25 September 2008

International Accounting Standards Board
30 Cannon Street
LONDON EC4M 6XH
UNITED KINGDOM

Dear Madam/Sir,

We welcome the opportunity to comment on the International Accounting Standards Board's Discussion Paper "Preliminary Views on Amendments to IAS 19 *Employee Benefits*".

WINTER & Associés is a leading actuarial consulting company on the French market. This comment letter has been prepared in consultation with our major clients and our experience in assessing liabilities and preparing disclosures for defined benefit plans. This comment letter propose some further factors to be consider about the (preliminary views) PV3, PV4 and PV5.

<u>Expected return on plan assets (PV 3)</u>

We believe that the expected rate of return as well as the actuarial gain and loss are relevant information on the plan assets' performance.

Yet for practical reasons, many entities prepare their financial statements before the financial reporting of the plan assets is fully obtained, for example in the 4^{th} quarter of the year. For these entities, it would be impossible to provide the full measure of the plan assets, at the end of the period, or the actual return on assets. Hence, these entities will, by necessity, disclose the expected return on assets. Then, the following year, any difference between the expected and the real value of plan assets must be accounted for as actuarial gain or loss.

Therefore, we don't support the Board's preliminary view stating that entities shouldn't separate the return on assets into expected return and actuarial gain and loss.

<u>Plan amendments (PV4)</u>

Some plan amendments may be a direct, compulsory consequence of changes in legislation (such as a new tax framework) and do not result from any voluntary decision. We believe that these compulsory changes might be treated differently to other, voluntary, changes. For instance, for the unrecognised past service cost, we would retain the current method of recognition.

Deferred recognition (PV5)

Entities using currently deferred recognition

Currently in France and elsewhere, Corridor, SoRIE as well as recognition of profit and loss are common practice. We note that many entities carrying a heavy current stock of actuarial gain or loss have chosen the Corridor recognition method.

The following questions arise for theses entities:

Would these entities be able to maintain the Corridor practice, or should they recognise their stock immediately? Unrecognised past service cost raises the same question? And if so, how then should their current stock of actuarial gain or loss be recognised?

Will it be possible for these entities to recognise their current stock of actuarial gain or loss (including the Corridor) *over the average remaining service life*? Or, perhaps to recognised over a shorter period, for example 5 years, as it was the case for the first time adoption?

And if so, can unrecognised past service cost be treated in the same way, must it be recognised *immediately* in *other comprehensive income*?

Also, if current actuarial gain or loss has to be recognised immediately, must it be recognised in *other comprehensive income* or in *profit and loss*?

Comment on the proposed Approach 1-3

We believe that the *Approach 1* (recognition of all changes in *profit and loss*) will too easily give an exaggerated portrayal of fluctuations in profit and loss. This is especially the case for unfunded plans, a common sight in France, for which there is no interest rate effect on plan assets to offset the effect of discount rate changes. We believe that this volatility, inherent to such plans, when portrayed in such a way, will too often cause financial statements to be misleading (needlessly alarming).

Moreover, the discount rate and the return on assets are not the only assumptions influenced by inflation. For example, according to *Approach 2* and *Approach 3* the effects of discount rate changes would be recognised in *profit and loss* while the effect of wage increase would be recognised in *other comprehensive income*. Yet fluctuations of these two factors, both influenced by (some would say dictated by) inflation, invariably tend to offset each other.

We strongly believe however that in all cases the Board should require entities to provide full information on the cumulative recognised actuarial gains and losses. Such information can be a pertinent indicator as to whether actuarial assumptions have or have not been made appropriately.

If you have any question please to contact us via e-mail.

Yours sincerely,

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