

## Accounting for retirement fund investments in accordance with international accounting standards for the public sector and its impact on financial performance

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**Abstract:** The research aims to study and analyze the conceptual aspects of retirement funds, and to address the financial performance of the retirement fund and the importance of diversifying the investments of the retirement fund assets and accounting for them based on the application of international accounting standards in the public sector and the reflection of the application of international accounting standards for the public sector on financial performance. The study started from the problem that the failure to diversify the assets of the investments of the Iraqi pension fund and accounting for it in accordance with the international accounting standards for the public sector would affect its financial performance and in a way that leads to the inability of the pension fund in the future to fulfill its obligations towards the beneficiaries, as a survey was conducted for the most important pension funds in various Countries of the world working to diversify their investments in accordance with the application of international accounting standards for the public sector and the extent of its impact on financial performance according to a checklist, and the strategy of diversifying assets invested in pension funds in countries of the world was revealed according to another checklist. A questionnaire was made to find out the importance of accounting for retirement fund investments in accordance with international accounting standards for the public sector and its impact on financial performance. The need for the Iraqi pension fund to adopt international accounting standards for the public sector, which ensures the possibility of diversifying the assets of the pension fund and disclosure in the financial statements in accordance with the requirements of Standard No. (1) Presentation of Financial Statements.

**Keywords:** Pension fund, financial performance, International Public Sector Accounting Standards (IPSASs)

## Introduction

Pension funds were established at the end of the nineteenth century and developed in the middle of the twentieth century, and its objectives and means were completed, as most countries of the world have come to consider this system as a type of commitment towards human rights. The pension fund is one of the important government institutions, as it is responsible for providing salaries and rewards for workers in the government sector beyond the age of retirement, as the fund invests the surplus of its money in several areas for the purpose of providing the financial sustainability of the fund. Large in many countries of the world because of the responsibility associated with it to provide the pensions of a generation that has spent its life serving the country and supporting its economy. As pension funds around the world face challenges, the most prominent of which is the continued provision of financial sustainability for the purpose of fulfilling its obligations and investing its surplus funds in a manner that achieves an optimal return. The study assumed that the application of IPSASs of the Iraqi pension fund would affect its financial performance. Therefore, it should shed light on the accounting treatments for accounting for investments in accordance with IPSASs and their consistency and compatibility with international requirements, and therefore the application of these standards will be reflected in the appropriate delivery of information in accordance with international requirements through financial statements that help in making decisions about investment and reviving the local economy. The research problem focused on the fact that the failure to diversify the assets of the investments of the Iraqi Pension Fund and accounting for it in accordance with the IPSASs would affect its financial performance and in a way that leads to the inability of the retirement fund in the future to fulfill its obligations towards the beneficiaries.

## Literature Review

### Previous researches

The study (Tonks: 2005) aimed to analyze the investment management process for the funds invested in the pension plans of the United Kingdom Pension Fund, with a special focus on measuring the performance of investment returns achieved by pension funds, and the most important conclusions reached by the researcher. The management of pension funds bears the risks of poor performance. The return on assets in the pension fund depends on the investment strategy and asset allocation decisions of the pension fund. The study (Kim: 2014) aimed to show the importance of changes in applying international standards for financial reporting and changes in retirement benefits. The most important finding of the researcher is that the adoption of international financial reporting standards leads to improving the basic and enhancing qualitative characteristics of accounting information in terms of relevance, reliability, comprehension, and comparability. The work (Kiosse&Barthelme&Sellhorn: 2017) presented the important efforts of international standards within the scope of pension plans with defined benefits through the application of International Accounting Standard No. 19 IAS. Consequently, it increases the expected effects in the equity of pension fund assets by not recognizing actuarial gains and losses. The most important conclusion of the authors is that the companies affected by the adoption of the International Accounting Standard IAS 19 significantly transfer their pension assets from stocks to bonds.

### Pension Funds Concept

There are several definitions of retirement money, including money used to report resources that must be kept as a trust to members and beneficiaries of pension money (assets that a trustee or agency holds for others) (Jeter & Chaney, 2012: 908). The Governmental Accounting Standards Board (GASB) defines pension funds as follows (Larsen, 2006:792):

“It is a fund used by a government entity to report resources to be held as a trust for members and beneficiaries of defined pension plans, defined contribution plans, other post-

employment benefit plans, or other employee benefit plans. The use of this fund to accumulate assets to pay benefits as they become due under the terms of the scheme”.

The scholars believe that the retirement fund in any country has a legal and accounting entity. Additionally, the fund maintains as a separate entity with a set of accounting records (books). The books record the fund’s financial statements and summarize the contributions that have been paid, whether from employees, government, or employers.

