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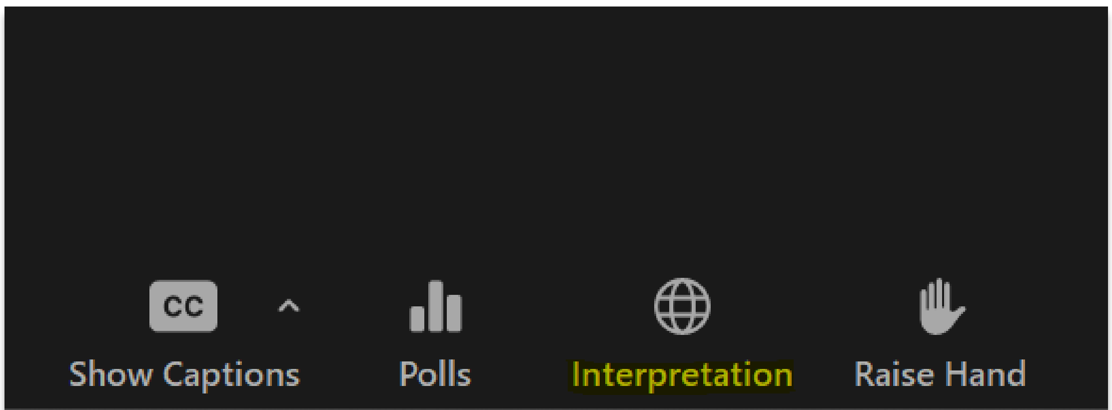
Public Sector
Accounting Board

Employee Benefits, Proposed Section PS 3251

Riley Turnbull, CPA, CA

Iman Sheikh, CPA, CA

Simultaneous interpretation



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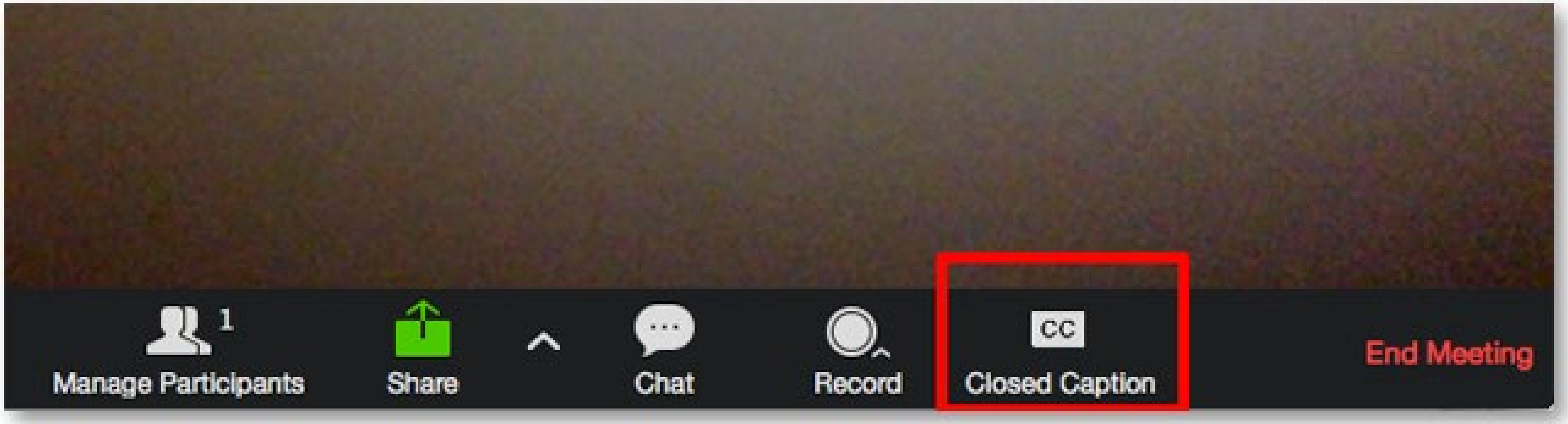
Closed captioning



Presenters

Iman Sheikh, CPA, CA
Principal, Public Sector Accounting Board

Riley Turnbull, CPA, CA
Principal, Public Sector Accounting Board

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Agenda

- Project history – Employee Benefits
- Developing the new standard
- Amended Discount Rate proposals
- Other topics

