

RA/ASC-SUB/ra

29 July 2004

Anne McGeachin  
Project Manager  
International Accounting Standards Board  
30 Cannon Street  
LONDON  
EC4M 6XH

EMAIL: [CommentLetters@iasb.org.uk](mailto:CommentLetters@iasb.org.uk)

Dear Anne

**IASB EXPOSURE DRAFT - PROPOSALS ON AMENDMENTS TO INTERNATIONAL ACCOUNTING STANDARD (IAS) 19 EMPLOYEE BENEFITS: ACTUARIAL GAINS AND LOSSES, GROUP PLANS AND DISCLOSURES**

The Institute's Accounting Standards Committee has considered the above Exposure Draft and I am pleased to set out its comments below.

**Response to Detailed Questions**

Our responses to the specific questions in the Exposure Draft are set out below:

(i) *Initial recognition of actuarial gains and losses*

*IAS 19 requires actuarial gains and losses to be recognised in profit or loss, either in the period in which they occur or on a deferred basis. The Exposure Draft proposes that entities should also be allowed to recognise actuarial gains and losses as they occur, outside profit or loss, in a statement of recognised income and expense. Do you agree with the addition of this option? If not, why not?*

We agree with this proposal.

- (ii) *Initial recognition of the effect of the limit on the amount of a surplus that can be recognised as an asset*

*Paragraph 58(b) of IAS 19 limits the amount of a surplus that can be recognised as an asset to the present value of any economic benefits available to an entity in the form of refunds from the plan or reductions in future contributions to the plan (the asset ceiling). The Exposure Draft proposes that entities that choose to recognise actuarial gains and losses as they occur, outside profit or loss in a statement of recognised income and expense, should also recognise the effect of the asset ceiling outside profit or loss in the same way, i.e. in a statement of recognised income and expense.*

*Do you agree with the proposal? If not, why not?*

We agree with this proposal.

- (iii) *Subsequent recognition of actuarial gains and losses*

*The Exposure Draft proposes that, when actuarial gains and losses are recognised outside profit or loss in a statement of recognised income and expense, they should not be recognised in profit or loss in a later period (i.e. they should not be recycled).*

*Do you agree with this proposal? If not, why not?*

We agree with this proposal.

- (iv) *Recognition within retained earnings*

*The Exposure Draft also proposes that, when actuarial gains and losses are recognised outside profit or loss in a statement of recognised income and expense, they should be recognised immediately in retained earnings, rather than recognised in a separate component of equity and transferred to retained earnings in a later period.*

*Do you agree with this proposal? If not, why not?*

We agree with this proposal.

- (v) *Treatment of defined benefit plans for a group in the separate or individual financial statements of the entities in the group.*

- (a) *The Exposure Draft proposes an extension of the provisions in IAS 19 relating to multi-employer plans for use in the separate or individual financial statements of entities within a consolidated group that meet specified criteria.*

*Do you agree with this proposal? If not, why not?*

- (b) *The Exposure Draft sets out the criteria to be used to determine which entities within a consolidated group are entitled to use those provisions.*

*Do you agree with the criteria? If not, why not?*

We agree with the proposed extension of the provisions in IAS 19 relating to multi-employer plans. We agree with the criteria but are concerned about the practical applicability of the footnote to paragraph 34. We wonder whether the cost-benefit arguments can be extended without prejudicing shareholders.

(vi) *Disclosures*

*The Exposure Draft proposes additional disclosures that (a) provide information about trends in the assets and liabilities in the defined benefit plan and the assumptions underlying the components of the defined benefit cost and (b) bring the disclosures in IAS 19 closer to those required by the US standard SFAS 132 Employers' Disclosures about Pensions and Other Postretirement Benefits.*

*Do you agree with the additional disclosures? If not, why not?*

We would like the cost-benefit arguments in question (v) above also to be applied to disclosures. In addition, we suggest that in point (p) of paragraph 120, the reference to "fiscal year" should be amended to "accounting period".

(vii) *Further disclosures*

*Do you believe that any other disclosures should be required, for example the following disclosures required by SFAS 132? If so, why?*

- (a) a narrative description of investment policies and strategies;*
- (b) the benefits expected to be paid in each of the next five fiscal years and in aggregate for the following five fiscal years; and*
- (c) an explanation of any significant change in plan liabilities or plan assets not otherwise apparent from other disclosures.*

*SFAS 132 also encourages disclosure of additional asset categories if that information is expected to be useful in understanding the risks associated with each asset category.*

We do not believe that other disclosures should be required.

If you wish to discuss our comments further, please do not hesitate to contact me.

Yours sincerely

RICHARD ANDERSON  
Assistant Director, Accounting and Auditing  
Secretary to the Accounting Standards Committee