Retirement funds are considered one of the trust funds classification. Their operating activities are presented using the same principles adopted for the financial statements of equity funds through the accrual basis to report the funds. Retirement funds are the sources that must be kept as a trust are disclosed to the members and beneficiaries of the retirement post-assignment on retirement. Finally, it is worth mentioning that the government retirement money is invested in large capital assets such as land, buildings, and equipment, or investing in stocks and bonds (Reck&Lowensohn&Neely, 2019: 35).

### **Actuarial Accounting and Its Role in Pension Funds**

The actuary applies knowledge of mathematics, statistics, and financial affairs to design and implement pension systems. It is performed in tables of probabilities of occurrence risks, deaths, accidents, unemployment, disability and retirement. Furthermore, the actuary evaluates investment portfolios and the expected return and works to direct resources in the optimal direction. In work provided by the financial accountant (Jameel, 2016: 151-159), the goal of actuarial accounting in retirement departments is to determine the amount of funding that pension funds need for paying future obligations that are expected to be paid, as some pension funds have failed to fund their plans (Maurer and others, 2016: 269).

Paragraph 78 of the Employee Benefits Standard No. 39 of the IPSASs indicates that the actuarial assumptions are the entity’s estimates of the variables determining the final costs of providing post-employment benefits. The actuarial assumptions include (IPSASs, 2020: 1728):

1. Demographic assumptions: The assumptions include mortality rate, employee turnover and disability, and the percentage of eligible plan members to receive benefits.
2. Financial assumptions: These include the discount rate, which reflects the time value of money to cover post-employment benefit obligations

### **The Challenges that Pension Funds**

There is a set of challenges that pension funds, which include the following general challenges (International Labor Office, 2011: 23-40):

- 1- Complete covering of the Fund’s expenses: This challenge increases and raises in middle and low-income countries. The vast majority of the world’s population still lacks full coverage of the Fund’s expenses due to the growing prevalence of informal labor in many countries.
- 2- The funding challenge: Pension funds face a crucial challenge represented of achieving financial sustainability and working to preserve the investment of the fund’s assets in a more efficient manner. Making investment decisions is an essential element of financing programs for the benefits obtained by the beneficiary.
- 3- The management challenge: The fund’s management constitutes one of the challenges that pension funds face. Good management makes it possible to establish different social systems and allocate resources better.
- 4- Early retirement: It is a loss of human resources and competencies. It represents a financial burden on pension funds (Ezz El-Din and Buhafs, 2017: 83), represented in paying salaries to new retirees (Mohammed and Ismail, 2017: 34).

As for the special challenges (e.g., the covid-19 pandemic challenges) on pension funds and their impact on the economy, the pandemic has adverse effects on all countries of the world from several aspects, whether political, economic, or social. The negative effects did not distinguish between developed and developing countries and affected all countries and segments of society. Notably, the developing countries were more affected as the wheel of the economy stopped completely and thus led to health, financial and economic losses.

Most countries have completely disrupted tourism, as some depend mainly on tourism revenues (Al-Zain, 2021: 252). Furthermore, the oil sector was not spared from the effects of the pandemic, as oil prices fell to less than 33 dollars (Qabbani, Sufyan and Alwani, 2021: 151). Due to economic stagnation, one of the consequences of the Covid-19 crisis is physical (sometimes called social) distancing and the imposition of a curfew that led to decreased job opportunities, weak productivity growth, the occurrence of bankruptcy cases, and a drop in demand for goods and services. Consequently, the difficulty of managing the financial system of economic units (Khair and Tayyib, 2020: 14). These challenges are as follows (Fehr and De Bedigan, 2020: 1):

- 1- Increase the possibility of individuals leaving the labor market, thus demanding retirement benefits, especially in the private sector.
- 2- Negative effects on the labor market reduce job opportunities, stagnation, and wage decline.
- 3- A decrease in the fund's assets' value negatively impacted the pension fund's balance sheet.
- 4- The challenge of providing the retirement fund's financial solvency has led to the difficulty of providing benefits and pensions.
- 5- The pandemic conditions affected the fund's internal and external investments.

#### **Accounting for Pension Funds in the Government Sector**

It is well known that pension funds invest surplus funds in several areas. According to the laws governing pension funds, they can invest their money in bonds or shares (Campbell and Viceira, 2005: 4) or fixed deposits (Viceira, 2010: 15). The retirement funds are income for the resources in which the government is an agent for others, and the assets of the money are equal to its obligations. Additionally, the retirement funds depend on the matching between the assets and resources of money on the one hand and the obligations and reserves of money on the other hand.

