



**ASSOCIATION ACTUARIELLE INTERNATIONALE
INTERNATIONAL ACTUARIAL ASSOCIATION**

December 5, 2011

Mr. Hans Hoogervorst
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr. Hoogervorst

Re: IAA comments on the Request for Views on Agenda Consultation 2011

In response to the request for comments on the Request for Views - the IASB Agenda Consultation 2011, I am pleased to transmit, on behalf of the International Actuarial Association (IAA), our comments and recommendations.

These comments have been prepared by the Accounting Standards Subcommittee of the Pensions and Employee Benefits Committee of the IAA. If, upon reading these comments, you identify any points that you wish to pursue, please do not hesitate to contact Alf Gohdes (chair of the Accounting Standards Subcommittee) or Gary Hibbard (chair of the Pensions and Employee Benefits Committee) care of the [IAA Secretariat](#). The IAA will be pleased to develop these ideas further with you.

Yours sincerely

Cecil Bykerk
President

[Attachment](#): IAA comments

A Commentary on the Request for Views
AGENDA CONSULTATION 2011
Released by the International Accounting Standards Board: July 2011

International Actuarial Association and its Due Process

The International Actuarial Association (the “IAA”) represents the international actuarial profession. Our sixty-three Full Member actuarial associations, listed in an Appendix to this statement, represent more than 95% of all actuaries practicing around the world. The IAA promotes high standards of actuarial professionalism across the globe and serves as the voice of the actuarial profession when dealing with other international bodies on matters falling within or likely to have an impact on the areas of expertise of actuaries.

The IAA is pleased to be given the opportunity to provide input to the IASB on its request for views on its agenda over the next few years. These comments have been prepared by the Accounting Standards Subcommittee of its Pensions and Employee Benefits Committee, the members of which are listed in an Appendix to this statement. It has also been subject to the due process required for it to constitute a formal view of the IAA, and will be posted to the IAA’s official web site.

Comments

Below we respond to the specific questions raised. We would be pleased to work with the IASB on the projects arising from this Consultation through service on IASB working groups, part of IASB research efforts coordinated through national accounting standard setters or other bodies, or otherwise.

We have not sought to comment on all aspects of the Agenda Consultation and in particular all the projects proposed. Our response focuses on those particular areas where the IAA considers that our members practising in the pension and employee benefits arena can most effectively assist the IASB in developing or improving financial reporting standards and practice over the next three years for the benefit of users.

Please note that a separate submission of comments on this agenda consultation has been made by the IAA's Insurance Accounting Committee. This response does not consider insurance related considerations accordingly.

1. What do you think should be the IASB's strategic priorities, and how should it balance them over the next three years?

1(a) Do you agree with the two categories we identified and the five strategic areas within them? If you disagree, how do you think the IASB should develop its agenda, and why?

IAA Comment

We agree with the two categories identified by the IASB and with the five strategic areas within them. Our response assumes that the first criteria includes both the development and refinement of the Conceptual Framework and, also, its application through generic standards on such

matters as measurement, presentation and disclosure which cross financial reporting standards on specific types of corporate assets and obligations.

1(b) How would you balance the two categories and five strategic areas? If you have identified other areas for the IASB's agenda, please include these in your answer.

IAA Comment

In addition to completion of the four current standards-level projects (revenue recognition, leases, insurance contracts, and financial instruments), we support particular emphasis being placed on:

- (i) further development and refinement of the Conceptual Framework, and its application across different financial reporting standards through appropriate generic standards for measurement, presentation and disclosure; and
- (ii) rigorous post-implementation reviews.

Here we expand on these summary comments:

The IAA supports reassessment from time to time of financial reporting principles both through development and refinement of the Conceptual Framework and the application of those principles into generic standards on such matters as measurement, presentation and disclosure that impact other financial reporting standards on specific types of corporate assets and obligations. We see several advantages to generic standards on cross-cutting issues, including:

- (i) the avoidance of inconsistent approaches that can arise over time between the accounting for economically similar obligations, where such inconsistent approaches can bias management and user decisions; and
- (ii) the facilitation of speedier progress on specific projects that involve cross-cutting issues.

We therefore support that a certain percentage of resources be devoted to monitoring and improving how existing financial reporting standards can be made more consistent to support a consistent picture of the assets and liabilities reported in the financial statements of an entity. Cross-cutting elements of current standards today such as measurement, disclosure, etc., may have been framed at the time against various different historical contexts that may no longer hold and the underlying principles are not always clear to rebase the standard to the modern context. We believe that two particular elements should be addressed on a high priority basis:

- (i) measurement principles and approaches such as the time value of money, cost, reflection of risk and uncertainty; and
- (ii) Framework concepts underlying presentation and disclosure.

Regarding post-implementation reviews, we suggest utilization of review teams that include representatives of key stakeholders and other experts, as well as appropriate representation from the IAASB. Benchmarking against original objectives would be most helpful in ensuring the success of the standards effort as well as early detection of unintended consequences.

