master trust.

7. Do you agree that the proposed amendments should apply for annual periods beginning on or after January 1, 2023, in accordance with the transitional provisions in paragraphs 4600.42-.44, with earlier application permitted? If not, why not?

   We agree that the proposed amendments should apply for annual periods beginning on or after January 1, 2023, as we believe that this provides sufficient time for pension plans to prepare for the adoption of the amendments, especially given that the amendments do not have to be applied to interim periods of pension plans with annual reporting periods beginning on or after that date.

8. On transition, the amendments will not apply to the 2023 interim periods of pension plans with annual reporting periods beginning on or after January 1, 2023. As proposed, do you think the effective date provides sufficient time to pension plans that choose to early adopt the new requirements to those interim periods? If not, why not?

   We agree that the effective date provides sufficient time to pension plans that choose to early adopt the new requirements to their 2023 interim periods. We believe that most pension plans do not present interim financial statements and that those who do are generally among the larger and more sophisticated pension plans in Canada. Consequently, we would expect that they would already be applying many of these proposed amendments or would have the information more readily available. As a result, the additional effort to early adopt the proposed amendments is not expected to be onerous.

9. The AcSB proposes in paragraph 4600.42 that pension plans with investments in master trusts should provide additional risk disclosures from the earliest period presented. Do you think an option should be available to apply these amendments only to the period in which the amendments are first applied with no comparative disclosure for the earliest period presented? If so, why?

   We do not believe that an option is needed to apply these amendments only to the period in which the amendments are first applied with no comparative disclosure for the earliest period presented. We believe that most pension plans with master trusts would already have the information required to compile the required disclosure (and, in our experience, many pension plans would already disclose this information in their pension plan financial statements) and so the requirement in paragraph 4600.42 as proposed by the Exposure Draft is not expected to result in an excessive amount of additional effort. While some additional effort may be required to prepare and to audit the required comparative information for the additional risk disclosure, we believe that there is sufficient time to do so.

We would be pleased to discuss our comments with members of the AcSB or its staff. If you wish to do so, please contact Adam Rybinski, Associate Partner, Professional Practice, at 416-943-2711 (Adam.C.Rybinski@ca.ey.com) or Laney Doyle, Professional Practice Director, at 416-943-3583 (Laney.Doyle@ca.ey.com).

Yours sincerely,
ERNST & YOUNG LLP

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

BC PENSION CORPORATION

June 15, 2022

Katherine Christopoulos
Director, Accounting Standards Board
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Re: Response to AcSB Pension Plans, S.4600, Part IV of the CPA Canada Handbook Exposure Draft

Dear Ms. Christopoulos,

BC Pension Corporation is one of the largest professional pension service providers in Canada. We serve over 650,000 active and retired members and more than 1,000 plan employers, paying out $400 million in benefits each month ($5.1 billion a year) to over 212,000 retirees. We administer and provide a full suite of services to the Municipal, Public Service, Teachers', and College pension plans in BC. Our plans are multi-employer, contributory, defined benefit pension plans governed by a joint board of trustees. Each board, which is independent from government and participating plan employers, is fully responsible for the administration and governance of the plan and investment of the fund.

S.4600 standards are used for the financial statements of the public sector pension plans that BC Pension Corporation administers, so we appreciate the opportunity to provide feedback to the proposed changes to these standards. In general, we support the proposed changes and have no concerns with any of the new standards.

Please see our responses to your questions in the attached appendix. Where there was a question to a comment related to an area that does not impact our pension plans, we have chosen not to comment.

Sincerely,

Allan Chen, CPA, CA
Controller, Financial Services

Trevor Fedyna, CPA, CGA
Vice-President, Strategy and Insights and CFO

Appendix

Responses:

1. BC Pension Corporation has no comments.

2. *The AcSB proposes that pension plans that have defined benefit and defined contribution plans combined into one plan should separately present the defined benefit and defined contribution components of the plan. Do you agree with this proposal? If not, why not?*

We agree with the proposal to separately present the defined benefit and defined contribution components of the plans as it will provide greater clarity to readers. Examples 2 and 3 on the presentation of combination plan financial statements were very helpful. The examples did not include the presentation for the Statement of Accrued Pension Obligations, and we are curious as to whether disclosure of the defined contribution component would be eliminated.