Turning to the accounting treatments for pension funds, the following summarizes some of the important treats (Freeman and others, 2014: 478-479):

1- The following entry is recorded in the pension fund when contributions are paid to the pension fund directly on time and without registering an entitlement entry:

Cash	**
Employee contributions	**
Public sector contributions	**

2- Delaying for a period between deducting (amounts) from the employees' salaries and transferring them to the retirement fund. Therefore, the retirement fund records these amounts when they are due on the public money and records the following entry until they are sent to the retirement fund. Therefore, the following entry can be established:

Due to General Fund	**
Employee contributions	**
Public sector contributions	**

3- The following entry is recorded when the amounts are paid to the retirement fund:

Cash	**
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Due to General Fund \*\*

- 5- At the end of the year, an adjustment may be made to the fair value of the investments. Since the fair value of the fund's investments has decreased by a certain amount: The subsequent adjustment is as the fund records the following entry to amend the value of the decline in the fair value and by the amount that was determined in the fair value decline:

Deductions—Net Increase (Decrease) in Fair Value of Investments \*\*  
Investments \*\*

### Accounting for investments in Pension funds under IPSASs

The most important types of investments in pension funds and accounting for them under the requirements of IPSASs will be reviewed, as follows:

#### – Investment Property in Pension funds

One of the essential forms of investments in Pension funds is investment Property. It is considered one of the good and essential investments for investors (experts in this field) who need a large capital for investment, as investment property is bought to wait for its value to rise and sell it in the future (to obtain profits). The main characteristics of Investment property are as follows (Al Shabib, 2012: 50):

- 1- Investment property is characterized by a high degree of security over the money invested, as the asset is acquired and full freedom to dispose of it in full.
- 2- Many countries encourage investment property by giving tax allowances to real estate investors.
- 3- Obtaining relatively high returns due to investing in investment property, especially if the investment is based on sound economic and technical feasibility studies.

There are examples of investment properties that are referred to in paragraph (12) of Standard No. (16), which are (IPSASs, 2020: 491):

- 1- The land is held to increase its long-term capital value and not sell it in the short term through the normal course of operations.
- 2- The government unit (building) owns, maintains, and rents according to a finance lease (used for commercial purposes).

The main issues in accounting for investment properties under the standard mentioned above are as follows:

#### Firstly: Recognition

Investments properties are recognized as an asset within the assets of public sector units in the cases referred to in paragraph (20) of the same standard (16), which can be as follows:

- When it is probable that the expected economic benefits or service will flow to units of such property
- If the fair value cost of real estate investments can be measured reliably.

According to the recognition principle, the units evaluate the initial measurement of investments properties at their cost. The costs of the process must be included in the initial measurement. The cost of the purchased investments properties consists of the purchase price and any other expenses incurred later that occur due to adding to the property (IPSASs, 2020: 494).

As indicated in B of Paragraph 20, when an investment property is valued at fair value, Paragraph 44 requires recognizing gains or losses resulting from a change in the fair value of properties in surplus or deficit during the period they occur (IPSASs, 2020: 498).

#### Secondly: Measurement

In measuring investment properties, it must be initially measured at its cost. When investment properties are acquired through noncurrent operations, their cost is the fair value on the date



of acquisition. Paragraph 39 of the same standard indicates that the units should choose the fair value model or the cost model as a policy accounting applied to all investment properties. The concept of fair value for investment properties is the price at which property is exchanged between knowledgeable and willing parties in a commercial transaction (IPSASs, 2020: 495)

### **Thirdly: Disposals**

Paragraphs 77 and 80 of the same criterion (16) state that investment property should be derecognized and deleted from the financial position upon disposal (or permanent discontinuation of use). No future economic benefits or potential services are expected from its disposal. The gains and losses from the disposal of investment properties must be determined when selling them (or leased under a finance lease). It must be recognized in the surplus or deficit in the period of exclusion of the investments (IPSASs, 2020: 505)

### **Fourthly: Disclosure**

Paragraph 86 of the same standard (16) refers to the disclosure requirements for investment properties. The units must disclose whether they apply the fair value model or the cost model, or both in measuring all the investment properties they own. The type of investment property must be disclosed if it is a building or land.

The methods and assumptions used to determine the fair value of investment property must be disclosed. Additionally, disclosure of the methods and assumptions used to determine the fair value of investment properties. Furthermore, disclosure of the fair value of investment properties is measured and disclosed in the financial statements. The statements depended on evaluating an independent valuer with a recognized professional qualification and experience in evaluating the type of investment property. They are disclosed in the income statement, including the follows (IPSASs, 2020: 507):

- The income comes from the rent allowance of investment properties.
- Direct operating expenses (including repair and maintenance) arose from investment properties and generated rental income during the period.

