

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
England

Basel, March 25, 2002

Comment letter on proposed amendment to IAS 19 Employee Benefits, asset ceiling

Dear Sirs,

Thank you for the opportunity to comment on the proposed changes to IAS 19.

General comment

A comment period of around one month is a totally inadequate time to digest the proposals, study the conceptual and practical arguments in this complicated area and prepare a considered response – especially at a time when the IASB is fully aware that many preparers are heavily involved in preparing financial statements. The IASB will doubtless wish to avoid laying itself open to the criticism of displaying lack of concern or interest in preparers' considered views. A comment period of two months is the minimum comment period that should be given.

According to the February "News from the SIC", increased guidance is proposed for determining the actual amount of the asset limitation. Whilst we agree that clarification of both the way to determine the pension asset limitation and the interaction of the para 58 conditions is necessary, we consider that both areas should be handled at the same time, as in our view both will touch fundamental issues concerning how to appropriately account for defined benefit plan surpluses. Indeed, IAS 19 would benefit more from a broader, more coherent review of asset recognition than from a quick fix of one limited problem. As the wording of these proposed changes shows, it is not easy to write in plain English the ideas behind the asset ceiling capping concept and the interaction with the accounting for unrecognised actuarial gains and losses and other deferred items especially where the "corridor" concept also comes in.

We must stress that we believe the "corridor" concept is an absolutely vital part of accounting for defined benefit plans. The long-term nature of the assets and liabilities and the financial and demographic estimates involved render relatively meaningless sudden, temporary changes in value, and it would be quite wrong to allow them to distort undiluted the picture of performance of the underlying business in any one period. From a practical point of view (predictability), we also strongly favour retaining the reflection of amortisation from the *following* year onwards.

Specific questions

Question 1

Whilst we agree that clarification is needed in a number of areas concerning employee benefit assets, we suggest that any change in this area is not restricted to the asset limitation question but should be broader, covering all related issues, and be properly exposed for comment.

Question 2

We do not believe that this quick-fix change would produce an easily understood, coherent standard. Certain anomalies could arise from the revised approach, and a broader, more coherent review is desirable.

Question 3

The proposed change could have potential significant consequences for a number of preparers. A longer implementation period is therefore necessary.

Question 4

If the change in its current form is introduced, IAS 8 transition arrangements should apply.

Yours truly,

F. Hoffmann-La Roche Ltd

Alan Dangerfield

Jean-Luc Masserey