



**ASSOCIATION ACTUARIELLE INTERNATIONALE
INTERNATIONAL ACTUARIAL ASSOCIATION**

September 6, 2010

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir

Re: IAA comments on the IASB Exposure Draft on Defined Benefit Plans – Proposed amendments to IAS 19

In response to the request for comments on the Exposure Draft on proposed amendments to IAS19, I am pleased to transmit on behalf of the International Actuarial Association (IAA) our comments and recommendations.

These comments have been prepared by the Pensions and Employee Benefits Committee. If, upon reading these comments, you identify any points that you wish to pursue, please do not hesitate to contact the chairperson of the committee, Esko Kivisaari, or any of the other members of the committee. The IAA will be pleased to develop these ideas further with you.

Yours sincerely

Yves Guérard
Secretary General

[Attachment](#): IAA comments

**A Commentary on the
EXPOSURE DRAFT ON DEFINED BENEFIT PLANS – PROPOSED AMENDMENTS TO IAS 19
Released by the International Accounting Standards Board: April 2010**

International Actuarial Association and IAA Due Process

The International Actuarial Association (the “IAA”) represents the international actuarial profession. Our sixty-two Full Member actuarial associations represent more than 95% of all actuaries practicing around the world. The Full Member associations of the IAA are listed in an Appendix to this statement. 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 appreciates the opportunity to provide comments on this IASB exposure draft.

These comments have been prepared by the Pensions and Employee Benefits Committee. Our comments are written from the perspective of actuaries involved in financial reporting for pension and employee benefit plans around the world. The members of the committee 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 web site.

IAA General Comments

We thank the Board for the opportunity to comment on the proposals presented in this ED. Overall, and subject to the fundamental review planned from 2011, we support the direction the Board is proposing on the amendments to IAS 19. This is based on our understanding of the proposed objectives of the Board:

- To improve transparency and objectivity in decision making
- To improve the quality of decision making
- To provide timely and complete information (disclosure) in support of the above.

The main proposal (the performance statement and recognition of gains and losses) was the subject of much discussion in the 2008 consultation paper. Different views exist on this proposal recognizing different objectives of stakeholders. There are also differing views amongst the accounting profession on the emerging conceptual framework and the separate ED on OCI and the presentation statement (e.g., whether all changes in shareholder equity that do not result from transactions with shareholders (such as dividends, share repurchases or share offerings) should be reflected in the P&L) on which we do not express an opinion. Our comments below seek to focus on those amendments which are actuarial in nature or which have consequence for actuarial work.

The other changes are generally clarifications in our view and are welcome. Further clarification would be helpful in some areas and we note these below.

The proposals will bring IFRS and US GAAP closer in some key areas (e.g., removal of deferred recognition options, ABO disclosure) but further apart in others (e.g., removal of the expected asset return). There remain a number of significant differences between IFRS and US GAAP

which merit further discussion as part of the planned fundamental review by the IASB from 2011.

Indeed, implicit in the ED is that there is clarity as to how any type of obligation should be recognised and measured. If the measurement objective changes (e.g., move to an ABO rather than a DBO approach), other facets of IAS 19 as currently constituted will likely merit review also.

We believe that adequate disclosure needs to be incorporated on a principle-based approach. It is misleading, if not impossible, to seek to express all the complexity of the real world into one liability number. Good disclosure is critical to risk management and decision making. We ask that the Board clarify its intended purpose for disclosures generally (through a framework that has application across all IFRSs), and given this context, examples on the nature and depth of the pension disclosures the Board contemplates given its framework for disclosures in general. This will ensure users apply the new disclosures consistently and in the manner the Board intend. We would be pleased to work with the Board on this.

Comments on Specifically Raised Questions in the Exposure Draft

As requested, the following responds to the questions as posed in the Exposure Draft, indicating the specific paragraphs to which our comments relate.

Question 1

The exposure draft proposes that entities should recognise all changes in the present value of the defined benefit obligation and in the fair value of plan assets when they occur. (Paragraphs 54, 61 and BC9–BC12) Do you agree? Why or why not?

IAA Comment: A key objective of the Board is transparency and objectivity in decision making. Recognising obligations in full at the measurement date against the stated measurement objective (that is, no unrecognised or “off balance sheet” items) supports the Board’s objective.

