

29 September 2008

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London EC 4M 6XH
UNITED KINGDOM

Dear Sir David

'Post-Employment Benefits'

The Group of 100 (G100) is an organization of chief financial officers from Australia's largest business enterprises with a purpose of advancing Australia's financial competitiveness. The G100 is pleased to provide comments on the amendments to IAS 19 Employee Benefits.

The G100 does not support the proposed changes. We believe that since the present 'corridor' approach is a well understood and established practice that little benefit will be served by implementing proposals in the discussion paper. Recognition of movements in the amounts of superannuation plan assets and liabilities in the profit and loss has the potential to distort reported information about operating performance of the business and the assessment of management performance. For example, fluctuations in the asset values of defined benefit schemes can create significant intra and inter-period swings in reported results which are unrelated to the operation of the business. Additionally, we consider that the present detailed disclosures required by IAS 19 in respect of superannuation plans are excessive and overload users with a range of information which is not relevant to their decision making.

Question 1

Given the objective of the IASB project to address specific issues in a limited timeframe, are there additional issues which you think should be addressed by the Board as part of this project? If so, why do you regard these issues as a matter of priority?

The G100 believes that the range and detail of the disclosures required must be addressed and that disclosure principles should be established such that users are provided with key information about the performance of the superannuation plan and its impact on the financial position of the entity.

Question 2

Are there factors that the Board has not considered in arriving at its preliminary views? If so, what are those factors? Do those factors provide sufficient reason for the Board to reconsider its preliminary views? If so, why?

The G100 considers that the need for changing the method of accounting has not been established. However, any changes to the current methods of accounting, if made, cannot occur in isolation from resolving the presentation issues.

Question 3

- a. *Which approach to the presentation of changes in defined benefit costs provides the most useful information to users of financial statements? Why?*

If the IASB proceeds with this project we believe that Approach 3 is the best approach.

Approach 3 appears to be the best from a user perspective because the profit and loss should include income and expense items attributable to the ordinary activities of the business. These are the factors on which management's performance is based rather than the valuation and discounting factors arising in respect of accounting for superannuation commitments. The G100 considers that recognizing changes in pension liabilities or assets in the profit and loss statement will create significant noise caused by market volatility that is unrelated to the operations of the business.

The G100 considers that if the balance sheet items are recognized on a fair value basis changes in the value of superannuation plan assets etc would/should be recognized directly in equity or as a component of other comprehensive income.

- b. *In assessing the usefulness of information to users, what importance do you attach to each of the following factors, and why:*
- (i) presentation of some components of defined benefit cost in other comprehensive income; and*
 - (ii) disaggregation of information about fair value?*

The G100 does not consider that this information is useful to shareholders and does not inform their decision making. We consider that sophisticated users of financial statements do not find the excessive detailed information understandable and useful and, therefore, question whether the benefits of making such disclosures seeking to provide insights to the business performance does not justify the costs incurred in its collection and presentation.

- c. *What would be the difficulties in applying each of the presentation approaches?*

No comment.

Question 4

- a. *How could the Board improve the approaches discussed in this paper to provide more useful information to users of financial statements?*

The G100 believes that the present recognition and measurement requirements should be retained and that the volume and detail of the disclosures should be substantially reduced. This could be achieved by specifying a disclosure principle such that the company would disclose that information that the directors believe is needed by users to assess the impact of the superannuation plan on the financial position of the company.

- b. *Please explain any alternative approach to presentation that provides more useful information to users of financial statements. In what way does your approach provide more useful information to users of financial statements?*

The specification of a disclosure principle and the subsequent disclosures by the company would be more specific to the information needs of the users of the company's financial statements. The G100 considers that the measurement principles in IAS 19 are suitable for this purpose.

Question 5

Do you agree that the Board has identified the appropriate promises to be addressed in the scope of this project? If not, which promises should be included or excluded from the scope of the project, and why?

Yes. The proposals to identify and classify the promises to employees regarding types of superannuation schemes may be of some benefit.

Question 6

Would many promises be reclassified from defined benefits to contribution-based under the Board's proposals? What are the practical difficulties, if any, facing entities affected by these proposals?

We do not believe that there would be any material reclassification of defined benefits into contribution-based arrangements in the Australian context.

Question 7

Do the proposals achieve that goal? If not, why not?

No comment.

Question 8

Do you have any comments on those preliminary views? If so, what are they?

No comment.

Question 9

- a. *Are there alternative measurement approaches that better meet the measurement objectives described in this paper? Please describe the approaches and explain how they better meet the measurement objectives.*

The G100 considers that except in respect of disclosures the requirements of IAS 19 are appropriate.

- b. *To what extent should the effect of risk be included as a component of the measurement approach at this stage of the Board's post-employment benefit promises project? How should this be done?*

The effect of risk relating to obligations in respect of superannuation payments to employees should be treated consistently with the treatment of risk in the measurement of other liabilities.

Question 10

- a. *Do you agree that the liability for benefits in the payout and deferment phases should be measured in the same way as they are in the accumulation phase? If not, why?*

Yes, the subject to the provisions of the fund's trust deed.

- b. *What are the practical difficulties, if any, of measuring the liability for a contribution-based promise during the payout phase at fair value assuming the terms of the benefit promise do not change?*

We do not anticipate practical difficulties arising in respect of these measurements.

Question 11

- a. *What level of disaggregation of information about changes in the liability for contribution-based promises is useful to users of financial statements? Why?*

It is not clear why the changes in the liability need to be disaggregated. We believe that the primary focus of users is in the quantum of the liability and not its components which serves to add to the disclosure overload.

- b. *Do you agree that it is difficult to disaggregate changes in the contribution-based promise liability into components similar to those required for defined benefit promises? If not, why not?*

We do not consider that the changes should be disaggregated.

Question 12

Should changes in the liability for contribution-based promises:

- a. *be presented in profit or loss, along with all changes in the value of any plan assets; or*
- b. *mirror the presentation of changes in the liability for defined benefit promises (see Chapter 3)?*

We believe that presentation of changes in the liability should be consistent with those for defined benefit promises.

Question 13

- a. *What are the practical difficulties, if any, in identifying and measuring the 'higher of' option that an entity recognizes separately from a host defined benefit promise?*
- b. *Do you have any other comments on the proposals for benefit promises with a 'higher of' option? If so, what are they?*

No.

Question 14

What disclosures should the Board consider as part of that review?

The G100 believes that the main emphasis of the review should be a fundamental reconsideration of the volume and detail of the disclosures required. This could be achieved by establishing disclosure principles and requiring directors to provide the information they consider necessary to assess the effect of the superannuation plan on the financial position of the company.

Question 15

Do you have any other comments on this paper? If so, what are they?

Yes. If the proposals are proceeded with, transitional provisions would be necessary and companies would need significant time to implement any amendments to existing requirements.

Yours sincerely



Tony Reeves
National President