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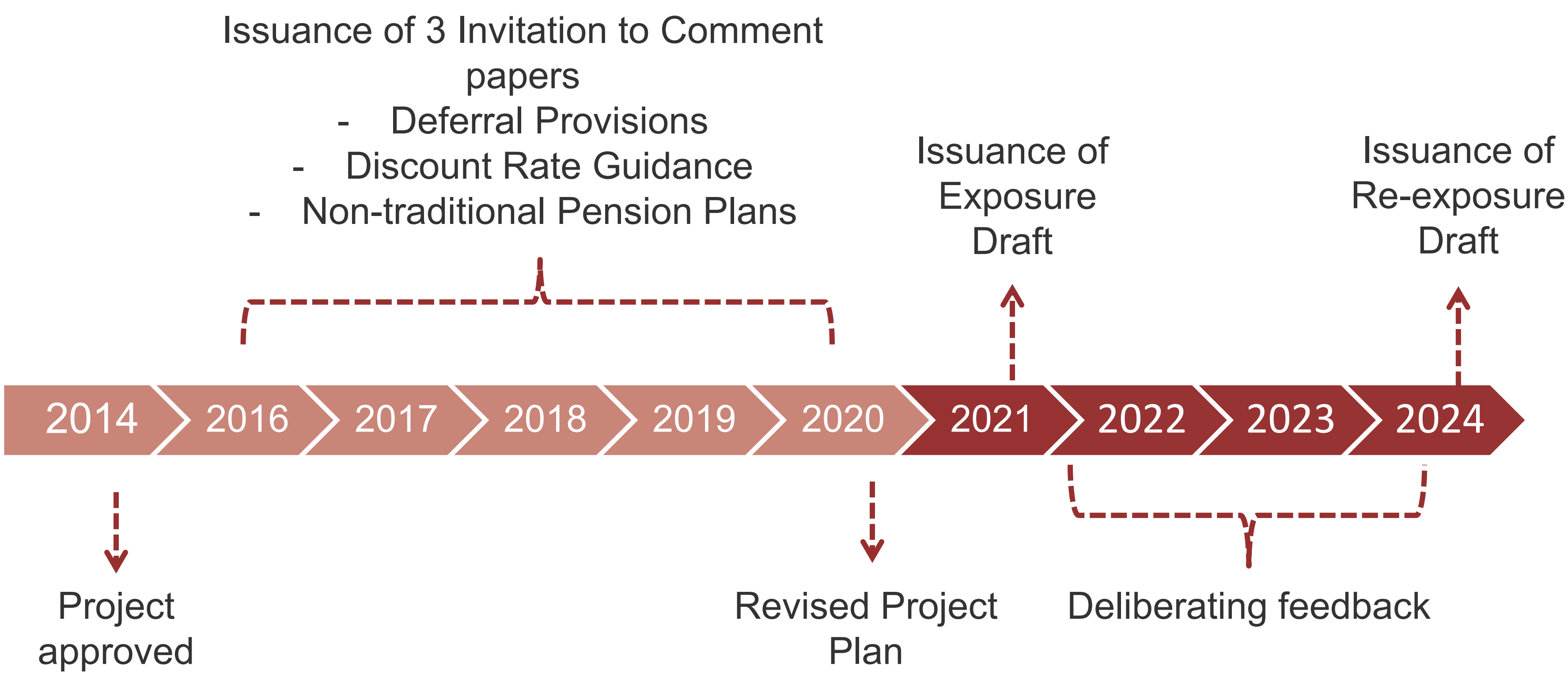
Project history – Employee Benefits

Where we are in the project



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Engaging communities

ITC 1 – Deferral Provisions (November 2016)	• Views of over 75 interested parties
ITC 2 – Discount Rate Guidance (November 2017)	• Views of over 50 interested parties
ITC 3 – Non-traditional Plans (October 2018)	• Views of over 270 interested parties
Exposure Draft (July 2021)	• Views of over 300 interested parties
Re-exposure Draft	• Issued for feedback on October 17, 2024

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ITC is an acronym for Invitation to Comment

Developing the new standard

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Employee Benefits project plan

- Current phase provides base guidance, with focus on discount rate and deferral provisions
- Future phase will consider need for further proposals for non-traditional plans, etc.
- Proposed section developed using IPSAS 39, *Employee Benefits* as starting point
- Will replace existing Sections PS 3250, *Retirement benefits* and PS 3255, *Post-employment benefits, compensated absences and termination benefits*

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What's covered by the proposals?