2 What do you see as the most pressing financial reporting needs for standard-setting action from the IASB?

IAA Comment

The IAA concurs with the IASB that the highest priority should be given to the completion of the four current standards-level projects (revenue recognition, leases, insurance contracts, and financial instruments).

2(a) Considering the various constraints, to which projects should the IASB give priority, and why? Where possible, please explain whether you think that a comprehensive project is needed or whether a narrow, targeted improvement would suffice?

IAA Comment

Consistent with our response to Question 1, we suggest the following also be addressed through comprehensive projects:

1. Discount rates. We believe that robust measurement principles underlying the selection of the discount rate methodology are needed for accounting purposes. Given the multiple methods now used in measurement of different types of corporate obligations, clarity on this issue would be very beneficial to producers and users of financial reports alike. As you know, the IAA is preparing an educational monograph on how discount rates are currently used in financial reporting and this may be a helpful contribution to the further development of this topic.
2. Risk and uncertainty. Based on the discussion in several projects, including insurance contracts, post-employment benefits, leases and IAS 37, we recommend this topic be evaluated as a cross-cutting issue (in addition to addressing it as part of Conceptual Framework). Although the IASB has looked at fair value (and credit risk) recently, how these concepts mesh with the measurement or reporting of risk and uncertainty in general, and to post-employment benefits in particular, is key to this topic.
3. Presentation and disclosure. We believe a standard that would replace the piecemeal approach in individual IFRS would be very beneficial for producers and users of financial reports.

2(b) Adding new projects to the IASB's agenda will require the balancing of agenda priorities with the resources available.

Which of the projects previously added to the IASB's agenda but deferred (see table page 14) would you remove from the agenda in order to make room for new projects, and why? Which of the projects previously added to the IASB's agenda but deferred do you think should be reactivated, and why?

IAA Comment

We propose that the following project previously begun but not completed, be reactivated:

Liabilities – amendments to IAS 37. Although work has been done on certain aspects of this standard, we support that the standard be reviewed in its entirety. The measurement aspects of this standard should be framed consistently with measurement approaches used

in other standards (see Question 2(a) above) including corporate debt, leases, post-employment benefits and insurance contracts, where in certain circumstances the obligations in question have similar characteristics, all consistent with the measurement chapter of the Conceptual Framework.

You will note that we have not listed the fundamental review of post-employment benefits. This is not because we do not consider this important – it is very important not least because IAS 19 is the only truly international measure of post-employment benefit liabilities that users of accounts can frame a company's financial strength (including its post-employment benefit liabilities) against. Rather it is because we recognize that the fundamental review of IAS 19 will be a major and lengthy project whose success will benefit from key preparatory work (we also note that a convergence project on accounting for post-employment benefit obligations is not currently on FASB's agenda). In particular, projects on generic cross-cutting issues such as discount rates, fair value, risk and uncertainty would form the building blocks on which the measurement aspects of the fundamental review of IAS 19 could be undertaken.

Members of the IAA Accounting Standards Subcommittee

Alfred E. Gohdes, Chairperson (Germany)
Timothy Furlan, Vice-Chairperson (Australia)
Charles Cowling (United Kingdom)
Evandro Luis de Oliveira (Brazil)
Philippe Demol (Belgium)
Guillermo Ezcurra Lopez De La Garma (Spain)
Yasuyuki Fujii (Japan)
Gary Hibbard (United Kingdom)
Esko Kivisaari (Finland)
Jaco Langner (South Africa)
Octavio Maupome Carvantes (Mexico)
Irene Paterson (United Kingdom)
Manuel Peraita Huerta (Spain)
Denis Plouffe (Canada)
Thomas S Terry (United States)
Arpan N Thanawala (India)
James F Verlautz (United States)

Members of the IAA Pensions and Employee Benefits Committee

Gary Hibbard	Chairperson
Esko Kivisaari	Co-Vice-Chairperson
Thomas S Terry	Co-Vice-Chairperson
Félix Arias Bergadà	Life Section
Charles Anthony Cowling	Institute and Faculty of Actuaries
Barbara D'Ambrogi-Ola	Suomen Aktuaariyhdistys
Philippe Demol	Institut des Actuairens en Belgique
Maria Economou	Hellenic Actuarial Society
Erik Falk	Den Norske Aktuarforening
Yasuyuki Fujii	Japanese Society of Certified Pension Actuaries
Alfred E. Gohdes	Deutsche Aktuarvereinigung e. V. (DAV)
Kenneth F. Hohman	American Academy of Actuaries
Kenneth F. Hohman	Conference of Consulting Actuaries
Curtis E. Huntington	American Society of Pension Professionals & Actuaries
Martin Janecek	Ceská Spolecnost Aktuárù
Pari Kandhai	Het Actuarieel Genootschap
Henry Peter John Karsten	Instituto de Actuarios Españoles
Sylvestre Konin	Institut des Actuairens de Côte d'Ivoire
Martin Kosztolanyi	Slovenska Spolecnost Aktuarov
Åsa Larson	Svenska Aktuarieföreningen
Safia Lekehal	Institut des Actuairens
José Roberto Montello	Instituto Brasileiro de Atuária (IBA)
José Muriel Del Sordo	Colegio Nacional de Actuarios A. C.