3. BC Pension Corporation has no comments

4. BC Pension Corporation has no comments

5. BC Pension Corporation has no comments

6. *The AcSB proposes in paragraph 4600.32C that pension plans with investments in master trusts should disclose additional details that enable users to understand the risks associated with the investments in the master trust. Do you agree with these enhanced risk disclosure requirements? If not, why not?*

We agree with and support the enhanced risk disclosure requirements proposed in the exposure draft. Although units-of-participation is the legal form of the investment, the required disclosure masks the underlying risk of the investments and provides readers with little information of investment risks associated with the pension plan. The trustee of the boards of the pension plans have included additional disclosure in the pension plan financial statements that exceeds the current requirements and aligns with the proposed requirements.

7. BC Pension Corporation has no comments

8. BC Pension Corporation has no comments.

9. BC Pension Corporation has no comments.

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June 15, 2022

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Katherine Christopoulos
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Re: AcSB Exposure Draft Section 4600

We are writing in response to the Exposure Draft paper related to Section 4600 in Part IV of the CPA Canada Handbook. We thank the Accounting Standards Board (AcSB) for the opportunity to comment on aspects of the Exposure draft and the subject of pension investment risk.

With almost 320 employees, working from six offices in Canada, Eckler Ltd. is the country's largest independent actuarial consulting firm. Our roots trace back to 1927, making us one of the oldest firms in the industry. While our response will incorporate some general comments regarding Section 4600, we will specifically address the questions and issues on proposed changes set out in the exposure draft we feel may need further clarification or consultation.

1. **The AcSB proposes in paragraph 4600.05(fa) that the amalgamation date is the date on which a pension plan obtains the legal right to the assets and becomes liable for the obligations of one or more pension plans with which it is merging. Similarly, paragraph 4600.05(ab) proposes that the split date is the date on which a pension plan loses the legal right to the assets and is no longer liable for the obligations of the pension plan. The Board also proposes additional guidance related to these requirements in paragraphs 4600.18A-.18B. Do you agree with these proposals on identifying the split or amalgamation date? If not, why not and what alternatives should the Board consider?**

   We are in agreement that the definitions for amalgamation date and split date are appropriate. We note some flexibility may be needed to ensure that the definitions do not introduce a situation where there is a disconnect in the timing of recognition of the assets and liabilities. For example, clause (b) of paragraphs 18A and 18B may need to be softened in situations where clause (c) takes priority and the liabilities should correctly be recognized/excluded due to a legal contract, but the assets have not actually been transferred in/out.

2. **The AcSB proposes that pension plans that have defined benefit and defined contribution plans combined into one plan should separately present the defined benefit and defined contribution components of the plan. Do you agree with this proposal? If not, why not?**

We agree with this proposal. However, we note that the AcSB intends to review accounting for hybrid plans in the future. It would be beneficial to have a clearer definition of a combination plan, which practitioners generally view as a plan that has DB and DC components that provide independent benefits vs a hybrid plan, which are generally viewed as a plan where a material amount of the benefits is based on the greater of a DB vs DC formula, or where the formula for one of the provisions depends on the formula for the other provision.

3. **The AcSB proposes in paragraph 4600.21A that a buy-in annuity should be measured at an amount equal to the related pension obligation as this best represents the economics of a buy-in arrangement. Do you agree with this measurement approach? If not, why not and what alternatives should the Board consider?**

   We are in agreement with the measurement approach proposed for buy-in annuities, which is consistent with the treatment of same under International Accounting Standard 19.

4. **The AcSB proposes in paragraph 4600.24A that a pension plan should derecognize the investment asset and related pension obligation in a buy-out arrangement when the risks of the pension obligation are transferred to the issuer of the annuity. Do you agree with the proposed timing of when pension plans should derecognize the pension obligations following a buy-out arrangement? If not, why not?**

   We are in agreement with the proposed timing of the derecognition of pension obligations relating to an annuity buy-out arrangement. We suggest consideration be given to amending the opening of 4600.24(C) to add the word “subsequent” as follows: “A pension plan shall recognize any subsequent special payments…” just to clarify that the requirement for the recognition is most likely due to an event occurring after the initial transfer.

