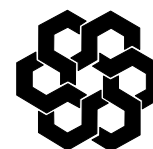


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International
Accounting Standards
Board

This document is provided as a convenience to observers at the Global Preparers Forum meeting, to assist them in following the discussions. It does not represent an official position of the IASB. Board positions are set out in Standards.

Note: These notes are based on the staff papers prepared for the GPF meeting. Paragraph numbers correspond to paragraph numbers used in the GPF agenda paper.

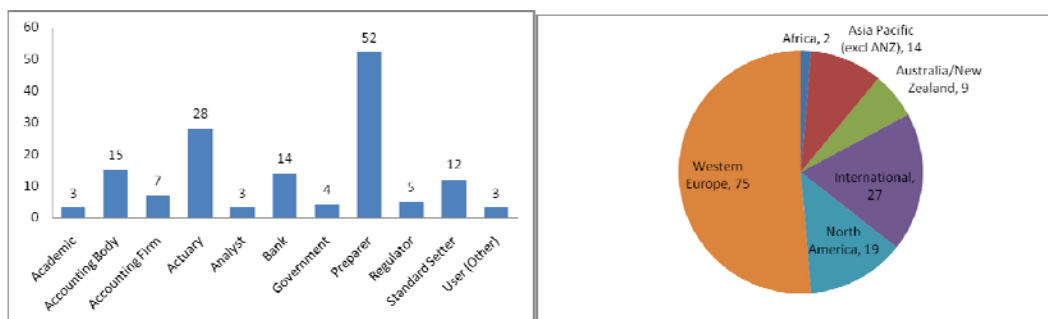
INFORMATION FOR OBSERVERS

GPF Meeting: *November 2008, London*

Project: *Preliminary Views on Amendments to IAS 19 Employee Benefits
(Agenda Paper 6)*

Introduction

1. The comment period for the Board's discussion paper *Preliminary Views on Amendments to IAS 19 Employee Benefits* ended on 26 September 2008. We received 149 letters as at 28 October 2008. The following figures show who the respondents were and where they came from:



2. During the comment period we also undertook an intensive communications exercise for this project, beginning with a live webcast and Q&A on the date of publication and followed up with meetings, talks, Q&As, conferences, webcasts,

conference calls, articles and email correspondence with a wide range of constituents. These involved preparers, users, actuaries, auditors and other pensions professionals as well as the Employee Benefits Working Group.

3. This paper summarises the main themes that arise in response to our discussion paper.

Main themes

Conduct and scope of project

4. Most respondents support the Board performing some kind of review of the accounting for pensions. However, most do not agree with the approach that the Board proposed in the discussion paper.
5. Some argue that, for a first phase, it is a sufficiently beneficial aim to reduce the number of options for when gains and losses are recognized. Thus, they believe that the Board need only require immediate recognition of all gains and losses in the statement of financial position, and leave the options for presenting changes in those gains and losses either in profit or loss or in other comprehensive income.
6. Most respondents think that the definition encompasses far too many plans. In particular:
 - a. some promises are not troublesome in the context of IAS 19 and it is not appropriate to change a well-understood methodology in a short-term project. An example would be a promise in which the benefit includes a fixed return on contributions.
 - b. some promises are economically similar to defined benefit plans, in particular career average plans with long averaging periods. It is not appropriate to apply such different accounting to promises which are so similar.
 - c. the distinction between promises in IAS 19 is based on risk. The proposals in the discussion paper put together in the contribution-based category promises with risks that are very similar to defined benefit promises and those whose risks are more similar to financial instruments. As a result, there isn't a clear demarcation that can be readily understood.

7. Some respondents state that the Board should abandon altogether its proposals to address the accounting for troublesome plans. Others think that the Board should restrict amendments to a very narrow class of promise, for example, promises that are linked to the actual return on specified assets with no guaranteed minimum return.
8. Many respondents indicate their expectation that a comprehensive second phase of amendments to IAS 19 will follow soon after this project. Most agree that a comprehensive project is necessary. However, some advocate deferring the comprehensive project until the Board's projects on fair value measurement, financial statement presentation and the conceptual framework are completed. Others believe the Board should start its comprehensive review now, even if it will not be completed in time for the deadline set by the Memorandum of Understanding with the FASB.

Recognition and presentation

9. Most respondents support the Board's preliminary view that all changes in the defined benefit obligation and in plan assets should be recognised in the period in which they occur. However, there are diverse views on presentation. Many express the view that the Board should not decide on the presentation of pension costs until the financial statement presentation project is finalised, or at least further developed, to prevent inconsistencies between the two projects.
10. Many respondents do not support the Board's proposal to eliminate the requirement to calculate and present an expected return on assets in profit or loss. They are critical of the discussion paper's argument that the subjectivity inherent in determining the expected rate of return provides entities with an opportunity to manipulate profit or loss. They argue that the expected return on assets conveys decision useful information and argue that sufficient reliable information is available to support estimates of expected return rates.
11. Respondents criticised all the presentation approaches set out in the discussion paper. Some respondents suggest other approaches, in particular:
 - a. entities are required to adopt the option in IAS 19 to recognise actuarial gains and losses in other comprehensive income ("the SoRIE approach"
SORIE = Statement of Recognised Income and Expense).

- b. entities are required to recognise actuarial gains and losses in other comprehensive income, with recycling (“the FASB approach”).

Contribution-based promises

- 12. Most respondents agree that it is necessary for the Board to address at least some of the troublesome promises in this project. However, they do not agree with the scope set out in the discussion paper. In particular:
 - a. Most state that the Board should restrict its amendments to a very narrow class of promise, for example, promises that are linked to the actual return on specified assets with no guaranteed minimum return.
 - b. Others believe that the problems that the Board is trying to solve could be addressed by guidance on how to apply the existing requirements of IAS 19, rather than creating a new category of promises with a fundamentally different measurement basis.
- 13. Of those not agreeing that the Board should address the troublesome promises in this project:
 - a. Some state that the Board should abandon altogether its proposals to address the accounting for troublesome plans.
 - b. Some think that the Board should defer developing proposals until it can do so comprehensively for all post-employment benefit promises.
- 14. Many comment letters do not comment in detail on the proposals relating to contribution-based promises because they disagree with the fundamental proposal of creating a new category of promises either at this stage in a short-term project, or at all.
- 15. A small minority agree that the appropriate measurement method for contribution-based promises is *fair value assuming the terms of the benefit promise do not change*. However, many respondents are wary of introducing a fundamental change in measurement for many post-employment benefit plans. They argue that some promises captured, eg career average plans with long averaging periods, are economically similar to defined benefit plans. In their view, it is not appropriate to apply such different accounting to promises which are so similar. Another common

concern is that the measure of a post-employment benefit liability would include credit risk.

16. Most respondents do not comment on the Board's proposals for the accounting for an option to receive the higher of a defined benefit or contribution-based promise. Many of those who commented criticized the proposals, preferring a simpler measure that would account only for the outcome that was the higher at the reporting date. Some note difficulties in measuring the fair value of the "higher of option" because the underlying promise is measured using the projected unit credit method, which considers only one outcome.

Disclosures

17. Respondents would welcome an overhaul of the disclosure requirements. Such an overhaul should not add to the already extensive requirements and should be based on principles. Respondents directed the Board to best practice disclosures from various jurisdictions.

Next steps

18. We will provide the Board with an initial comment letter analysis at the November meeting. We intend to discuss the issues in more detail, including the scope of a future exposure draft to be developed from the discussion paper, between December 2008 and July 2009. We hope to publish an exposure draft in the third quarter of 2009.