John Michael Newman
Konrad Niklewicz
Masaaki Ono
Ieva Ose
Denis Plouffe
Gediminas Rackauskas
Ana Margarida Da Silva Ramos Estrela
Ksenija Sanjkovic
Donald J Segal
Anna Vyacheslavovna Selivanova
David Serr
Philip Stewart Shier
Colin Leslie Southey
K Subrahmanyam
Joan Angel Vergés Guerra

Institute of Actuaries of Australia
Association Suisse des Actuaire
Institute of Actuaries of Japan
Latvijas Aktuaru Asociacija
Canadian Institute of Actuaries
Lietuvos aktuariju draugija
Instituto dos Actuários Portugueses
Hrvatsko Aktuarsko Društvo
Society of Actuaries
Russian Guild of Actuaries
Israel Association of Actuaries
Society of Actuaries in Ireland
Actuarial Society of South Africa
Institute of Actuaries of India
Col.legi d'Actuaris de Catalunya

Full Member Associations of the IAA

Caribbean Actuarial Association
Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires (Argentina)
Institute of Actuaries of Australia (Australia)
Aktuarvereinigung Österreichs (AVÖ) (Austria)
Institut des Actuairens en Belgique (Belgique)
Instituto Brasileiro de Atuária (IBA) (Brazil)
Bulgarian Actuarial Society (Bulgaria)
Canadian Institute of Actuaries/Institut Canadien des Actuairens (Canada)
China Association of Actuaries (China)
Actuarial Institute of Chinese Taipei (Chinese Taipei)
Institut des Actuairens de Côte d'Ivoire (Côte D'Ivoire)
Hrvatsko Aktuarsko Društvo (Croatia)
Cyprus Association of Actuaries (Cyprus)
Česká Společnost Aktuárů (Czech Republic)
Den Danske Aktuarforening (Denmark)
Egyptian Society of Actuaries (Egypt)
Eesti Aktuaaride Liit (Estonia)
Suomen Aktuaariyhdistys (Finland)
Institut des Actuairens (France)
Deutsche Aktuarvereinigung e.V. (DAV) (Germany)
Hellenic Actuarial Society (Greece)
Actuarial Society of Hong Kong (Hong Kong)
Magyar Aktuárius Társaság (Hungary)
Félag Islenskra Tryggingastærðfræðinga (Iceland)
Institute of Actuaries of India (India)
Persatuan Aktuaris Indonesia (Indonesia)
Society of Actuaries in Ireland (Ireland)
Israel Association of Actuaries (Israel)
Istituto Italiano degli Attuari (Italy)
Institute of Actuaries of Japan (Japan)
Japanese Society of Certified Pension Actuaries (Japan)
The Actuarial Society of Kenya (Kenya)
Latvijas Aktuaru Asociācija (Latvia)
Lebanese Association of Actuaries (Lebanon)
Lietuvos Aktuariju Draugija (Lithuania)
Persatuan Aktuari Malaysia (Malaysia)
Colegio Nacional de Actuarios A. C. (Mexico)
Association Marocaine des Actuairens (Morocco)
Het Actuarieel Genootschap (Netherlands)
New Zealand Society of Actuaries (New Zealand)
Den Norske Aktuarforening (Norway)
Pakistan Society of Actuaries (Pakistan)
Actuarial Society of the Philippines (Philippines)

Polskie Stowarzyszenie Aktuariuszy (Poland)
Instituto dos Actuários Portugueses (Portugal)
Academia de Actuarios de Puerto Rico (Puerto Rico)
Russian Guild of Actuaries (Russia)
Udruženje Aktuara Srbije (Serbia)
Singapore Actuarial Society (Singapore)
Slovenska Spolocnost Aktuarov (Slovakia)
Slovensko Aktuarsko Drustvo (Slovenia)
Actuarial Society of South Africa (South Africa)
Col.legi d'Actuaris de Catalunya (Spain)
Instituto de Actuarios Españoles (Spain)
Svenska Aktuarieföreningen (Sweden)
Association Suisse des Actuaires (Switzerland)
Society of Actuaries of Thailand (Thailand)
Institute and Faculty of Actuaries (United Kingdom)
American Academy of Actuaries (United States)
American Society of Pension Professionals & Actuaries (United States)
Casualty Actuarial Society (United States)
Conference of Consulting Actuaries (United States)
Society of Actuaries (United States)