Institute of Actuaries of Australia

26 September 2008

Ms Anne McGeachin
Senior Project Manager
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
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Dear Anne

Comments on IASB Discussion Paper - Preliminary Views on Amendments to IAS 19 Employee Benefits

The Institute of Actuaries of Australia (the Institute) is the sole professional body for actuaries in Australia. It represents the interests of over 1,400 fellows and 2,000 other members. Our members have had significant involvement in the development of insurance regulation, financial reporting and related practices in Australia over many years.

The Institute welcomes the opportunity to submit comments to the International Accounting Standards Board (IASB) on its Discussion Paper *Preliminary Views on Amendments to IAS 19 Employee Benefits*.

Our responses to each question raised in the Discussion Paper are set out in the attached pages.

The Institute's key concerns relating to the Discussion Paper include the following:

- ***We are extremely concerned about incorporating Defined Contribution plans into the "Contribution based promise" definition*** – We understand that the IASB wishes to increase the disclosure and measurement requirements for certain forms of benefit obligations (in particular, "cash balance plans" and promises which are accumulation in style, but which provide some form of promised indexation or credited return). However, we feel that the Discussion Paper's solution creates more complication and potential confusion than the underlying issue which the IASB is seeking to address. A better targeted approach might be to issue further guidance about (and if necessary subdivide) the types of arrangements to be considered "defined benefit" plans.
- ***We are concerned about the inconsistencies introduced in the measurement of existing defined benefit promises and the (newly created) contribution based promises*** – The Discussion Paper leaves the liability measurement of "traditional" defined benefit obligations largely unchanged from the current actuarial methodologies. By contrast, contribution based promises are to be valued by "fair value". In addition to the issues about "fair value" raised below, the Discussion Paper will potentially result in streams of identical (monetarily) pension

payments being valued differently, depending only on the financing vehicle involved (i.e. fair value versus existing valuation techniques).

- ***Moving towards fair value measurement for retirement benefit obligations will reduce comparability and consistency*** – The “fair value” of a pension obligation is extremely difficult to measure and requires a considerable number of subjective assessments. In Australia, there is no significantly deep market to buy out pensions in payment, and certainly no deep market to buy out active defined benefit obligations for active employees. Different practitioners will adopt (professionally justifiable) different approaches in practice to make such valuations. To maintain comparability and consistency, any guidance for undertaking such valuations would therefore need to be quite prescriptive in the context of pension promises.

- ***The changes to presentation of expenses for defined benefit promises requires more consideration*** – The third option presented is most similar to the SORIE approach, which we believe is currently used by most Australian based employers who sponsor and report upon defined benefit promises (although subsidiaries of US companies are more likely to use a smoothed recognition approach). Australian employers are therefore likely to favour the third option presented. We believe they would be extremely concerned about any mandatory move to the first option, due to the introduction of volatility into operational results. However, considerable further thought would be required for us to comment upon (i) the method of measurement of the costs, and (ii) the splitting of these costs into different components. We have set out some initial thoughts for consideration in the body of our response. The manner in which any of these options would ultimately be presented within (and interpreted from) the performance statement is very difficult to ascertain in advance of the overall review of the framework of financial statements.

- ***Lack of consistent approach to value optionality in “Greater of” DB and DC promises*** – The comments regarding the possible treatment of “greater of” promises has caused significant concern amongst Australian practitioners. A very large number of Australian defined benefit plans currently incorporate “greater of” aspects in their benefit design. Australian practice currently incorporates a value for the “greater of” aspects, albeit on a deterministic basis. The Discussion Paper introduces the need to apply option-based valuation techniques to such “greater of” features, yet remains very high level in any attaching explanation. Option pricing is mentioned, but in view of the complex interaction of demographic and financial variable over long time periods, there is currently no universally agreed manner in which such optionality can be consistently and comparably priced.