5. **The AcSB proposes in paragraph 4600.32B that for buy-out annuities, pension plans disclose the nature of the annuities, the extent of pension obligations the annuities offset and, if applicable, the risk of the pension obligation returning to the pension plan. Do you agree these disclosures provide decision-useful information to users of pension plan financial statements? If not, why not and what disclosures should be required for buy-out annuity contracts?**

   We agree with the proposed additional disclosures, subject to clarification/examples on what disclosure is expected on “the risk of the pension obligation returning to the plan”. We understand that this is intended to address the boomerang risk, and we suggest the appropriate disclosure would be to simply state whether the boomerang risk is present and under what circumstances it might occur (e.g. bankruptcy of the annuity contract holder). We would not be in favour of opining on the probability or likelihood of the obligation returning to the pension plan.

6. **The AcSB proposes in paragraph 4600.32C that pension plans with investments in master trusts should disclose additional details that enable users to understand the risks associated with the investments in the master trust. Do you agree with these enhanced risk disclosure requirements? If not, why not?**

   We are in agreement with these proposals but note that the disclosure under 32C(b) on the plan’s position in the trust should provide meaningful information relevant to the plan, while not being overly onerous. As an example, if the master trust does not require each plan to invest equally across all the possible investments (e.g. it has four funds and a plan can elect not to invest in some of them), then the disclosure of a percentage share of the total trust is not meaningful.

7. **Do you agree that the proposed amendments should apply for annual periods beginning on or after January 1, 2023, in accordance with the transitional provisions in paragraphs 4600.42-.44, with earlier application permitted? If not, why not?**

   We are in agreement with the timing of application of these changes in paragraphs 4600.42-44. The changes are not onerous and should be straightforward to implement quickly.

8. **On transition, the amendments will not apply to the 2023 interim periods of pension plans with annual reporting periods beginning on or after January 1, 2023. As proposed, do you think the effective date provides sufficient time to pension plans that choose to early adopt the new requirements to those interim periods? If not, why not?**

   We agree (see above).

9. **The AcSB proposes in paragraph 4600.42 that pension plans with investments in master trusts should provide additional risk disclosures from the earliest period presented. Do you think an option should be available to apply these amendments only to the period in which the amendments are first applied with no comparative disclosure for the earliest period presented? If so, why?**

   We are in favour of offering the option to apply the master trust requirements prospectively only, to capture any possible situations where the work effort involved to create the comparative information is overly onerous.

We thank you again for the opportunity to provide our comments on the Exposure Draft paper related to Section 4600 of the CPA Canada Handbook. Should you have any questions on the topics discussed above or wish to discuss any other aspect of the Exposure Draft, please feel free to contact Catherine Robertson at crobertson@eckler.ca or 604-673-6082 or Johanan Schmuecker at jschmuecker@eckler.ca or 306-229-1569.

Regards,

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June 15, 2022

Ms. Katharine Christopoulos, CPA, CA
Director, Accounting Standards Board
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Dear Ms. Christopoulos:

Re: Pension plans *("Exposure Draft" or "proposal")*

We welcome the opportunity to comment on the Accounting Standards Board's ("AcSB" or the "Board") proposal to revise Section 4600 - Pension Plans to clarify some areas of ambiguity in the existing standard and to introduce new guidance in areas where no guidance currently exists.

We are generally supportive of the proposed changes, however we believe there are a number of areas where the wording of the proposed standard could be improved and these are noted in our detailed comments below.

1. ***The AcSB proposes in paragraph 4600.05(fa) that the amalgamation date is the date on which a pension plan obtains the legal right to the assets and becomes liable for the obligations of one or more pension plans with which it is merging. Similarly, paragraph 4600.05(ab) proposes that the split date is the date on which a pension plan loses the legal right to the assets and is no longer liable for the obligations of the pension plan. The Board also proposes additional guidance related to these requirements in paragraphs 4600.18A-.18B. Do you agree with these proposals on identifying the split or amalgamation date? If not, why not and what alternatives should the Board consider?***