In particular, the corridor which can give rise to counter intuitive accounting entries (e.g., the charge to P&L reducing when the funded status reduces). Removal of the corridor also helps bring IFRS and the US Standard closer.

Question 2

Should entities recognise unvested past service cost when the related plan amendment occurs? (Paragraphs 54, 61 and BC13) Why or why not?

IAA Comment: We support the proposal that past current service cost is recorded in full in the year the decision is made, not spread over time as the benefits to which the prior current service cost relates vest. Past current service cost represents a new economic liability to the company: if the objective is that accounting is to be based on economic principles then the impact of vesting can be addressed through the demographic assumptions made for staff turnover or retirement.

Questions 3 and 6

Should entities disaggregate defined benefit cost into three components: service cost, finance cost and remeasurements? (Paragraphs 119A and BC14–BC18) Why or why not?

Should entities present: (a) service cost in profit or loss? (b) net interest on the net defined benefit liability (asset) as part of finance costs in profit or loss? (c) remeasurements in other comprehensive income? (Paragraphs 119A and BC35–BC45) Why or why not?

IAA Comment: The disaggregation of the pension charge into components depends in part on the measurement objective followed. Under different objectives, other component blocks may be more informative and helpful to users of accounts. The concept of current service cost, financing cost and re-measurements has the advantage that it is familiar to users.

We support that current service cost is recorded in P&L under operating cost and that the net interest cost (Question 5) is recorded in P&L under financing cost.

The proposal to immediately recognise in OCI (with no recycling to P&L) gains and loss arising from re-measurement is both pragmatic and principled in that the main alternative approaches do not seem to be more helpful for users' decision making.

- Immediate recognition in P&L: would give rise to greater volatility in the P&L and we believe that users of accounts will likely strip such out in making their analysis which indicates that reporting gains and losses through P&L may not meet the decision useful test
- Deferred recognition in P&L: spreading gains and losses (the corridor being an example of one (re)spreading approach) would help manage volatility in P&L but would result in unrecognised obligations against the stated measurement objective (see Question 1).

Neither is a more complex, combination approach such as passing the impact of changes in assumptions through OCI, and the impact of experience gains and losses through P&L, or vice versa, necessarily more helpful in user decision making.

Question 4

Should the service cost component exclude changes in the defined benefit obligation resulting from changes in demographic assumptions? (Paragraphs 7 and BC19–BC23) Why or why not?

IAA Comment: We did not follow the motivation for the discussion in BC19-23 and no evidence was presented in support of modifying the definition of current service cost. The definition of current service cost should remain unchanged save that the Board should clarify please whether it is measured at the start or end of a year (this is about whether interest on the cost of one year's benefits is measured as part of current service cost or as part of net interest cost).

Question 5

Should net interest on the net defined benefit liability (asset) be determined by applying the discount rate specified in paragraph 78 to the net defined benefit liability (asset)? Why or why not? If not, how would you define the finance cost component and why? (Paragraphs 7, 119B, 119C and BC23–BC32)

IAA Comment: As we commented in our response to the 2008 consultation, and recognising the limited scope of this ED, this is a pragmatic and simple solution. The measure is “unbiased” and does not anticipate outperformance or underperformance of investments.

One macro consequence for comparability of company performance is that companies accounting under IFRS will record different pension cost in their P&Ls (higher or lower depending on actual performance) than companies accounting under the US standard. However the proposal is easier to explain and involves less volatility than alternatives which would put part or all of actual investment performance into P&L.

Question 7

- (a) Do you agree that gains and losses on routine and non-routine settlement are actuarial gains and losses and should therefore be included in the remeasurement component? (Paragraphs 119D and BC47) Why or why not?
- (b) Do you agree that curtailments should be treated in the same way as plan amendments, with gains and losses presented in profit or loss? (Paragraphs 98A, 119A(a) and BC48)
- (c) Should entities disclose (i) a narrative description of any plan amendments, curtailments and non-routine settlements, and (ii) their effect on the statement of comprehensive income? (Paragraphs 125C(c), 125E, BC49 and BC78) Why or why not?