- ***It will take significant time and cost to develop sufficient computational capabilities to value “Greater of” promises*** - To extend the concept of option-pricing to pension plans would be extremely complex. Substantial industry-wide investment in pension valuation systems are likely to be required to undertake the calculations required. Considerable time and cost will be required to undertake this work (both upfront, in making some form of upfront assessment of the possible materiality of such “greater of” features, and ongoing). Such work could not commence until after the methodologies have been agreed. Given that Australian DB plans tend to have been closed to new members for a number of years (in many cases, longer than many European or USA defined benefit plans) sponsoring employers will be extremely concerned about the costs involved for such analysis. They are likely to be of the view that the additional time and expense to undertake such calculations on (some pre-agreed) stochastic basis would not be warranted by the additional information provided. We believe a requirement for detailed assessment should be that it would be material in the context of the overall reporting entity.

- ***We would be concerned about implementing the proposals before the results of the broader review of the financial reporting framework are known*** – We support the need to commence a review of the reporting of pension promises, given the volume and complexity of this area. However, providing feedback on any changes made in the measurement of pension promises is difficult in the absence of knowing the framework of financial statements longer term. This is most important in understanding the context within which market-based gains and losses would be reflected within the Company's performance statement.

Please do not hesitate to contact the Chief Executive, John Maroney (+ 61 2 9233 3466; email: john.maroney@actuaries.asn.au) if you wish to discuss any of our comments.

Yours sincerely

Greg Martin
President

Submission from the Institute of Actuaries of Australia

IASB Discussion Paper - Preliminary Views on Amendments to IAS 19 Employee Benefits

Scope of the project

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?

There are a number of issues with IAS 19 that we believe that the Board should address in due course. However, given the short timeframe we do not believe that these issues can be addressed as part of this project.

Recognition and presentation of defined benefit promises

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?

Relationship between components of the post-employment benefit cost

The paper notes that there are some perceived relationships between the components of the post-employment benefit cost, which many regard as important economic effects. However, it did not explore these economic effects in any detail. We believe that there may be value for the Board in further exploring these effects.

The two relationships noted in the paper were between:

- Interest cost and interest income on assets; and
- Total return on plan assets and the change in the post-employment benefit obligation

We believe that there are two economic factors in these relationships that the Board should be aware of:

- Interest cost/income on deficit or surplus; and
- Benefit/cost of mismatching assets and obligations

Take as an example a post-employment benefit plan that invests solely in high quality corporate bonds with terms that match the accrued obligation and holds exactly enough assets to match the accrued obligation. Under current accounting return on asset and interest costs will be exactly the same.

Now extend that example so that plan holds more assets than the value of liabilities. The return on assets will exceed the interest cost, providing a return on the prepaid contributions that the entity has chosen to make to the plan, or interest income on the surplus. Alternatively if the entity underpays contributions there is a time value of money impact of that, or an interest cost on the deficit.

An alternative extension of the example would be for the entity to continue to hold the value of assets that is exactly equal to the obligation, but to invest those assets in a different way, for example in equities rather than bonds. Those alternative investments may deliver a higher return, in which case there is a benefit from the mismatch, or they may fall short giving a loss.

Interest on surplus/deficit

The concept of interest on a surplus or deficit is consistent with making an allowance for the time value of money impact of prepaying or delaying contributions. It is also the result of making a consistent allowance for the impact of the time value of money on both the obligation and supporting assets.

This amount clearly relates to the employer's decision to finance the plan. Any decision to contribute more or less to the plan will impact on the level of surplus or deficit and change this amount.

Benefit/Cost of mismatching assets and obligations

The second component of the current arrangement is the difference between the rates of return on assets and interest cost. This difference arises because the assets in which post-employment benefits plans generally invest do not appear to directly match the obligations.

We note that the expected return on assets reflects the expected benefit of the investment choices for the plan and the actual return on assets reflects the actual outcome for the year. That suggests that the current standard (which allows the use of an expected return on assets) allows entities to account for a reduction in the expense due to the benefit of the mismatch before the benefit of the mismatch has been realised.