   Paragraph 4600.05 (fa) defines amalgamation date with respect to a single date that both the legal rights to the assets and the liability for the obligations are transferred. We believe that the date the "legal rights" to the assets are transferred would be a matter of legal interpretation in the relevant jurisdiction, and may or may not be consistent with when the latest of the three conditions in paragraph 18A or 18B are met. We believe this may lead to confusion as to whether the definitive test is when the legal rights to the assets are transferred, as indicated by the definition in paragraph 05 (fa) or whether all the conditions in 18A or 18B must be met. We have previously observed legal opinions in some jurisdictions supporting that legal rights have been transferred upon the effective date of the resolution i.e., legal rights are transferred upon meeting criteria (c) in paragraphs 18A and 18B only and does not require the acceptance of the regulator nor the actual transfer date. If the Board determines that for accounting purposes the appropriate date to recognize the transfer of the assets and obligations is the later of the three criteria specified in paragraph 18A or 18B, then we suggest that the definition of the amalgamation date, and corresponding references in paragraphs 18A and 18B, do not refer to 'legal rights' being obtained but rather refers solely to 'rights' being obtained. Such rights can then be determined in accordance with paragraphs 18A and 18B for accounting purposes.

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Further, we note that criteria (b) in paragraphs 18A and 18B assumes that the transferring pension plan transfers both the related assets and the liabilities out of the plan on the same date, and that date is a single date. Plan assets may actually be transferred in a series of transactions and these may not all be on the same date that the obligations of the plan are transferred. This criterion may be difficult to apply in practice. In addition, if the obligations have been transferred to a different plan, it would follow that the transferee plan would have a right to receive the plan assets that correspond to the obligation. Therefore, we believe that the transfer of the obligation should be the driver for when either plan assets, or the right to receive plan assets, are recognized by the transferee plan, and the plan assets are derecognized, or an obligation to transfer plan assets are recognized by the transferor plan. We further believe that determining when the obligations of the transferor plan are transferred can be assessed using the later of the criteria in (a) or (c) and therefore we believe that criterion (b) is not necessary or helpful to determine when a pension plan has obtained (or lost) its right to the assets and has the liability (is no longer liable) for the obligations relating to the transferred participants of the plan.

2. ***The AcSB proposes that pension plans that have defined benefit and defined contribution plans combined into one plan should separately present the defined benefit and defined contribution components of the plan. Do you agree with this proposal? If not, why not?***

We agree with the proposed presentation and disclosures when a hybrid plan exists, and we believe component presentation and disclosure will provide meaningful information to users of the financial statements.

3. ***The AcSB proposes in paragraph 4600.21A that a buy-in annuity should be measured at an amount equal to the related pension obligation as this best represents the economics of a buy-in arrangement. Do you agree with this measurement approach? If not, why not and what alternatives should the Board consider?***

We agree that the measurement approach outlined in paragraph 4600.21A is a reasonable approach and will achieve greater consistency and understandability in pension plan's financial statements. We also agree that the risk of not receiving amounts due under the annuity contract should be included in the asset valuation measurement. The proposed wording refers to "any adjustment required if the amounts receivable under the annuity contract are not collectible in full". We believe it would be helpful to direct the plan to consider credit losses in a manner that complies with the chosen "reference standards" of the plan, i.e. the expected credit loss model for those that refer to IFRS, and the guidance on measuring an impairment of financial assets in Section 3856.17 for those that refer to ASPE.

4. ***The AcSB proposes in paragraph 4600.24A that a pension plan should derecognize the investment asset and related pension obligation in a buy-out arrangement when the risks of the pension obligation are transferred to the issuer of the annuity. Do you agree with the proposed timing of when pension plans should derecognize the pension obligations following a buy-out arrangement? If not, why not?***

   We agree that providing criteria will help reduce diversity in practice. We also agree with the suggested criteria. However, we are unclear on how criteria (b) will be applied in jurisdictions where no discharge process exists. Specifically, how the words 'regulatory criteria, if any, to discharge the pension obligation from the pension plan to the third party are met, and…'. Some may interpret paragraph 24B to mean that all three criteria must be met, and if there is no regulatory criteria for discharge, criterion (b) can never be met and derecognition would be precluded. Others may interpret paragraph 24B (b) to apply only in cases where there are regulatory criteria for discharge, and that this criterion is irrelevant, and therefore can be disregarded, in cases where the regulators have not set out criteria for discharge. We believe clarifying the Board's intent with respect to how criterion (b) is applied would be helpful to drive consistency of application.