The scholars believe that investment properties are among the most important investments in pension funds. Fixed monthly returns may be obtained according to the contracts concluded. These returns may exceed the benefits obtained when depositing funds for the pension fund with banks, as in the case of fixed deposits. The pension fund exploits the lands it owns as investment properties in future commercial projects to obtain returns that increase the fund's financial liquidity.

#### **– The investments in bonds**

Pension funds invest in financial assets such as stocks and bonds. It is one of the main activities in which public and private sector units invest when they have a surplus of cash to obtain periodic benefits from this investment or obtain profits. The definition of a financial asset is stated in paragraph (9) of the IPSASs No. (28) Financial Instruments: Offering (which is cash or equity for another project which means investment in the shares of another company (such as ordinary or preferred shares). It is also a contractual right to receive cash from another party (e.g., a bond). Additionally, it is a contractual right to exchange financial assets or liabilities with another enterprise under potentially favorable terms. An investment in bonds is an investment in debt (Debt securities) (Kieso and Weygandt and Warfield, 2013: 952). The debt investments are classified into three main sections:

#### **Firstly: Held to Maturity Securities**

The investments in bonds are distinguished with honest intention and the ability to remain until the end of their maturity date. They are the investments held to maturity in the economic

unit. Thus, the economic unit does not classify them as investments held to maturity when it intends or expects to sell it (due to a change in the interest rate or the need for financial liquidity). Accordingly, they may be classified as another type and not held investments until the end of their maturity date. These investments are accounted for based on the target cost and not based on the fair value (Kieso and Weygandt and Warfield, 2020: 1343-1345). When purchasing the bond in cash and on the date of the operation, the following entry can be recorded to prove the investment process in the records of the economic unit (pension fund):

Invest in bonds available to maturity	**
Cash	**

The investments acquired to maturity are disclosed in the statement of financial position within the category of assets within the long-term investments. If there is interest receivable, it appears with its accrued value in the statement of financial position within the current assets. The interest income is disclosed in the income statement within the revenues category (Al-Qadi and Hamdan, 2008: 190-191).

### **Secondly: Trading Securities**

These are securities acquired to sell in the short term to generate revenue. These securities are purchased to obtain profits within a short period due to price changes. These investments are reported in the statement of financial position at their fair value. The acquisition gains and losses are reported Unrealized as part of net income and appear within the category of current assets in the balance sheet. For example, the following entry is recorded in the records of the retirement fund and my agencies when purchasing bonds from a specific company for trading purposes (Al-Ramahi, 2013: 415-418):

Investing in bonds available for trading	**
Cash	**

### **Third: Available For Sale Securities**

The securities are bought and not classified for trading or keeping them for maturity. The bond investment available for sale is recognized and disclosed at fair value. The unrealized gains and losses due to changes in the fair value are recorded in the unrealized holding gains and losses account, which appears In comprehensive income. The shareholders' equity is disclosed as a separate component to achieve these gains or losses, and the securities acquired to sell appear within the asset class in the balance sheet. (Al-Kassar, 2010: 69-70):

Investing in bonds available for sale	**
Cash	**

#### **– The investments in Preferred Stocks**

One of the essential investments in pension funds is investing in equity by investing in preferred and common shares. The IPSASs indicate in standard No. (28) Financial Instruments: Offering in Paragraph (14) that a financial instrument is an ownership right if the instrument does not include a contractual obligation. It means a supply of cash or another asset to another facility or the exchange of assets Financial or financial obligations with another entity under conditions (it may not be in the interest of the issuing entity) (IPSASs, 2020: 961). It is important to mention that Preferred shares are a financial instrument classified between common stocks and bonds. They are similar to bonds in obtaining a specific return, and they are similar to common stocks in terms of not legally claiming profits.

On the other hand, the preferred stock does not have a maturity date. Still, the contract may stipulate that it be called up at another time (Abdul Halim, 2013: 53). Additionally, the preferred stockholders are given the right to keep their entitlements in the profits of the years in which no distribution was made from the profits of years the suffix (Chorafas, 2005: 84). When pension funds purchase preferred shares, they are disclosed in the statement of

financial position within equity. However, on the date of purchase, the following entry is recorded on the date of the transaction taking place:

Investments in securities (preferred shares)	**
Cash	**

– **Investment in Common Stock**

The investment in ordinary shares is the second type of investment by equity, and its concepts have developed as a result of the maturity and development of the financial markets. In the arrow, the ordinary shareholder has the advantage of obtaining non-fixed returns that may be annual, semi-annual, or quarterly. It is a percentage of the capital, and the profits may be in cash or the form of shares (Mcmillan and others, 2011: 339-340). Investment in ordinary shares can be classified according to the percentages of shares owned and in which the investor has the right to vote and be elected (Spiceland and Nelson and Thomas, 2018: 667):