The other issue is the nature of the mismatch between the investments backing the benefit obligations. We note that the benefit obligations under IAS 19 are not measured at fair value. In fact there is little evidence of what a fair value would be. So while many would strongly believe that there is a mismatch the true nature of the mismatch is not fully known.

We do not believe that the above issues should lead the Board to reconsider its preliminary views. However, they do provide some insight into the choice between the three presentation alternatives. In particular:

- Some element for financing impacts should be included in profit and loss;
- The element of the post-employment benefit cost arising from mismatching the assets and obligations is not fully known yet, hence it is premature to include allow for it in profit and loss; and
- The assumed rate of growth in the assets and obligation included in profit and loss under option three should be the same rate so as to isolate the financing impact from the mismatch impact.

Gains or Losses on Settlement

A gain or loss on settlement is included in:

- profit and loss under approach 1;
- other comprehensive income under approaches 2 and 3.

However, only remeasurement costs that arise from changes in financial assumptions appear under other comprehensive income under approach 3, so it is difficult to see how a gain or loss on settlement should come under other income. Settlements and curtailments are closely related and it would be more consistent to include both under profit and loss for both approaches 2 and 3.

There would also be significant practical difficulties in separating curtailments and settlements as in many cases they occur at the same time, due to the same event. There may not be any particular reason to assign part or all of the economic impact of that event to either settlement or curtailment.

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?**

We believe that approach 3 provides the most useful information to users of financial statements. Provided it is constructed appropriately, it includes the impact of the entity's financing decisions in profit and loss.

It does not include the cost or benefit from the potential, but unknown, mismatch between assets and the benefit obligation in profit and loss.

We also note that approach 3 is the closest of the three approaches to the current option to recognise gains and losses outside profit and loss. We believe that the majority of entities currently use the option to recognise gains and losses outside profit and loss or use the corridor option. Very few entities would immediately recognise all gains and losses in profit and loss. Hence we expect users to be familiar with the current option to recognise gains and losses outside profit and loss and approach 3 to involve the smallest conceptual change for users.

In assessing the approaches we give most weight to the inclusion in other comprehensive income of some components of the defined benefit cost. As indicated above we believe that the most appropriate alternative under approach 3 is to impute interest income rather than disaggregating other components of the change in the fair value of plan assets.

We not believe that approach 3 would create any more difficulties than approach 2, provided that imputed interest income is used. We do not support the dividend or interest earned on debt asset approaches.

Both approaches 2 and 3 create some additional work in the division of actuarial gains and losses. However, we note that some division of actuarial gains and losses is already required for the disclosure of experience adjustments under sub-paragraph 120A(p)(ii). Experience adjustments are typically measured by deducting the impact of changes in assumptions from the total gains and losses. It is a relatively simple matter to separate changes in assumptions into different components.

Therefore we believe that the requirements of approaches 2 and 3 to separate actuarial gains and losses into non-interest related experience and assumption changes are possible.

Question 4

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

(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?**

Given there is a current project underway on performance reporting, which may potentially overlap with these presentation options, one option which would be readily implemented in the short term would be to simply remove the deferral option and retain the existing P&L and SORIE options for the time being until the performance reporting project was complete.

A further alternative would be to amend the corridor approach to require immediate recognition of gains and losses in the balance sheet, bringing the option into line with the approach recently adopted for US GAAP.

Recognition of contribution-based promises

Question 5 – Definition of contribution-based promises
Do you agree that the Board has identified the appropriate [contribution-based] 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?

The definition of a "contribution-based promise" outlined in the discussion paper is relatively broad. This would result in a significant number of plans currently classified as defined benefit plans, that have not been identified by the board to be addressed in the scope of this project, potentially being classified as contribution-based promises (refer Question 6).

Importantly, for a number of plans, risks remain with the employer, and would be more appropriately classified as defined benefit promises. For instance in relation to the examples given in the Discussion Paper of longevity risk and on fixed pension payment factors. Also in relation to expense overrun risk (see the example in the response to Question 6 below).