5. ***The AcSB proposes in paragraph 4600.32B that for buy-out annuities, pension plans disclose the nature of the annuities, the extent of pension obligations the annuities offset and, if applicable, the risk of the pension obligation returning to the pension plan. Do you agree these disclosures provide decision-useful information to users of pension plan financial statements? If not, why not and what disclosures should be required for buy-out annuity contracts?***

   We believe that the proposed disclosure on the nature of the contract and the risk, if any, of the pension obligation returning to the plan is decision-useful information to users. We agree it is also useful to disclose the amount of pension obligations that were transferred to the third party at the de-recognition date in respect of the period in which the transaction occurred. However, we do not agree that disclosing the amount of pension obligations that are transferred to the third party is decision-useful information beyond the year of transfer. We read this as a requirement to continue to provide updated information on the actuarial value of obligations that have been covered by a buy-out annuity. We do not believe that this is consistent with the determination that the pension obligation was derecognized and is no longer an obligation of the plan, and that this information may not be readily available on an ongoing basis.

6. ***The AcSB proposes in paragraph 4600.32C that pension plans with investments in master trusts should disclose additional details that enable users to understand the risks associated with the investments in the master trust. Do you agree with these enhanced risk disclosure requirements? If not, why not?***

   We agree with the objective of the enhanced risk disclosure requirements relating to master trusts. We observe the requirement is to disclose the types of investments and level of the fair value hierarchy for the investments held within the master trust, however we do not read the requirements to require

quantitative information to be provided. We believe the wording should be made clear that quantitative information should be provided.

7. ***Do you agree that the proposed amendments should apply for annual periods beginning on or after January 1, 2023, in accordance with the transitional provisions in paragraphs 4600.42-.44, with earlier application permitted? If not, why not?***

   Yes.

8. ***On transition, the amendments will not apply to the 2023 interim periods of pension plans with annual reporting periods beginning on or after January 1, 2023. As proposed, do you think the effective date provides sufficient time to pension plans that choose to early adopt the new requirements to those interim periods? If not, why not?***

   Yes.

9. ***The AcSB proposes in paragraph 4600.42 that pension plans with investments in master trusts should provide additional risk disclosures from the earliest period presented. Do you think an option should be available to apply these amendments only to the period in which the amendments are first applied with no comparative disclosure for the earliest period presented? If so, why?***

   We believe that this information is generally readily available from the master trust for both current and comparative periods. However, there may be rare situations where this information is not available. We believe a limited option that permits a plan to exclude these disclosures when it is impracticable to do (as that term is used in IAS 8 or ASPE Section 1506) would be appropriate.

We would be pleased to respond to any questions you might have. Questions can be addressed to Lucy Durocher (lucy.durocher@pwc.com) or Sean Cable (sean.c.cable@pwc.com).

Yours very truly,

PricewaterhouseCoopers LLP

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Mercer

welcome to brighter

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15 June 2022

Subject: Exposure Draft – Pension Plans

Dear Ms. Christopolous:

We are pleased to provide our response to the Exposure Draft: Pension Plans. Mercer provides actuarial services to many organizations currently reporting under the requirements of Section 4600 in Part IV of the CPA Canada Handbook ("Section 4600"). We are providing our comments from the perspective of organizations we support in preparing statements in accordance with Section 4600.

Executive Summary

We support the majority of the proposals in the Exposure Draft.

However, we strongly suggest the Board remove the requirement to track and re-value annuity buy-outs for annual disclosure purposes. We provide rationale for this recommendation in our response to question five.

Comments requested:

1. **The AcSB proposes in paragraph 4600.05(fa) that the amalgamation date is the date on which a pension plan obtains the legal right to the assets and becomes liable for the obligations of one or more pension plans with which it is merging. Similarly, paragraph 4600.05(ab) proposes that the split date is the date on which a pension plan loses the legal right to the assets and is no longer liable for the obligations of the pension plan. The Board also proposes additional guidance related to these requirements in paragraphs 4600.18A-.18B. Do you agree with these proposals on identifying the split or amalgamation date? If not, why not and what alternatives should the Board consider?**

   We agree with these proposals and believe they will provide consistency among pension plan financial statements.