1. Investment in shares by less than 20% is valued at fair value.
2. Investment in shares at a rate between 20% and 50% is evaluated using the equity method.
3. Investment in shares by more than 50% is accounted for through the consolidated lists

– **Evaluating the financial performance of public sector units**

Performance appraisal in government units is of great importance, as it is a measure of the success of government units in carrying out their duties, and provides important information for the various administrative levels in government units, and contributes to creating an effective system for determining incentives and rewards, and in addition to that, it contributes to creating a kind of competition between units' divisions. The government motivates them to improve their performance, helps detect deviations in a specific activity, prevents or limits deviations, and works to reduce losses (Mojbil, 2020: 61), And for the purpose of ensuring the correctness of preparing and implementing the items of the state's general budget (Mohammed, 2016: 143), As the budget in public sector units is an essential element in evaluating financial performance through planning and performance measurement, as it is a basic means for resource allocation, as goals and programs are identified to achieve those goals, providing appropriate allocation by programs, and using performance indicators to measure program outputs, and Cost-benefit or other forms of analysis are used. (Kluvers, 2001: 30-31), Government units prepare financial reports for the purposes of planning and control, making the necessary decisions, drawing up the financial policy, assisting in preparing budgets for coming years, evaluating the financial position and efficiency in using the resource and assets, and comparing the actual results with the budget estimates prepared in advance. Through the financial analysis of these reports, the units can Governmental units evaluate their financial performance (Washah, 2008: 82), and performance evaluation in government units helps evaluate investment opportunities and choose between the best, especially investing in stocks, to measure the added value of their non-financial services (Fenyves and et al, 2015: 424).

– **Evaluating the financial performance of pension funds**

Evaluating the performance of pension fund investments is of great importance, as the accumulated assets are used to meet the obligations of the pension fund. Therefore, performance evaluation is the analysis of both the current performance and its comparison with the past for the purpose of predicting the future, and on the basis of this evaluation, information is adopted that is the basis for allocating the assets of the fund and investment in an appropriate manner. Effective and seizing the available opportunities, there are several techniques for evaluating the financial performance of pension funds, as performance



indicators are used to evaluate performance, including profitability ratios and the use of return on assets or equity and other ratios and indicators (Onyango, 2011: 12). As the evaluation of the financial performance of the pension fund is done by following the same performance measures that were applied in the units of the public sector or the private sector, as the pension fund is interested in evaluating investments according to certain indicators and criteria and comparing their performance with similar institutions, so measuring financial performance is one of the government's purposes in enhancing the performance of pension funds. Reducing the risks from the misallocation of the assets of the retirement fund, which will be reflected on the retirement of individuals, (Hinz & at.al, 2010: 1-5). Among the things that affect the financial performance of pension funds is the government's resort to using the pension fund's assets as a source to mitigate the state's financial deficit and this happened in 2008, as the funds of the fund were used to mitigate the impact of the financial crisis of Hungary and Argentina, and pension funds may establish a pension reserve account. Pensions for the purpose of facing the future costs of retirement, whether they are salaries or bonuses, and the state may interfere with the performance of the pension fund through laws that impose on the pension fund to invest by investing in preferred shares or investing in infrastructure, whether in energy or other (Casey, 2014: 30 -39 ).

**- The effect of adopting international accounting standards in the public sector for investing retirement funds on financial performance**

The application of international accounting standards that regulate the measurement and disclosure process for the preparation of financial statements for the purpose of encouraging investment and thus encourage the retirement fund to apply IPSASs, and the most prominent of these reasons are the following (142-147 Lotfi, 2016: 142-147):

- 1- The objective of accounting is to determine the measurement of the financial operations of the economic unit and to communicate the results to the users of these financial statements of different sides, whether internal or external, and for the purpose of determining the most appropriate method for measurement, disclosure and communication of information to the beneficiaries, a set of standards should be applied that defines a unified method for measurement, presentation and disclosure in the statements Finance.
- 2- The tendency to increase the standardization of the measurement of financial information for the purpose of serving the users of these lists through the possibility of making comparisons between government units, for the purpose of reducing unimportant differences in accounting treatments, as the absence of international standards leads to negative results regarding the comparability of information.
- 3- The use of accounting standards will lead to an end to the dispute regarding the vocabulary that should be used in the construction and quality of the contents of the accounting information.
- 4- Accounting standards are an effective tool to treat and avoid the negative consequences of differences in accounting practices, as the difference in the accounting bases for measuring the financial statements will be reflected on the ability of this information to disclose.
- 5- The application of international accounting standards is necessary to compel units to disclose information that meets the needs of investors for the purpose of reducing information asymmetry and increasing market efficiency. The absence of accounting standards that impose a specific disclosure will lead to damage to the competitive position of economic units.
- 6- The application of IPSASs in the retirement fund will be reflected in improving internal control over assets and liabilities in general, improving transparency,

providing information on all services provided, and evaluating accountability for resource allocation. Preparing financial reports in accordance with public sector standards will enable an assessment of performance and financial position. and cash flows .