Key Proposals

- Discount Rate
- Deferral Provisions

Other Proposals

- Short-term benefits
- DC plans
- Other LT and termination benefits
- Shared risk plans
- DB plans
- Transitional provisions

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Exposure Draft – Issued July 2021

- Considerations in the development of the July 2021 Exposure Draft:
  - existing IPSAS 39 principles
  - feedback from Invitation to Comment papers issued for Discount Rate Guidance and Deferral Provisions
  - the Canadian public interest
  - PSAB's Conceptual Framework & Reporting Model

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Discount rate
What did we hear?

High Cost

Administrative Burden

Auditor-Preparer Debate

Limited Benefit

Requests for amendment:

- Simplified methodology
- Reduced prescription
- Leverage existing funding evidence

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Re-exposure Draft - Overview

Substantive Amendments

- Simplified discount rate proposals
  - Removal of partially funded plan proposals
  - Amended funding status assessment
- New disclosure requirements - fully funded plans

Non-substantive Amendments

- Scope exclusion – social benefit programs
- Remeasurement gains/losses:
  - Terminology
  - Presentation
  - Settlement
- Category-wide plans
- Joint defined benefit plans
- Valuation of plan assets
- Simplified disclosure requirements:
  - Other long-term benefits
  - Termination benefits
- Transitional provisions

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Amended discount rate proposals

Simplified discount rate proposals

- Removal of partially funded plans
- Leverage existing funding evidence
- Additional disclosure requirements

Removal of partially funded plans

Fully Funded Plans

Discount Rate:
Expected Market-based
Return on Plan Assets

Unfunded Plans

Discount Rate: Market
Debt Instruments

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Leverage existing funding evidence

Primary indicators

- Funding policy – Requirements set out in legislation, by-laws or contractual agreement
- Actuarial valuation for funding purposes

Secondary indicators

- Public sector entity funding practices:
  - Corrective actions
  - Accuracy in assessing historical fluctuations
  - Historical funding evidence

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Funding vs. accounting actuarial valuations

Funding Valuation	Accounting Valuation
Plan-based reporting	Entity-based reporting
Assess sufficiency of investment strategy	Market value of plan's obligations, with net presentation against market value of plan assets
Based on current strategy (and future contributions), will this plan be funded in the future?	What is the economic cost of the plan's obligation to active and former employees?

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Additional disclosure requirements – Sensitivity analysis

Prudence (PSAB's Conceptual Framework, Chapter 7):

- Exercise caution when making judgments under uncertainty
- Consideration for determining nature and extent of information
- Accountability to financial statement users

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Other topics

What did we hear?

- Generally supportive
- Clarify potential gaps
- Consider non-substantive amendments

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Deferral provisions

Non-substantive changes

PS 3250 – Net defined benefit liability (asset)
Plan assets
Defined benefit obligation
Unamortized actuarial gains/losses

PS 3251 – Net defined benefit liability (asset)
Plan assets
Defined benefit obligation

PS 3251 – Accumulated remeasurement gains/losses
Unamortized actuarial gains/losses

NEW

- Recognition in remeasurement gains/losses
- Settlement guidance

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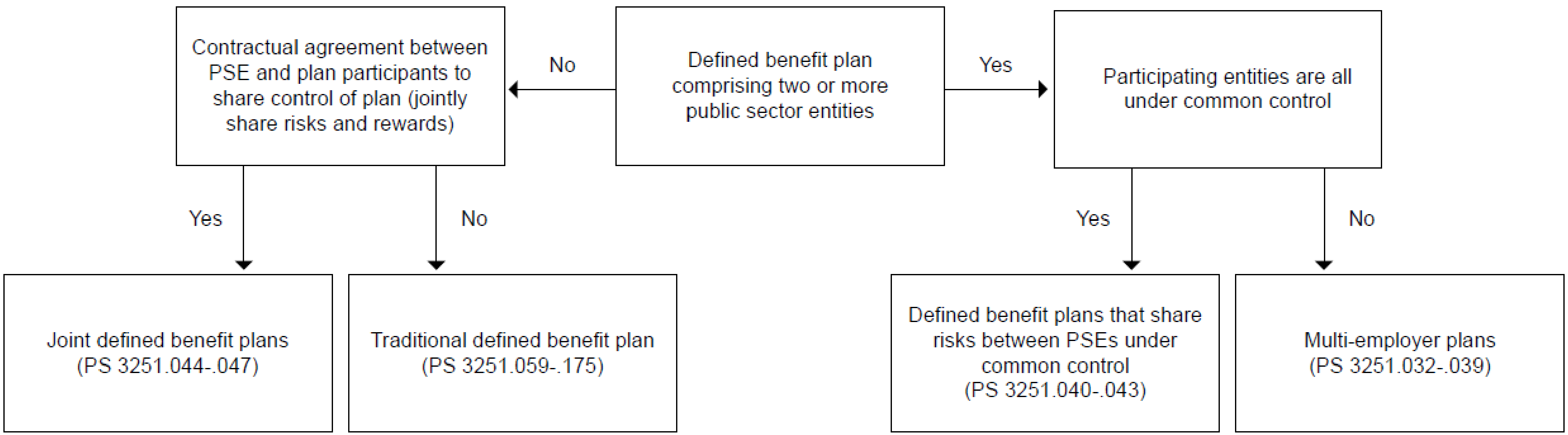
Social benefit programs
Non-substantive changes

