

Comment on IASB Discussion Paper: Preliminary Views on Amendments to IAS 19
Employee Benefits
September 26, 2008

Dear Sirs:

I have two major comments regarding the proposed amendments:

1. I believe this comment most closely responds to Question 9. I believe the optimal approach to measuring all liabilities now classified as 'defined benefit' is to retain that classification, and not create the new classifications of contribution-based promises, return-based promises, and higher-of promises. A proposed 'positive' definition of a defined benefit pension plan is a plan (other than a defined contribution plan) whose benefit liabilities can be calculated as projected future cash flows based on assumed parameters. The term benefit liabilities here encompasses aggregate benefit liabilities as well as benefit liabilities that have been attributed to time periods via an attribution method such as projected unit credit or traditional unit credit. This definition, when used along with the methodologies described in the accompanying draft paper 'The Truth About Financial Economics, Pensions and Fair Value', encompasses IASB's contribution-based promises, return-based promises, and higher-of promises.
2. I believe it is a bad idea to change the required discount rate for certain types of defined benefit plans prior to fair value implementation. If the perceived problem is that the spread of AA bond rates is currently too wide, a possible solution is to require that the permissible range of AA rates be no wider than a set amount, with outliers removed from consideration. If the perceived problem is that current discount rates are higher than what will be called for upon fair value implementation, then this perception is premature.

Attached to this comment letter is a draft paper discussing how I believe IASB has made a wrong turn in moving toward fair value, along with a flowchart exhibit to be included in the paper. Thank you for considering these comments.

Sincerely,

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