



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?**

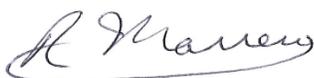
We agree.

- 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)