- What are social benefit programs?
  - Provide broad benefits based on social policy objectives:
    - Specific individuals or households who meet criteria
    - Mitigate effect of social risks
    - Address broad needs of Canadians
- Not in scope of proposed Section PS 3251

Classifying defined benefit plans

Non-substantive changes



***NEW** – Removal of category-wide plan proposals

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Joint defined benefit plans
Non-substantive changes

PS 3250

- The government's risk is limited to its portion of the plan. Account for its portion of the plan in accordance with the standards for defined benefit plans.

Re-ED

- Account for its participation in the same way as for a defined benefit plan (proportionate share of the defined benefit obligation, plan assets, and cost)

Multi-employer plans

Proposals consistent with ED

PS 3250

- When a PSE sponsors a multi-employer plan:
  - Follow the standards for DB plans for its obligation for the plan
- When a PSE participates but does not sponsor a multi-employer plan:
  - Follow the standards for DC plans

Re-ED

- Classify as DC or DB (based on terms of plan)
- Account for proportionate share of the defined benefit obligation, plan assets, and cost associated with the plan in the same way as for any other DB plan
- If sufficient information is not available to use DB accounting, account for the plan as a DC plan

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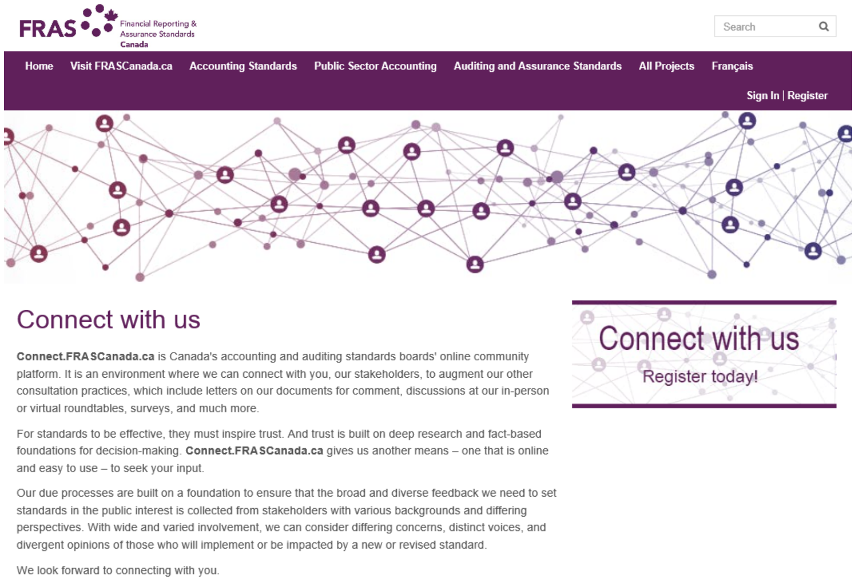
Other non-substantive changes

- Simplified disclosure requirements for other long-term employee benefits and termination benefits
- Prospective application of proposed definition of “assets held by a long-term employee benefit plan”
- Improved consistency with Section 2120, *Accounting Changes*
- Proposed effective date of April 1, 2029

Stay tuned and share your thoughts!

- Comment deadline January 20, 2025
- Share your thoughts via:
  - Comment letter; or
  - PSAB's Community Platform, connect.frascanada.ca



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For more information, visit www.frascanada.ca

Contact

Riley Turnbull, CPA, CA
Principal, Public Sector Accounting Board
Phone: +1 (416) 204-3451
Email: rturnbull@psabcanada.ca

Iman Sheikh, CPA, CA
Principal, Public Sector Accounting Board
Phone: +1 (647) 264-8346
Email: isheikh@psabcanada.ca

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Questions?