TransAlta

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International Accounting Standards Board
30 Cannon Street
London, United Kingdom
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Dear Sir or Madam:

We appreciate the opportunity to respond to the Board's request for comment on the **Discussion Paper – Preliminary Views on Amendments to IAS 19 *Employee Benefits*** ("DP").

TransAlta is a power generation and wholesale marketing company focused on creating long-term shareholder value. We maintain a low-risk profile by operating a highly contracted portfolio of assets in Canada, the United States, Mexico and Australia. Our focus is to efficiently operate our coal-fired, gas-fired, hydro and renewable facilities in order to provide our customers with a reliable, low-cost source of power. For nearly 100 years, we've been a responsible operator and a proud contributor to the communities where we work and live.

TransAlta has registered pension plans in several jurisdictions covering substantially all employees. The plans include defined benefit and defined contribution options as well as a supplemental defined benefit plan for certain employees. In addition, other health and dental benefits are provided to certain plan members to the age of 65.

We have provided our comments, on the questions considered relevant to the nature of TransAlta's pension plans, below for your consideration.

Question 1
Given the objective of the IASB project to address specific issues in a limited time frame, 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?

We do not believe there are additional issues that should be addressed by the Board in the short-term. Given that there are some fundamental issues (those identified within the scope of this project as well as those outlined in paragraph 1.11 of the DP) with pension accounting in its current form that are not congruent with the objectives of IFRS, we *believe that a longer-term more fundamental, comprehensive review of pension accounting in its entirety would address users' needs in a better fashion.*

Elimination of the corridor approach is a significant change to the current measurement model. Requiring recognition of all gains and losses without a clear understanding of where they will be recorded and how they will be realized (which seems dependent on the outcome of the Financial Statement Project) may not be perceived as an improvement. We acknowledge that the Board is outlining several alternatives for presentation in Chapter 3 and that the intent of the DP is to solicit the views of constituents, however, perhaps a short-term solution is not the best approach.

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?

We are not aware of any additional factors that should be considered.

Although we are advocates of the Board not making any changes until a longer-term comprehensive review of IAS 19 is completed, we have provided our comments on the PV's expressed by the Board in Chapter 2.

We acknowledge that there are issues with, and criticisms of, the corridor approach, but we are not certain that the approach proposed in PV2 (entities should recognize all changes in the value of plan assets and in the post-employment benefit obligation in the financial statements in the period in which they occur) is the best solution if it is the Board's intention to undertake a long-term project which would include consideration of the underlying items that result in actuarial gains and losses. It is not clear that requiring recognition of amounts determined using methods that have been identified as flawed and that are in-scope for a longer-term project (as outlined in DP 1.11) provides improved financial reporting in the short-term.

We agree that recognition of the expected return on assets may provide opportunities for earnings management, as outlined by the Board in 2.15, and accordingly support PV3 (entities should not divide the return on assets into an expected return and an actuarial gain or loss). However, we suggest that more consideration be given to the requirement for immediate recognition of the actual return in profit and loss as this approach may not be aligned with the long-term nature of the post-employment benefit promise.

We do not support PV4 (entities should recognize unvested past service cost in the period of a plan amendment) as we maintain the view that costs associated with unvested benefits should be reflected in the period of vesting as this is more representative of when those benefits are earned.

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?

(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?

(c) What would be the difficulties in applying each of the presentation approaches?

If we were in support of the proposals outlined in the Board's PV's 1-3 being made in the short-term, we think that approach 3 would provide the most useful information to users, primarily because the effects of changes in financial assumptions are not reflected in profit or loss immediately. Recognizing the effects of changes in financial assumptions in profit or loss has the potential to introduce significant short-term volatility in profit or loss, thereby reducing the comparability of an entity's period-to-period earnings. However, the Board has outlined in 3.28 and 3.29 some fundamental issues that must be addressed prior to implementing such an approach.

The considerations outlined by the Board in Chapter 3 "Practicality" are representative of the difficulties in applying each of the presentation approaches.

Question 4

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

Improvements to Approach 2 and 3 could include consideration of how and when amounts initially recorded in other comprehensive income would be recycled to profit or loss.

(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?

We have no additional alternative approaches for the Board to consider at this time, other than requiring the recognition of all actuarial gains and losses in other comprehensive income, which is an alternative currently permitted under IAS 19.

Questions 5 - 13

For the reason outlined in our response to Question 1, we have not responded to Questions 5 through 13 inclusive, which relate to the accounting for benefits that are based on contributions and a promised return and accounting for benefit promises with a " higher of" option, and are not generally applicable to TransAlta.

Question 14
What disclosures should the Board consider as part of that review?

The existing disclosure requirements are very lengthy and complex, accordingly, any simplification or condensing of such requirements would be welcome.

Question 15
Do you have any other comments on this paper? If so, what are they?

As TransAlta is currently working towards transitioning to IFRS in 2011 as mandated by the Accounting Standards Board of Canada, we are generally concerned with any short-term, significant changes to existing IFRS standards, particularly where such changes may be effective by December 31, 2011.

In conclusion, we thank you again for the opportunity to provide our views on this very important topic. Should you have any questions regarding our responses, we would be pleased to discuss them with you at your convenience.

Yours truly,

TRANSALTA CORPORATION

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