**- The importance of adopting international accounting standards for the public sector on government reports**

The implementation of international accounting standards by government units in the public sector will be reflected on the financial performance of the government unit, as financial reports are prepared aimed at the following (Al-Saqqa and Al-Sindi, 2010: 151):

1. Provide information on government units' use of funds, their sources, and how they are used.
2. Providing information that helps assess the strength of government units to fulfill their obligations and fund their activities.
3. Providing information on government units regarding cash sources that have been used to finance the activities of the government unit and the cash needed to fulfill its obligations.
4. Providing information on government units with regard to their financial position and the changes they have obtained.
5. Providing information that helps in evaluating the performance of government units, both in terms of cost of services provided, efficiency and achievement.

**The method of work**

The researchers conducted a survey questionnaire for a sample of academics and workers in the Iraqi Pension Fund to know the importance of accounting for retirement fund investments in accordance with international accounting standards and its reflection on their financial performance, as well as conducting a survey according to a checklist of the most important retirement funds in various countries of the world that work to diversify their investments in accordance with the application of accounting standards The strategy of diversifying assets invested in pension funds in countries of the world was revealed according to another checklist - the research sample - and as shown in the following models:

**Model ( 1 )**

**A test list to diversify the assets invested in pension funds in the world's countries.**

No.	Pension Funds Name	Diversity of investment assets		The type of invested assets	
		Yes	No	fixed deposit	Investment Property, Financial Instruments
1	Iraqi Pension Fund		✓	✓	
2	Jordan Pension Fund	✓			✓
3	United Arab Emirates Pension Fund	✓			✓
4	Qatar Pension Fund	✓			✓
5	Kuwait Pension Fund	✓			✓
6	Nigeria Pension Fund	✓			✓
7	USA Pension Fund	✓			✓
8	Canadian Pension Fund	✓			✓
9	Egypt Pension Fund	✓			✓

Source: The model (prepared by the researchers) is based on the official websites of the pension funds included in the model

The researchers believe that the application of IPSASs in the retirement fund is important at the level of government units, as all useful accounting information is prepared and provided to government units that are transparent and can be used to achieve the objectives of reports and financial statements and increase the level of accounting disclosure for all elements of the lists. The financial situation, which reflects the reality of the financial situation and performance of the state in a fair manner and helps in developing the efficiency and effectiveness of performance in pension funds. The test list model (2) showed that countries that work on evaluating their financial performance on an ongoing basis and work to adopt IPSASs are the countries that are better than. In terms of performance, the extent of the impact of these funds in the recent epidemiological crisis and the extent of their hedging risks were approved, and they were as follows:

#### Model ( 2 )

##### A test list for the financial performance of pension funds in various countries of the world that have worked to implement IPSASs

No.	Pension Funds Name	Financial performance		
		Good	weak	somewhat weak
1	Egypt State Pension Fund	✓		
2	Jordan Pension Fund			✓
3	United Arab Emirates Pension Fund	✓		
4	Qatar Pension Fund	✓		
5	Kuwait Pension Fund	✓		
6	Nigeria Pension Fund			✓
7	USA Pension Fund	✓		
8	Canadian Pension Fund			✓
9	Iraqi Pension Fund		✓	

Source: The model (prepared by the researchers) is based on the official websites of the pension funds included in the model.

The researchers believe that financial performance is an important concept for economic units, as financial performance is one of the important indicators that express the extent of the units' success in using the available resources, and it is a way to measure the extent to which the assets of the economic unit are used to achieve revenues, and is also considered as a measure to know the soundness of the financial position of the economic unit during a certain period. As the financial performance mainly aims to evaluate the performance of economic units from several areas for the purpose of serving the users of the financial statements to determine the strengths and weaknesses and to benefit from the data provided by the financial performance to the decision-makers, and that most of the world's funds' managements work on evaluating their financial performance, identifying weaknesses and defects, and addressing them, and working to disburse their investments and hold them accountable in accordance with the IPSASs, because it has an impact on improving their financial performance and providing financial liquidity to the fund through proper management of the fund and making successful investment decisions. Thus, it improves the quality of financial reports, increases the transparency of government financial practices, assists in the timely decision-making process, ensures optimal and effective use of financial resources, and helps in strengthening control and accountability.