The shift of such plans to the contribution-based promise category would represent a fundamental change in the principles of current IAS 19, which we would not consider appropriate for a short-term project of this nature.

The distinction that is important for pension fund accounting is whether and to what extent the employer bears any risk (demographic or financial) in relation to the funding of employee retirement benefits. Under the current definitions, any plan that involved significant employer risk would be classified as defined benefit and treated under IAS 19 accordingly, irrespective of whether it included salary-related benefits or not.

On this basis, we consider it appropriate to maintain the current definition for defined benefit plans. At a minimum, plans with significant demographic risk to the employer should remain within the defined benefit promises category.

Question 6 – Definition of contribution-based promises
Would many promises be reclassified from defined benefit to contribution-based under the Board's proposals? What are the practical difficulties, if any, facing entities affected by these proposals?

In Australia, the vast majority of plans are currently classified as defined-contribution, and exempt from IAS-style reporting. Only plans with salary-related retirement benefits are generally classified as defined benefit plans for reporting purposes.

There is a small number of plans that could technically be considered to be defined-benefit plans under the existing rules, but which are in practice treated as defined contribution plans for reporting purposes. It is possible that the proposed definitions could result in some of these being classified as contribution-based promises under the DP proposals. These would include:

- Defined contribution plans that contain employer contributions subject to vesting requirements (i.e. unvested benefits are forfeited on termination of employment before retirement). These are not that common in Australia today, following legislation changes to vest a minimum 9% employer contribution rate. For the few that still exist, there is no risk borne by the employer, unless forfeited amounts are anticipated by reducing employer contributions in advance.

- Defined contribution plans where there is a limit on the plan expenses that can be charged against member accounts.

- Plans where the fair value of a contribution based promise may require the recognition of an additional liability relating to the difference between the fees the market requires to manage a corresponding plan and the amount of expenses that can be levied against member accounts under the trust deed, or even the embedded option this presents.

There is also the potential for otherwise standard defined contribution plans to fall outside of the contribution-based promise definition (and hence to be treated as defined benefit plans) under the new definitions. Examples include:

- Defined contribution plans which adopt a smoothed crediting rate policy.

  It is not clear that this meets the strict definition of a return specifically linked to the return on the assets, given the discretions, and the ability to create and hold reserves. Section 5.24 -5.25 does not provide any additional guidance.

- Defined contribution plans which have a deduction from the account in respect of insurance, tax, expenses, etc (i.e. most Australian defined contribution plans).

  This would not appear to meet the strict definition of accumulation of contributions, as additional factors outside of contributions and interest need to be taken into account to determine the final benefit.

These reclassifications appear to arise because the definitions behind the contribution-based promises are part of a rules based approach rather than being based on principles, such as whether the employer bears residual risk or not.

A practical difficulty resulting from these proposals is the problem of determining a fair value. The difficulty arises as a consequence of there being a lack of market observable rates for certain risks and the limited application to date of accounting for such liabilities at fair value.

Inconsistencies may also arise as a result of applying different measurement approaches to contribution based promises and defined benefit promises. It is possible that a contribution based promise with the same or lower economic cost than a particular defined benefit promise will be assigned a higher liability as a result of the contribution based promise being fair valued, while the defined benefit promise continues to be measured according to the existing requirements.

Question 7 – Definition of contribution-based promises
Do the proposals achieve that goal [of not making any changes to accounting to most promises that currently meet the definition of defined contribution plans in IAS 19]? If not, why not?

Refer also question 5 and 6 in relation to reclassification, and the new application of fair values, including the treatment of reserves. There may be an impact on:

- Plans that use smoothed crediting rates along with an investment fluctuation reserve to credit interest to member's accounts.

- Plans that recognise various reserves (e.g. operational risk reserves).

Also, the proposal may not achieve this goal in the area of discounting. The existing arrangements for defined contribution plans require unpaid contributions to be discounted using high quality bond yields where a deep market in corporate bonds exists. Changes under consideration include altering the discount rate to be based on the company's own credit rating. As argued in the case of insurance liabilities, we do not support the recognition of own credit standing in the measurement of liabilities where the entity cannot in practice actually access the value of its own credit standing in settling the liability (that is, for liabilities which are not readily "bought back" by the entity from the liability counterparty – in this case the employee).