   In addition, we recommend enhancing paragraph 4600.05(fa) to include language such as "…***some or all*** *of the assets and becomes liable for* ***some or all of*** *the obligations…*" and paragraph 4600.05(ab) to include "…***some or all of*** *the assets and is no longer liable for* ***some or all of*** *the obligations*". Similar language is recommended for paragraphs 4600.18A-.18B. This recommendation is to support situations where pension plans enter into agreements with other plans to transfer only a portion of the plan's assets and obligations.

2. **The AcSB proposes that pension plans that have defined benefit and defined contribution plans combined into one plan should separately present the defined benefit and defined contribution components of the plan. Do you agree with this proposal? If not, why not?**

   Yes.

3. **The AcSB proposes in paragraph 4600.21A that a buy-in annuity should be measured at an amount equal to the related pension obligation as this best represents the economics of a buy-in arrangement. Do you agree with this measurement approach? If not, why not and what alternatives should the Board consider?**

   This is a reasonable approach and is generally consistent with how a sponsoring employer would account for the transaction in its financial statements under other Canadian accounting standards or how a plan administrator would account for the transaction in the statutory funding reports.

4. **The AcSB proposes in paragraph 4600.24A that a pension plan should derecognize the investment asset and related pension obligation in a buy-out arrangement when the risks of the pension obligation are transferred to the issuer of the annuity. Do you agree with the proposed timing of when pension plans should derecognize the pension obligations following a buy-out arrangement? If not, why not?**

We agree that a plan should recognize the reduction in obligations and assets when the risks and rewards have transferred to the third party issuing the annuity contract and there is no realistic expectation that the transaction will be reversed. The timing of recognition specified in 4600.024A along with the related guidance in 4600.24B meet this requirement.

5. **The AcSB proposes in paragraph 4600.32B that for buy-out annuities, pension plans disclose the nature of the annuities, the extent of pension obligations the annuities offset and, if applicable, the risk of the pension obligation returning to the pension plan. Do you agree these disclosures provide decision-useful information to users of pension plan financial statements? If not, why not and what disclosures should be required for buy-out annuity contracts?**

Nearly all pension regulations in Canada do not require the ongoing tracking and valuation of obligations associated with an annuity buy-out. Indeed, many pension regulations provide or allow for a discharge of obligation for benefits settled by an annuity buy-out. Where pension plans are not required by pension statute to include the value of buy-out annuities in the statutory funding valuation of the pension plan, including such a disclosure requirement will create excessive or impossible work for plans to comply.

Contrary to the note from the Working Group mentioned in paragraph 34 of the Basis for Conclusions, buy-out annuities have a long history of use in Canada. For years, administrators of pension plans have purchased buy-out annuities for retiring individuals or for groups of retirees at a time. Such practice was not unusual many years ago, and continues to be used by a number of plan administrators.

The disclosure requirement, as written, suggests that the plan will need to determine an obligation each year for benefits that it is no longer reasonably or actually responsible for providing. From a practical standpoint, the plan may not have access to the records and data needed to prepare a valuation of these obligations. Even if the data were available, significant additional costs would be incurred to track member experience and prepare these calculations.

Our recommendation is that the plan's obligations regarding the inclusion of the value of buy-out annuities either be consistent with the statutory inclusion criteria, or be excluded entirely. Disclosure that an annuity buy-out has been undertaken for the fiscal period included in the financial statements along with a discussion, if applicable, of the risk of the pension obligation returning to the pension plan should be sufficient for users of the statements. Suggested wording for paragraph 4600.32B is as follows:

> *A pension plan may purchase an annuity from a third party, commonly referred to as a buy-out annuity contract, in which the third party assumes some or all of the pension obligations of the pension plan.* ***For the year in which a pension plan purchases a buy-out annuity****, it shall disclose the nature of the contract, the amount of the pension obligations that are transferred to the third party and the risks, if any, of the pension obligation returning to the pension plan.*

6. **The AcSB proposes in paragraph 4600.32C that pension plans with investments in master trusts should disclose additional details that enable users to understand the risks associated with the investments in the master trust. Do you agree with these enhanced risk disclosure requirements? If not, why not?**

   We agree with the enhanced disclosures in paragraph 4600.32C and believe it will be beneficial for users of the financial statements. In our experience, this information should be readily available to a plan to prepare this disclosure.