– **The results of the statistical analysis of the questionnaire**

The researchers relied on testing the importance of accounting for retirement fund investments in accordance with IPSASs and its impact on financial performance by preparing a questionnaire. The Office of Financial Supervision responsible for auditing the activity of the Iraqi Pension Fund and academics in the higher education sector. Some statistical methods used in processing the data and information collected for the purpose of analysis, linkage, interpretation and verification of the relationships that link a group of variables with each other have been adopted. and an attempt to determine the relationship between two or more measurable variables, and the statistical program (SPSS) was relied upon to perform all the arithmetic and statistical operations and to determine the levels of the answer. Data represented by the research sample's answers to the questionnaire questions and the degree of this relationship to measure the stability of the answers. The test was relied on (Reliability Analysis Cronbach's Alpha), that is, this scale was used to measure the consistency of the individual's performance from one paragraph to another in the questionnaire, and as shown in the following table that shows Results of the Cronbach's alpha test to measure the stability of the resolution.

Table (1)  
Cronbach's alpha coefficient

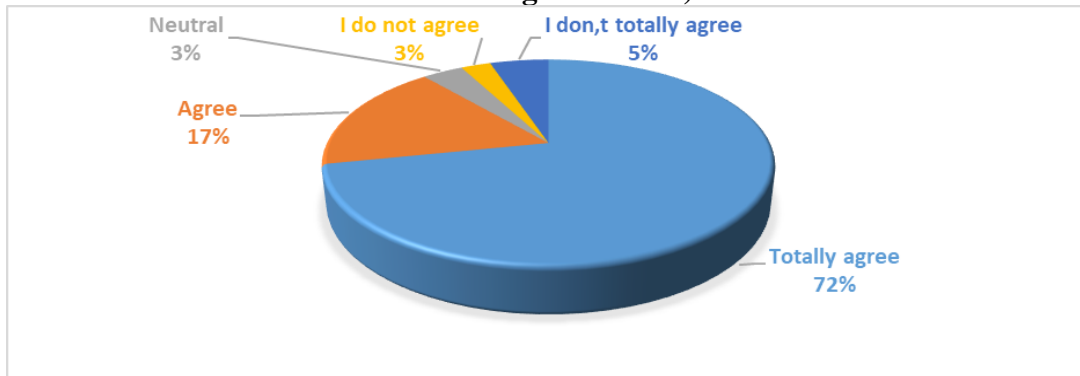
no	number of questions	Axes	Cronbach's Alpha
1	13	Accounting for retirement fund investments in accordance with IPSASs	0.645
2	13	Financial performance	0.846
3	25	The resolution as a whole	0.843

Source: Prepared by the researchers based on the outputs of the SPSS program

We note from Table (1) above that the value of Cronbach's Alpha for the questionnaire for the first axis (accounting for retirement funds investments according to IPSASs) amounted to (0.645), which is a good percentage that reflects the consistency of the individual's answers to the results of the questionnaire, while the value of the stability coefficient for the second axis (Financial performance) (0.846), which reflects the degree of consistency of the results of the questionnaire, while the value of the reliability coefficient of the questionnaire as a whole was (0.843), meaning that there is high consistency between the individual's answers to the paragraphs of the questionnaire.

Through the statistical analysis of the first axis (accounting for retirement fund investments in accordance with IPSASs), the answers were found to be in agreement with a high degree, as it indicates that the paragraph has a good statistical effect and significance in terms of the mean of (4.48) and with a standard deviation of (0.38). And with a coefficient of difference of (8.52%), which reflects the importance of seeking to implement the (IPSASs) and keenness to adapt the accounting systems applied to the IPSASs, and that there is agreement in the answers about the (sixth) paragraph containing (the prepared accounting information Regarding the investment activity of the retirement fund in accordance with international accounting standards, it enhances the administrative capabilities of decision-makers), so the application of these standards will be reflected in the delivery of information in a modern manner in accordance with international requirements through financial statements that help in making decisions about investment and reviving the local economy, and the following figure shows the answers sample for the first axis.