Question 8 – Recognition issues related to contribution-based promises
Do you have any comments on those preliminary views [for recognition issues related to contribution-based promises summarised in PV9 to PV11]? If so, what are they?

We agree with the following preliminary views regarding the recognition issues related to contribution-based promises as summarised in PV9 to PV11:

- Both vested and unvested contribution-based promises should be recognised as a liability.

- Benefits earned under a contribution-based promise should be allocated to periods of service in accordance with the benefit formula.

A liability should not be recognised for the additional amount determined by the benefit that an employer would pay when an employee leaves employment immediately after the reporting date.

Measurement of contribution-based promises

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?

We believe that this area is complex and we are not convinced that the added complexity, uncertainty and subjectivity of the proposed approach is an improvement over the current measurement approach. If any change to a fair value or stochastic basis is being considered, then this should only occur as part of a wider review of the entire standard (covering defined benefit plans as well).

We have the following concerns about the proposed approach:

- there is inconsistency between the measurement approach for contribution-based promises compared to defined benefit (final salary) promises.
- an identical liability (annuity in payment) may be valued differently depending upon whether it arose under a contribution-based promise or a defined benefit.
- in order to achieve consistency and comparability (a general objective of accounting standards), the "fair value" measurement as described will require detailed, accompanying guidance from the IASB

- it appears to us that the risks to the employer vary widely depending upon whether the contribution-based promise is fully funded (matched or partially matched) or unfunded, but we are unaware of exactly how this is taken into account or disclosed.

We also believe there is a greater difference between pure defined contribution benefits and contribution-based promise benefits than there is between contribution-based promise benefits and defined benefits. Whilst we believe that contribution-based promises benefits may provide some different risks to defined (salary) benefits we believe this should be dealt with as a subset of defined benefits (rather than having pure defined contribution benefits and contribution-based promise plans combined).

(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 promise project? How should this be done?

We agree that ideally risk should be allowed for in the measurement approach for post employment benefit promises.

However there is great uncertainty and complexity in how to objectively incorporate "risk" in valuations. Unless considerable guidance is provided we believe that including the effect of risk at this stage will create inconsistency in the allowance for risk.

We believe that any attempt to allow for risk in the measurement approach should be dealt with later in the more comprehensive review. Ideally measurement of risk should be consistent for contribution-based promise liabilities, defined benefit based liabilities as well as other corporate 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?

We believe this is a significant area of concern.

We believe that the liability for benefits in the accumulation, payout phase and deferment phase should be measured in the same way. We also believe that identical benefits (eg annuity in payment) should be measured the same way regardless of whether it arose from a contribution-based promise or a defined benefit plan.

As noted in the discussion paper, the proposed approach for contribution based promises means that the above principles may be incompatible.

(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?

Paragraph 8.6 of the DP suggests that the measurement of a liability in the payout phase is the price in the market for an annuity adjusted for credit risk.

We see several difficulties in this approach.

There is likely to be no deep market in annuities in many countries (Australia has only a limited market with few options covered). Even if a deep market does exist (and covers the range of options needed) this may not represent the fair value of a stream of future payments to a particular retired employee. This "price" may reflect additional expenses (marketing etc) and an unknown allowance for risks and profits. Additionally this will not allow for any differences in selection impacts or varying demographics. It is also unclear how to determine a "market price" - should this be the lowest, average or highest quoted price.

Secondly there is the issue of how to allow for credit risk. Without sufficient guidance, there will be huge variation in pricing credit risk (see also response to Q9 above).

There are separate accounting standards dealing with the valuation of annuity liabilities (for life insurance companies). Ideally the liability measurement in this standard should be consistent with any other such standards dealing with the liability for annuities.

Dis-aggregation, presentation and disclosure of contribution-based promises

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?