IAA Comment: Although settlements and curtailments are conceptually different the quantification of the split between the two is often less clear in practice. If one item goes to OCI and the other to P&L, that could encourage an element of managing results. In particular, the proposal seeks to distinguish between:

- Gains or losses that occurred before settlement but were not re-measured (i.e., pass through P&L), and
- The same but were re-measured before settlement (and so pass through OCI).

In relation to curtailments, the ED suggests that curtailments should be treated in a similar way to plan amendments (which go through P&L) but does not expand on why. We can see a connection between curtailments and plan amendments that give rise to negative past service costs (i.e., benefit changes that result in a release of reserves held the day before the amendment).

Our thinking is that curtailments should be treated in a similar way to termination benefits in that the two arise in relation to specific employer events. For example, a curtailment that results in a significant reduction in the workforce could, depending on the circumstances, result in both termination benefits charged to P&L and a write back to P&L of prospective costs in relation to the exiting workforce. It seems right to us that the two (offsetting) items both pass through P&L

Further, we suggest that the Board consider whether a change to the treatment of regular and non-regular settlements is perhaps best left until the outcomes of the fundamental review of measurement in 2011 in case that results in a definitive change to the measurement objective against which settlements and curtailments are benchmarked.

Questions 8, 9 and 12

Question 8

The exposure draft states that the objectives of disclosing information about an entity's defined benefit plans are:

- (a) to explain the characteristics of the entity's defined benefit plans;
- (b) to identify and explain the amounts in the entity's financial statements arising from its defined benefit plans; and
- (c) to describe how defined benefit plans affect the amount, timing and variability of the entity's future cash flows. (Paragraphs 125A and BC52–BC59)

Are these objectives appropriate? Why or why not? If not, how would you amend the objectives and why?

Question 9

To achieve the disclosure objectives, the exposure draft proposes new disclosure requirements, including:

- (a) information about risk, including sensitivity analyses (paragraphs 125C(b), 125I, BC60(a), BC62(a) and BC63–BC66);
- (b) information about the process used to determine demographic actuarial assumptions (paragraphs 125G(b) and BC60(d) and (e));
- (c) the present value of the defined benefit obligation, modified to exclude the effect of projected salary growth (paragraphs 125H and BC60(f));
- (d) information about asset-liability matching strategies (paragraphs 125J and BC62(b)); and
- (e) information about factors that could cause contributions to differ from service cost (paragraphs 125K and BC62(c)).

Are the proposed new disclosure requirements appropriate? Why or why not? If not, what disclosures do you propose to achieve the disclosure objectives?

Question 12

Do you have any other comments about the proposed disclosure requirements? (Paragraphs 125A–125K and BC50–BC70)

IAA Comment: As actuaries, we support that accounts should tell readers more about risk. This raises questions about the measurement objective (what risks are measured and how they are measured) and disclosure (of risks around the measurements made, and of risks not included in those measurements). Information about risks can only lead to improved understanding and better decision making. It is an area where actuaries already play a major role and more can be done.

Our concern is not the principle but the practice. Pending the fundamental review in earliest 2011, further consideration by the Board of the following points would be helpful:

- A general (conceptual) framework for disclosures which sets out the purpose and approach the Board wants preparers of accounts to adopt when applying any of the IFRSs
- Clarity on how the particular disclosure principles in the IAS19 ED should be applied in practice

- How broadly or tightly worded are the items preparers of accounts are being asked to disclose against recognizing the variety of provision globally.

We ask therefore that the Board first contextualize the purpose and objectives for disclosure across all areas of accounts in the Conceptual Framework. We hear different purposes of disclosures from different commentators. For example, is the purpose of disclosures (in any area of the accounts) that:

- the user should have sufficient information to be able to reproduce or adapt any of the values recorded in the accounts?
- disclosures should speak to a risk management lens, focusing on the most material/significant risks (as opposed to seeking to comment on a longer list of all risks that could be material)?
- Other key purposes?

The nature of the disclosures seen in practice would differ for different purposes.

Producers of accounts will then seek to apply the particular principles in the IFRS in question against the disclosure framework. Application will take account of the complexity and variety of the operations of individual companies within the established concepts of materiality and proportionality.