7. **Do you agree that the proposed amendments should apply for annual periods beginning on or after January 1, 2023, in accordance with the transitional provisions in paragraphs 4600.42-.44, with earlier application permitted? If not, why not?**

   Yes

8. **On transition, the amendments will not apply to the 2023 interim periods of pension plans with annual reporting periods beginning on or after January 1, 2023. As proposed, do you think the effective date provides sufficient time to pension plans that choose to early adopt the new requirements to those interim periods? If not, why not?**

   Yes

9. **The AcSB proposes in paragraph 4600.42 that pension plans with investments in master trusts should provide additional risk disclosures from the earliest period presented. Do you think an option should be available to apply these amendments only to the period in which the amendments are first applied with no comparative disclosure for the earliest period presented? If so, why?**

   We do not believe this is necessary as we expect that the required information regarding master trusts to be readily available.

Other Items

Pension obligation measured in accordance with Section 3250 of the Public Sector Accounting Standards Handbook

Paragraph 4600.22 indicates that the pension obligation can be measured at the plan sponsor's measurement of the defined benefit obligation. Paragraph 4600.23 expands on this point by indicating that guidance on determining the defined benefit obligation can be found in section of Part I or Part II of the Handbook. If the pension obligation measured in accordance with Section 3250 of the Public Sector Accounting Standards Handbook would be considered as an acceptable measure of a pension obligation

for reporting under Section 4600, we suggest amending paragraph 4600.23 to include a reference to this accounting standard, as well.

Reference to "Special Payments" in Paragraph 4600.24C

The use of "special payments" in paragraph 4600.24C is unfortunate and could lead to confusion. "Special payments" is a term commonly used in pension regulation and pension practice to refer to payments made to amortize going concern unfunded liabilities or solvency deficiencies. We recommend using the term "premium adjustment" instead. Premium adjustments would be a commonly understood term for revisions to the premium charged by an insurance company for an annuity buy-out. Such premium adjustments may either be a refund to the plan or an additional charge to the plan. Therefore, we also recommend that paragraph 4600.24C(b) be revised to reflect this, such as "*the pension plan is the party obligated to* ***pay the premium adjustment or receive the premium refund***."

We would be pleased to discuss any of our comments or recommendations, should you have any questions or require further clarification.

Sincerely,

Edith Samuels, FSA, FCIA
Principal

Darrin Bull, CPA,CA
Principal

Copy: J. Legault, Mercer

PROVINCIAL AUDITOR
of Saskatchewan

June 21, 2022

Katherine Christopoulos
Director
Accounting Standards Board
277 Wellington Street West
Toronto, ON M5V 3H2

Dear K. Christopoulos:

Re: March 2022 Exposure Draft – Pension Plans

We support the proposed Pension Plans, Section 4600 as outlined in the exposure draft Pension Plans. The attachment sets out our responses to the specific questions included in the exposure draft.

Yours truly,

Tara Clemett, CPA, CA, CISA
Provincial Auditor

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Attachment

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	Question	**Response**
1	The AcSB proposes in paragraph 4600.05(fa) that the amalgamation date is the date on which a pension plan obtains the legal right to the assets and becomes liable for the obligations of one or more pension plans with which it is merging. Similarly, paragraph 4600.05(ab) proposes that the split date is the date on which a pension plan loses the legal right to the assets and is no longer liable for the obligations of the pension plan. The Board also proposes additional guidance related to these requirements in paragraphs 4600.18A-.18B. Do you agree with these proposals on identifying the split or amalgamation date? If not, why not and what alternatives should the Board consider?	We agree with the proposals on identifying the split or amalgamation date, except that we think the legal contract should be listed first as it is the most important consideration. The regulator may also be important, but regulators across the country have varying powers and may not have consistent responsibilities under law.
2	The AcSB proposes that pension plans that have defined benefit and defined contribution plans combined into one plan should separately present the defined benefit and defined contribution components of the plan. Do you agree with this proposal? If not, why not?	We agree with the proposal to separately present the defined benefit and defined contribution components of the plan because this provides relevant information about the results of each plan and each plan's ability to meet its obligations.
3	The AcSB proposes in paragraph 4600.21A that a buy-in annuity should be measured at an amount equal to the related pension obligation as this best represents the economics of a buy-in arrangement. Do you agree with this measurement approach? If not, why not and what alternatives should the Board consider?	We agree with this measurement approach. However, we suggest the Board provide clarification about valuation where a pension plan is not transferring the entire benefit obligation via an annuity as follows. Clarify if the annuity is measured at a value equal to the related benefit obligation only on the date of purchase of the annuity, or if this is also done when the benefit obligation value is subsequently updated. Also, if the annuity is measured at the benefit obligation value subsequently, whether the gains/losses would be recognized in the statement of changes in net assets available for benefits in the current year.