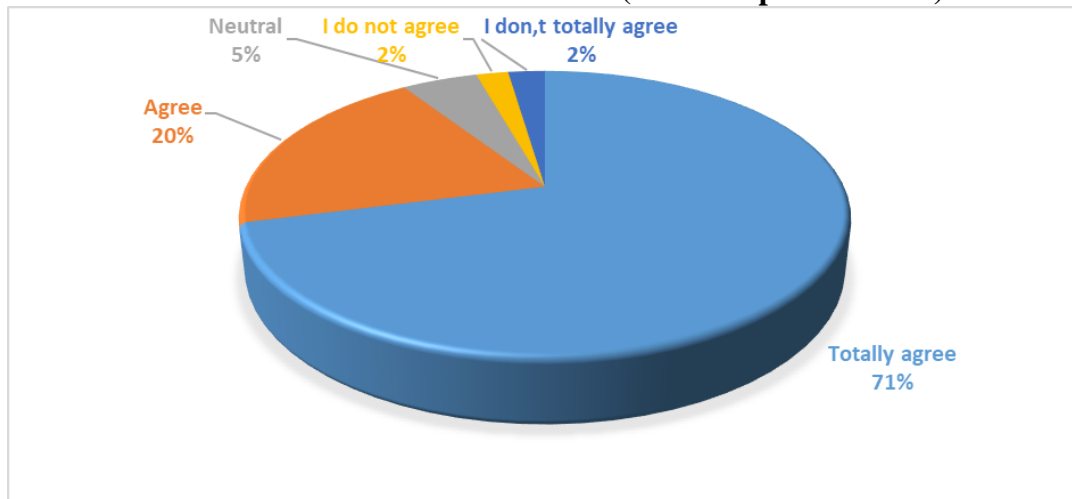
**Figure (1)**  
**Distribution of answers to the axis (accounting for retirement funds investments according to IPSASs)**



Source: Prepared by the researchers based on the outputs of the SPSS program

As for the second axis (financial performance), we note the agreement of most of the sample members and their answers were positive and largely on all the paragraphs of the second axis (financial performance), which reflects the high degree of agreement in the content of performance in government units of great importance as it is a measure of the success of government units in Executing its duties, providing important information for the various administrative levels in government units, and contributing to creating an effective system for determining incentives and rewards, The arithmetic mean for the second axis was (4.55), with a standard deviation of (0.51), and a coefficient of difference (11.26%). The following figure shows the sample answers to the second axis:

**Figure (2)**  
**Distribution of answers to the axis (financial performance)**



Source: Prepared by the researchers based on the outputs of the SPSS program

In order to find out the correlation between the variables of the following tabular form, the results obtained to test this relationship are shown:

**Table (2)**  
**Pearson correlation coefficient values**

Variables	Accounting for retirement fund investments in accordance with IPSASs	Financial performance
Accounting for retirement	1	**0.691



<b>fund investments</b>		0.000
<b>Financial performance</b>	<b>**0.691</b> 0.000	1

Source: Prepared by the researchers based on the outputs of the SPSS program, Significant correlation coefficient at the level of significance (0.01).

Table (2) shows that the value of the Pearson correlation coefficient between the variable financial performance and the variable (accounting for retirement funds investments according to the IPSASs) has reached (0.691), which is a positive value and statistically significant at a significant level (0.01). This result indicates that the more There was dependence on the accounting information prepared for the investment activity of the pension fund in accordance with IPSASs, which will enhance the administrative capabilities of decision-makers, and the presence of an integrated documentary group for the investment activity of the pension fund will increase the confidence of users of financial reports, which contributes to preparing the comparative financial position list for several years. In measuring the ability of the retirement fund's assets to generate revenue and preparing the return on assets based on the statement of financial position, it shows the success of the fund in using its assets to generate revenue.

Through the results of the statistical analysis of the research sample, it is clear that most pension funds are affected by their financial performance as a result of diversifying their investments and that the adoption of the application of international accounting standards for the public sector to account for its investments would affect positively on its financial performance. As for the Iraqi fund, its financial performance was weak because it did not diversify accordingly, the two researchers proposed that the fund adopt disclosure methods in accordance with international standards, which would allow the fund to diversify its investments and be accountable for them.

### Conclusion

From the above discussion, we conclude from the above that preparing the financial statements of the pension fund in accordance with IPSASs is important and essential for diversifying the investments of pension funds, as accounting for investments of pension funds in accordance with IPSASs would positively affect the financial performance of the pension fund, and that Presenting the financial statements according to Standard (1) Presenting the financial statements will enable comparisons between all the financial statements of previous periods and the financial statements of other pension funds and work on developing the financial performance of the pension fund. It can be recommended to adopt international accounting standards in the public sector, whether the real estate investment standard, the financial instruments standard or the financial statement presentation standard. Furthermore, educating the importance of preparing financial statements (statement of financial position, profit or losses, cash flow statement) for the pension fund. Moreover, knowing the importance of these lists of users and the pension fund in evaluating financial performance.

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