



Pensions Industry Circle

BASF, Bayer, BMW, Bosch, Continental, Daimler, Deutsche Post, Deutsche Telekom, E-ON, Henkel, Infineon, Linde, Lufthansa, MAN, RWE, SAP, ThyssenKrupp, TUI, Volkswagen

September 25, 2008

Sir David Tweedie
Chairman of the
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

IASB Discussion Paper

'Preliminary Views on Amendments to IAS 19 Employee Benefits'

Dear Sir David,

the Pensions Industry Circle (PIC) is a working group of pension experts of the above stated companies in Germany. PIC's mission is to contribute to a continual improvement of legal framework and governance of Germany's Pension System.

We welcome the initiatives taken by the IASB in order to improve the comparability and transparency of pension accounting and believe that IAS 19 could benefit from the initiative and some of the proposed changes. In regard to some specific aspects of your discussion paper we briefly want to summarize our point of view. Please note that in addition to this joint statement which expresses the opinion of the majority of PIC-members some of the member companies have decided to submit an individual comment letter, too.

- We do not support any potentially intended change of measurement, accounting methods or reporting requirements in relation to pure defined contribution plans. If an employer's obligations and risks are limited to pay contributions, only these contributions should be recognized in the income statement.

- In addition we do not support the implementation and inclusion of so-called contribution-based benefit promises to the scope of this project. In particular we oppose the proposed measurement approach (fair value) of these contribution-based benefits.
- We generally agree with the Board's view to eliminate existing options in recognizing changes in defined benefit promises in the income statement and/or on the balance sheet. For this purpose some of our member companies support the idea of making the existing or slightly modified corridor approach mandatory, whereas other member companies support your third approach (i.e. interest cost, service cost and expected return on plan assets in P&L and all other components in OCI). With respect to the third approach some of us believe that a more detailed discussion of a recycling (i.e. from OCI to P&L) of gains and losses over a certain period of time would be beneficial.
- We strongly vote against an immediate recognition of all valuation results (i.e. all gains and losses) in the income statement (your first approach). Actuarial gains or losses could to some extent have an artificial and non lasting strong impact on quarterly and/or annual results and can dilute the financials of a company to a significant extent.
- A further topic for the scope of your project should be the accounting of plan amendments, especially those resulting in an increase of future benefit levels. Basically executives are aware that granting higher benefits causes higher pension contributions and will have an impact on future operating profits. But in times where market capitalization, earnings per share and operating margins are key performance attributes executives are mostly not willing to accept significant past service costs. We ask the Board for a solution not constraining but encouraging companies to improve benefit levels of their pension promises. An equal distribution of higher benefits during remaining working times of employees could be an adequate solution.

If you have any questions or comments please do not hesitate to contact us. We would be happy to discuss any of our comments at your convenience.

Yours sincerely,
on behalf of the PIC- Group



Robert Bosch GmbH



Deutsche Post AG