	Question	**Response**
4	The AcSB proposes in paragraph 4600.24A that a pension plan should derecognize the investment asset and related pension obligation in a buy-out arrangement when the risks of the pension obligation are transferred to the issuer of the annuity. Do you agree with the proposed timing of when pension plans should derecognize the pension obligations following a buy-out arrangement? If not, why not?	We agree with the proposed timing of when pension plans should derecognize the pension obligations following a buy-out arrangement.
5	The AcSB proposes in paragraph 4600.32B that for buy-out annuities, pension plans disclose the nature of the annuities, the extent of pension obligations the annuities offset and, if applicable, the risk of the pension obligation returning to the pension plan. Do you agree these disclosures provide decision-useful information to users of pension plan financial statements? If not, why not and what disclosures should be required for buy-out annuity contracts?	We agree these disclosures provide decision-useful information to users of pension plan financial statements. However, we think the Board needs to provide clarity that this section only applies when a pension plan has not transferred all of the pension obligations to a third party through an annuity contract. If the pension plan has transferred all of the risks of the pension obligation to a third party and has derecognized the investment asset and pension obligation from its balance sheet, then Section .24A applies and we expect the plan does not need to prepare financial statements so disclosure requirements would be irrelevant. We also think the Board needs to provide clarity about whether this is only disclosure, or if there is also subsequent remeasurement of the annuity based on pension obligations value changing, similar to the issue we raised in question 3.
6	The AcSB proposes in paragraph 4600.32C that pension plans with investments in master trusts should disclose additional details that enable users to understand the risks associated with the investments in the master trust. Do you agree with these enhanced risk disclosure requirements? If not, why not?	We agree with these enhanced risk disclosure requirements.

	Question	**Response**
7	Do you agree that the proposed amendments should apply for annual periods beginning on or after January 1, 2023, in accordance with the transitional provisions in paragraphs 4600.42-.44, with earlier application permitted? If not, why not?	We think January 1, 2023 may not provide organizations sufficient time to implement the standard since it will only be issued in late 2022. We suggest a later date, such as July 1, 2023 or January 1, 2024 would be more appropriate.
8	On transition, the amendments will not apply to the 2023 interim periods of pension plans with annual reporting periods beginning on or after January 1, 2023. As proposed, do you think the effective date provides sufficient time to pension plans that choose to early adopt the new requirements to those interim periods? If not, why not?	We think the effective date may not provide sufficient time for pension plans to early adopt the new requirements for interim periods given the standard will not be issued until later 2022.
9	The AcSB proposes in paragraph 4600.42 that pension plans with investments in master trusts should provide additional risk disclosures from the earliest period presented. Do you think an option should be available to apply these amendments only to the period in which the amendments are first applied with no comparative disclosure for the earliest period presented? If so, why?	We think an option should be available to apply these amendments only to the period in which the amendments are first applied with no comparative disclosure for the earliest period presented. We note that disclosures of past risk are not indicative of current or future risk, so are unlikely to impact decisions of users. As a result, the effort involved to produce these comparatives may exceed the benefits.
Other comments		Paragraph 32A sets out accounting for buy-in contracts where the timing and cash flows match the timing and cash flows for some or all of the benefits payable, but does not set out how to account for buy-in contracts where timing and cash flows do not match. In paragraph 24A, we suggest changing the title of balance sheet to statement of financial position.