Without the combination of a framework contextualizing the purpose of disclosure and IFRS specific principles, there is a high risk that in practice:

- disclosure is applied inconsistently across the different IFRSs potentially misleading users of accounts as to the relative risks inherent in different parts of an entity's operations and obligations.

Indeed, accounts already contain significant disclosures around risk¹ in some areas (e.g., pensions) that have been the subject perhaps of more recent focus by the Board or where mark to market measurement is in place, but not in other areas which may contain equally significant risks at the individual company level.

- Auditors treat disclosure as a rules-based or “tick box” exercise against a “list” of defined items: indeed, principles at an IFRS level are often operationalised in the form of lists absent line of sight to a clear context (viz. the conceptual framework) governing the purpose of disclosures in general.

A “tick box” approach to disclosure may prove onerous to implement and likely not meet the test of decision usefulness if the key, most significant risks are lost amongst lengthy disclosure on items that are either of lesser materiality, or indeed neither material nor proportionate, to the overall operations of the company.

¹ Particularly in the form of the sensitivity of the liability measure to small changes in key assumptions. Sensitivity analysis is of course just one approach to risk management and measurement

The ED lists a number of areas where it promotes additional disclosure. To ensure consistency of interpretation and application, can the Board please provide:

- guidance or examples on how it proposes preparers of accounts should apply the disclosures
- given the nature of certain of the proposed disclosures, guidance or examples around the interpretation of materiality (see below) would be particularly helpful
- clarity on whether and to what degree preparers of accounts can assume readers of accounts are reasonably knowledgeable about accounting in general or pensions in particular. Do disclosures in accounts need to be standalone or can reference be made to other material?
- In particular, if the Board envisage disclosure of risks is prioritized to only the major risks (on a probability-impact basis), it may be helpful to address an efficient and effective way to address those such risks which are:
 - a) generic (true for all schemes of all companies, and which may be macro in nature e.g., world markets, inflation etc; or micro in nature e.g., short-term competitive pressures for labour within the industry in question) without lengthy identikit disclosures; and
 - b) those risks that are specific to the set up of a particular scheme/company which may prove to be more pertinent, decision useful information for certain users of accounts.

If this approach is of interest, we could think of some appropriate wording which the Board could consider.

For example:

- Not all of the disclosures are, in our view, of equal “weight” or importance in terms of the nature and degree of risk they cover. For example, aside disclosing the longevity assumption (which we support), the risk disclosure for Question 9(b) does not seem to contemplate as material a set of risks as that for Question 9(a). But to cover both properly for an unknowledgeable reader could run to pages of disclosure on their own – is this the Board’s intent?
- Questions 9(a) and 9(d) have the potential to develop into lengthy disclosures on risks of a generic nature absent further guidance or example as to what the Board expects companies disclose against these items.
- Questions 8(c) and 9(e) relate to the commitment the entity has to the funding of its plans under local law and how that funding could change depending on plan experience. It is a different, and perhaps more decision useful, measurement approach to the disclosure of the DBO and the projected cashflows that the plan has to its beneficiaries (on the major and significant assumption that the entity continues to support the plan and the continued accrual of future service benefits under that plan over the very long term, i.e., until the death of the last such beneficiary).

We would be pleased to discuss further since, as noted above, we support the principle that accounts in general should tell readers about risk and how that risk is being managed. We take the view that if something is material then it should be disclosed as it is likely to represent decision useful information. Yet, if we look at materiality as being the combination of the likelihood of something happening and the impact if it does happen, a key question for the Board and preparers of accounts is whether the turmoil in world markets from the credit crunch causes us to rethink what materiality means? Analysts and other market commentators tell us (even in

retrospect) that the credit crunch was a highly unlikely event² but it actually did happen and the impact on the world economy was, and still is, severe. Does the Board contemplate disclosure covering such so-called “fat tail” macro-economic risks? And where should they be disclosed as clearly macro-economic risks can cover every aspect of a company’s operations and obligations, not just pensions.

In short, the IAA support quality, focused disclosures that address the most significant (material and proportionate) risks, not lengthy disclosures addressing every possible risk be those risks generic or specific to the particular entity in question. Focused, risk-based disclosure can benefit users of accounts at appropriate cost to preparers. We would be pleased to work with the Board on the scoping and production of such disclosures.