We do not believe any additional disclosures are required for pure defined contribution plans. We believe that there should be no risks for the employer in relation to these plans.

Where there are risks (contribution-based promises) we believe that more detailed disclosures are required. We are unsure if the current disclosures for defined benefit plans would be adequate or whether different disclosures (for example to provide information about the stochastic nature of the valuation) would be required.

(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 no, why not?

We believe that the proposed approach for valuing contribution-based promises is complex and will create additional difficulties in disaggregating the changes in the liability into components. New components for the price of risk are being added (under a stochastic approach) and it is hard to see how all the changes in the liability will be able to be split into easily understood components.

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 promise (see Chapter 3)? Why?

We believe that there should be consistency in presentation between contribution-based promise and defined benefit promise.

Benefit promises with a 'higher of' option

Question 13

(a) What are the practical difficulties, if any, in identifying and measuring the 'higher of' option that an entity recognises separately from a host defined benefit promise?

We do not support this proposal as part of this project. While we agree that there is some theoretical merit to recognising the option value of higher benefits we have considerable concerns in its practical implementation. Option valuations/stochastic valuations are considerably more complicated and expensive than those undertaken using (largely) deterministic actuarial valuations. The costs of making this theoretical measurement will almost certainly outweigh the value to the users of the information.

Implementing this valuation process will involve significant investment in systems to set up the necessary procedures, which will take considerable time and resources. Actuaries will need a long lead-in time to make the necessary changes, and there is a very real risk that systems will not be ready when the proposed amendments to the standard take effect.

We also question whether the use of option valuation techniques is the correct approach in this instance. We do not believe that any academic study has been performed on the robustness of valuing "higher of" benefits using option valuation techniques. A mixture of a defined benefit valuation (for the host defined benefit) and a fair valuation (for the contribution-based promise) could give strange results.

(b) Do you have any other comments on the proposals for benefit promises with 'higher of option? If so, what are they?

A large number of Australian defined benefit (DB) funds have benefit designs that comprise a "higher of" option (or even, multiple "higher of" options). In practice, many actuaries would value a "higher of" benefit by projecting forward the accrued defined benefit and the accrued contribution-based benefit on the assumptions adopted, determining the greater of the two at each assumed date of payment and discounting the greater benefit back to the valuation date (rather than simply comparing the value of the defined benefit at the valuation date with the amount of the contribution-based benefit at the valuation date).

In this way, there is some allowance made for the probability that the contribution-based benefit is the more valuable benefit in the future (at least on a deterministic basis).

The proposal to require a fair valuation of "higher-of" benefits is a potentially critical issue for remaining Australian DB plans. Australian plans have tended to be closed to new members for a longer period than most European or UK DB schemes. The active membership of such plans can therefore be quite small. It will take a significant amount of work (and related expense) to assess whether option valuation techniques give materially different results to current practices, time and expense that will be difficult to justify as the size of DB funds dwindles.

We would envisage that there are many other countries globally where the cost-benefit of making such valuations would be just as concerning.

Other matters

Question 14

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

Given the short timeframe we do not believe that the Board should undertake an extensive review of disclosures. However, if the Board pursues some of the options set out in its paper it will need to review all disclosures for consistency with the adopted approach.

In particular the following disclosures may no longer be relevant:

- 120A (l) – disclosure of basis for determining expected return on assets (assuming expected return on plan assets is no longer required)
- 120A (m) – actual return on plan assets
- 120A (n)(ii) and (iii) – assumptions on expected return on assets
- 120A (p) – impact of experience gains and losses

Additional disclosures may be required to show the division of actuarial gains and losses and an estimate of the service cost before the impact of changes.

Question 15

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

Given the short timeframe we believe that there are a number of issues that cannot be addressed as part of this project. Further we believe that, given the timeframe, the Board's objectives may be better served by concentrating on making some minor amendments to recognition and presentation and deferring more detailed consideration of recognition, presentation and contribution based promises that require significant further investigation.