

27 July 2004

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International Accounting Standards Board  
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Dear Anne

### Exposure Draft of proposed amendments to IAS19

I am writing on behalf of the Association of Consulting Actuaries Accounting Standards Sub-Committee in relation to the exposure draft of proposed amendments to IAS19 Employee Benefits published in April. We have the following comments/observations on the seven questions set out in the invitation to comment:

<b>Question 1.</b>	<b>Initial recognition of gains and losses</b>  Yes – The initial recognition of gains and losses outside P&L should be permitted as an option.
<b>Question 2.</b>	<b>Initial recognition of the effect of the limit on the amount of surplus that can be recognised as an asset.</b>  Yes – If gains and losses are recognised outside P&L, so should any effect of any asset ceiling.
<b>Question 3.</b>  and  <b>Question 4.</b>	<b>Subsequent recognition of actuarial gains and losses</b>   <b>Recognition within retained earnings</b>  We are comfortable with these proposals, but believe they are technical accounting issues on which we do not have a strong view.
<b>Question 5.</b>	<b>Treatment of defined benefit plans for a group in the separate or individual financial statements of the group.</b>  a) We agree that the provisions in IAS19 relating to multi-employer plans




	<p>should be extended for use in the separate or individual financial statements of entities within a consolidated group.</p> <p>b) We believe the proposed criteria are too restrictive.</p> <p>If the entity neither produces consolidated financial statements under IFRS nor has a parent that does so, there is an argument that the entity should disclose information in a specified format for the scheme as a whole. However, forcing the entity to account for an arbitrary proportion of the plan assets and liabilities (where this would not be required if the entity could treat the plan as a multi-employer plan) is more likely to mislead than to inform a reader of the accounts.</p> <p>Similarly, we do not see why a current or proposed listing should require the entity to account for an arbitrary proportion of the plan assets and liabilities (where this would not be required if the entity could treat the plan as a multi-employer plan). This is more likely to mislead than to inform a reader of the accounts.</p> <p>Please see also our response to the consultation on D6 – Multi-employer Plans (our letter of 27 July 2004 is attached).</p>
<p><b>Question 6.</b></p>	<p><b>Disclosures</b></p> <p>We are comfortable with the additional disclosures proposed, except for the following:</p> <p>The disclosures in paragraph 120 (o) should not be required in respect of periods before the effective date of the standard, so that they are built up gradually rather than being required retrospectively.</p> <p>In any case, we believe that these disclosures (120 (o)) are of little practical use. Any consistent gains or losses shown over a 5 year period will be dominated by market cycles, and will not illustrate any optimistic or pessimistic bias in the assumptions used. The history will therefore have no benefit, despite being costly to produce.</p> <p>We are surprised that Paragraph 120 (o) appears to relate only to experience adjustments and does not reflect the effect of changes to the assumptions used to value liabilities, so does not reflect the whole of actuarial gains and losses. (The definition of actuarial gains and losses in IAS19 makes it clear that experience excludes the impact of assumption changes.)</p> <p>We suggest deleting the phrase “as soon as it can reasonably be determined” from paragraph 120 (p). An entity can always derive an estimate, and explain any uncertainties. Including the phrase will encourage non-disclosure.</p> <p>As drafted, the sentence added to paragraph 121 would require a full description</p>

	<p>of the plan benefits, taking many pages. We suggest instead:</p> <p>“The description of the plan shall include sufficient detail regarding the form and nature of the benefits provided through the plan to allow the reader of the accounts to appreciate the risks and uncertainties attaching to the determination of the defined benefit obligation.”</p>
<b>Question 7.</b>	<p><b>Further disclosures</b></p> <p>We do not believe that any further disclosures are required, and in particular do not believe that it be helpful to disclose either</p> <ul style="list-style-type: none"> <li>a) a narrative description of investment policies and strategies, or</li> <li>b) the benefits expected to be paid in each of the next 5 fiscal years and in aggregate for the following 5 fiscal years.</li> </ul> <p>We believe that if there are significant changes in plan and assets or liabilities, general requirements would require an explanation, without the need for an explicit requirement here.</p>

I hope these comments are helpful.

Yours sincerely



  
 R T G Hails  
 Chairman, ACA Accounting Standards Sub-Committee