Question 9(c)

To achieve the disclosure objectives, the exposure draft proposes new disclosure requirements, including: (...)

(c) the present value of the defined benefit obligation, modified to exclude the effect of projected salary growth (paragraphs 125H and BC60(f))

IAA Comment: An “ABO” type measure brings IAS and FAS closer. We have previously discussed with the Board that there are potentially different interpretations of the proposed “ABO” measure depending on the objective sought which in turn depends on what decision useful information is intended to be provided to users of accounts. Clarity of the Board’s intent would therefore be helpful. Is the ABO:

1. The DBO but with the salary growth assumption being set to zero: that is, accrual under the plan continues as normal but no employee receives a pay increase at any time in the future³⁴.
2. The plan liability should all employees who are members of the plan leave service at the accounting date and become entitled to leaving service benefits at that date⁵. This is typically termed the discontinuance liability.
3. The higher or lesser of 1. and 2.
4. The plan liability (but not the curtailment accounting) should the employer close the plan to future accruals at the accounting date and all employees who are members of the plan become entitled to leaving service benefits (or such higher benefits as the plan rules may prescribe) at that date. This may be a higher liability than 2 above.
5. The liability in 4 but also assume the obligation is settled at that date, e.g., bought out with an insurance company.

² E.g., we heard references to it being a 1 in 10,000 year or a multiple standard deviation event – a minute probability in statistical terms but not necessarily a minute risk on a probability-impact basis

³ Does “salary growth” include other indexation of benefits during active service such as benefits increasing in line with inflation, national average earnings, or other constructed indices?

⁴ For plan designs with e.g., State benefit or other inflationary type offsets – should the preparer of the accounts assume that the offsets also do not increase with time? Additionally, should allowance be made for in-service disability or favourable early retirement terms where these exist for active (employee) members?

⁵ Which may be of higher or lower liability than the DBO e.g., some lump sum plan designs can give rise to a higher liability on early leaving compared to at “normal retirement”

Would the measurement objective behind the IASB’s proposed ABO measure be applied to other post employment benefits such as retiree medical? If so, how would it be defined?

We would be pleased to discuss this particular item further. We suggest that an alternative and decision-useful approach could be to break down the DBO and/or cashflows into its component elements according to the nature of the underlying cashflows – for example:

- The accrued and vested obligations under the plan rules
- The accrued but unvested obligations
- “Constructive obligations” like future pay growth, early retirement terms from active membership of the plan status etc
- “Discretionary obligations”.

This would provide an insight into the capital structure of the entity’s pension obligations.

Questions 10, 11 and 14

Question 10

The exposure draft proposes additional disclosures about participation in multi-employer plans. Should the Board add to, amend or delete these requirements? (Paragraphs 33A and BC67–BC69) Why or why not?

Question 11

The exposure draft updates, without further reconsideration, the disclosure requirements for entities that participate in state plans or defined benefit plans that share risks between various entities under common control to make them consistent with the disclosures in paragraphs 125A–125K. Should the Board add to, amend or delete these requirements? (Paragraphs 34B, 36, 38 and BC70) Why or why not?

Question 14

Please describe any situations in which a defined benefit multi-employer plan has a consistent and reliable basis for allocating the obligation, plan assets and cost to the individual entities participating in the plan. Should participants in such multi-employer plans apply defined benefit accounting? Why or why not?

IAA Comment: We support the direction the Board promotes. In particular, multi-employer plans can present greater risks to sponsors and shareholders than a similar standalone plan and this is often not clear to either management or users of accounts. A disclosure around the ability of the company to exit the multi-employer arrangement may also be helpful – in some cases, the company remains liable for a share of any deficit across the multi-employer fund even if that company no longer has any active members.

The main difficulty in implementing these proposals is whether the plan information in question will be provided by the managers of the multi-employer plans in sufficient time for reporting in the accounting period in question.

Question 13

The exposure draft also proposes to amend IAS 19 as summarised below:

- (a) The requirements in IFRIC 14 IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, as amended in November 2009, are incorporated without substantive change. (Paragraphs 115A–115K and BC73)
- (b) “Minimum funding requirement” is defined as any enforceable requirement for the entity to make contributions to fund a post-employment or other long-term defined benefit plan. (Paragraphs 7 and BC80)
- (c) Tax payable by the plan shall be included in the return on plan assets or in the measurement of the defined benefit obligation, depending on the nature of the tax. (Paragraphs 7, 73(b), BC82 and BC83)
- (d) The return on plan assets shall be reduced by administration costs only if those costs relate to managing plan assets. (Paragraphs 7, 73(b), BC82 and BC84–BC86)
- (e) Expected future salary increases shall be considered in determining whether a benefit formula expressed in terms of current salary allocates a materially higher level of benefits in later years. (Paragraphs 71A and BC87–BC90)
- (f) The mortality assumptions used to determine the defined benefit obligation are current estimates of the expected mortality rates of plan members, both during and after employment. (Paragraphs 73(a)(i) and BC91)
- (g) Risk-sharing and conditional indexation features shall be considered in determining the best estimate of the defined benefit obligation. (Paragraphs 64A, 85(c) and BC92–BC96)

Do you agree with the proposed amendments? Why or why not? If not, what alternative(s) do you propose and why?

IAA Comment: We support a), b), e), f) and g) as proposed – they are straightforward consolidations or clarifications. In particular:

- Consolidating IFRIC 14 into IAS19 is helpful. We presume IFRIC will continue to be able to provide further clarifications as needed on interpretation of the material on minimum funding requirements post consolidation into IAS19?
- we think the changes to IAS19 as proposed under g) provide helpful clarity in the measurement of any conditional obligations such as commitments or policies that index pensions in payment which are subject to affordability criteria⁶ over time. The fundamental review on measurement may also cause this item to be revisited in due course.

The direction of proposals c) and d) are supported also however we would ask for more clarity around their intent and practical application

- Tax:
 - This is an area that has been subject of much discussion in countries like Australia where plans bear taxes on asset returns. Our understanding is that the common approach in Australia is to recognize the impact of future tax on future asset returns, for the assets backing the DBO, in the measurement of the DBO – thus the DBO records both the liability for benefits and the liability for future plan taxes required to be paid in meeting the DBO⁷. The proposal does not seem to recognize the liability for future plan taxes

⁶ For example, increases only if the plan is in surplus. We read 85(c) as confirming that a scenario planning or stochastic approach can be taken to the measurement of such obligations.

⁷ It is our understanding that the tax is structured as an investment tax not an income tax

(more than a year out) and in that sense an asset of 100 and liability of 100, neither of which includes recognition of future taxes which are integral to the pension system in Australia, is misleading as to the financial status of the plan. We understand that an interpretations committee of the Australian Accounting Standards Board (AASB) spent some time considering the interaction of superannuation taxes and IAS19. We believe that as a result of that study the AASB concluded that taxes on assets in the Australian case were an integral part of the economic liability, although questions about restrictions under the standard remained. The Board may want to discuss the accounting for such taxes further with the AASB

- It would be helpful to clarify please if levies such as those levied by insolvency guarantee funds such as the PPF in the UK, PBGC in the US and PSV in Germany should be treated as plan associated taxes or administration expenses under IAS19, or recognized as (non plan associated) taxes more generally outside IAS19.
- Administration expenses:
 - it is our understanding that the ED clarifies rather than fundamentally changes how to account for expenses that relate to the management of assets. It would be helpful to clarify if such expenses are met against actual asset return through OCI, as we believe is the intent, or by deduction from the “net interest cost” through P&L, or in some other way
 - it is also our understanding that the ED clarifies rather than fundamentally changes how to account for expenses that relate to the liabilities. Notwithstanding the direction to capitalize as intimated in the last sentence of BC84, as we read the wording of the ED itself, it leaves open the question whether to capitalize other administration expenses in the DBO or add the running cost to current service cost subject to general accounting principles of revenue and cost recognition, and identifying whether certain types of expenses are allocated to past or future service⁸. On the face of it, to capitalize the past service element into the DBO (which has logic assuming the past service element can be fairly expressed) represents a measurement change that may be best left to the 2011 fundamental review. If the Board does wish to capitalize administration expenses into the DBO, can the Board please clarify if the retrospective impact is taken through OCI or P&L?

If our understanding is not correct, we recommend clarification.

Question 15

Should entities apply the proposed amendments retrospectively? (Paragraphs 162 and BC97–BC101) Why or why not?

IAA Comment: This is an accounting matter on which the IAA does not have an opinion.

Questions 16 and 17

In the Board’s assessment:

(a) the main benefits of the proposals are:

⁸ Allocating administration costs between past and future service is often not straightforward in practice depending on how the contract has been structured

- (i) reporting changes in the carrying amount of defined benefit obligations and changes in the fair value of plan assets in a more understandable way.
 - (ii) eliminating some presentation options currently allowed by IAS 19, thus improving comparability.
 - (iii) clarifying requirements that have resulted in diverse practices.
 - (iv) improving information about the risks arising from an entity's involvement in defined benefit plans.
- (b) the costs of the proposal should be minimal, because entities are already required to obtain much of the information required to apply the proposed amendments when they apply the existing version of IAS 19.

Do you agree with the Board's assessment? (Paragraphs BC103–BC107) Why or why not?

Do you have any other comments on the proposals?

IAA Comment: As noted in our reply to Questions 8 and 9 above, the wording of the proposed disclosures is very broad and could encompass matters as broad as “fat-tail” macroeconomic risks like the recent credit crunch. Depending on how auditors choose to apply the proposed new disclosures in practice, it could result in significant additional cost to preparers of accounts without a significant gain to users of accounts. Clarity on the Board's intended purpose for disclosures generally together with examples on the nature and depth of the disclosures the Board contemplates would be helpful to ensure users apply disclosures consistently and in the manner the Board intend. We would be pleased to work with the Board on this.

We note that the ED is suggesting to treat what are currently defined as “other long term benefits” in like manner to long term benefits. Currently, other long term benefits are met directly through P&L. The ED will result in additional work and cost to account and disclose other long term benefits such as long service jubilee benefits. For example, would reporting for long service awards really have to be broken down into current service cost, net interest cost and re-measurement components? For many companies in many countries, this may not represent material or proportionate additional information to users of accounts. If the amounts are not material or proportionate in the context of company as a whole, may preparers continue to adopt the current, simpler approach of passing such items through P&L?

Appendix A

Members of the IAA Pensions and Employee Benefits Committee

Esko Kivisaari	Chairperson
Gary Ryan Hibbard	Co-Vice-Chairperson
Thomas S Terry	Co-Vice-Chairperson
Lydia Chenoy	Institut des Actuairens en Belgique
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Alfred E. Gohdes	Deutsche Aktuarvereinigung e.V.
Bozena Hinton	Institute of Actuaries of Australia
Ken Hohman	American Academy of Actuaries, Conference of Consulting Actuaries
Curtis Huntington	American Society of Pension Professionals & Actuaries
Martin Janecek	Ceská Spolecnost Aktuárù
Pari Kandhai	Het Actuarieel Genootschap
Henry Karsten	Instituto de Actuarios Españoles
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Martin Kosztolanyi	Slovenska Spolocnost Aktuarov
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José Roberto Montello	Instituto Brasileiro de Atuária (IBA)
José Muriel Del Sordo	Colegio Nacional de Actuarios A.C.
Konrad Niklewicz	Association Suisse des Actuairens
Ieva Ose	Latvijas Aktuaru Asociacija
Irene Paterson	Institute and Faculty of Actuaries
Gediminas Rackauskas	Lietuvos aktuariju draugija
Ksenija Sanjkovic	Hrvatsko Aktuarsko Društvo
Donald J Segal	Society of Actuaries
Anna Selivanova	Russian Guild of Actuaries
David Serr	Israel Association of Actuaries
Philip Shier	Society of Actuaries in Ireland
Colin Southey	Actuarial Society of South Africa
Anne Grete Steinkjer	Den Norske Aktuarforening
K Subrahmanyam	Institute of Actuaries of India
Joan Angel Vergés Guerra	Col.legi d'Actuaris de Catalunya
Jill M Wagman	Canadian Institute of Actuaries

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