Investors Technical Advisory Committee
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Via Email

September 26, 2008

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London, EC4M 6XH
United Kingdom

Re: Discussion Paper – *Preliminary Views on Amendments to IAS 19 Employee Benefits*

Dear Sir David:

The Investors Technical Advisory Committee (ITAC) would like to take this opportunity to comment on the issues related to presentation approaches for changes in defined benefit costs as presented in the March 2008 discussion paper *Preliminary Views on Amendments to IAS 19 Employee Benefits* (Discussion Paper).[1] While the Discussion Paper touches on many important areas related to the accounting for post-employment benefits, we have elected to limit our comments in this letter to presentation issues given the importance of this topic to users of financial information.

ITAC supports the International Accounting Standards Board (IASB) in its project to review and improve IAS 19, *Employee Benefits*, and is pleased that the IASB and the Financial Accounting Standards Board (FASB) have identified it as an area for improvement in the update to the 2006 Memorandum of Understanding.

We agree with the Board's preliminary views that all changes in the value of plan assets and in the defined benefit obligation should be recognized in the period in which they occur, and that an expected return on plan assets should not be utilized for income statement reporting. We concur with the Board's rationale for recognizing the liability arising from past service immediately.

[1] This letter represents the views of the Investors Technical Advisory Committee (ITAC) and does not necessarily represent the views of its individual members, the organizations in which they are employed, or the views of the Financial Accounting Standards Board (FASB) or its staff. For more information about the ITAC, including a list of the current members and the organizations in which they are employed, see http://www.fasb.org/investors_technical_advisory_committee/.

We believe that Approach 1, as outlined in the Discussion Paper, which includes all changes in the defined benefit obligation and the value of plan assets in profit or loss in the period in which they occur, is the correct choice for presentation. Each component of the plan's cost provides important information about the plan and allows investors to make more meaningful financial projections. Service cost, interest cost, and the return on plan assets are individual aspects of the plan's performance, are influenced by different economic factors and sponsor's actions and accordingly, need to be analyzed independently in assessing the valuation of an entity or for other investor purposes (e.g. understanding volatility inherent in the plan.)

We believe Approach 1 provides users with the needed transparency of the impacts of the risks and rewards associated with the way a plan is structured and funded. Although remeasurement items are unlikely to reoccur in exactly the same amounts or combinations in the future, the actual impacts provide users with information about the risks and results of any risk management strategies the sponsor may or may not employ. As indicated in our comment letter on the March 28, 2008 Board's Invitation to Comment, *Reducing Complexity in Reporting Financial Statements*,

> As market conditions change, the values, risk profiles and prospective cash flows of financial instruments change as well. It is essential that investors, who provide capital to companies and bear risk as a result, have a clear understanding of the effects of these changes on the values of their investments. [2]

Additionally, we believe that remeasurement gains and losses, in their entirety, should be presented in profit and loss in the period they originate, as opposed to other comprehensive income (OCI). Although OCI is a component of an entity's comprehensive income, its separation from profit or loss – a sometimes convoluted presentation given the breadth of items included in the measure and its potential relegation to another page of the financials – often leads to a lack of focus and confusion among users.

We do not see a rationale for the disaggregation of the changes in fair value of plan assets as mentioned in the Discussion Paper. Presentation of the overall return is sufficient information in evaluating the components of defined benefit plan costs. Detailed footnote disclosures of the plan investments and changes in those investments provide sufficient information for users to evaluate the returns and estimate future returns without the need for further disaggregation in the income statement.

[2] Letter from Michael Moran, Member, ITAC to Mr. Robert H. Herz, chairman, FASB and Sir David Tweedie, Chairman, IASB, September 17, 2008.

ITAC also recommends that the Board consider mandatory disaggregation, on the face of the income statement, of the components of postemployment benefit cost. The netting of service cost, interest cost, return on plan assets and gains and losses from remeasurements produces a result that blends operating, financing and other elements of income or expense – some of which, for example, are associated with workforce growth trends (e.g. service cost) while others result from broader economic factors (e.g., interest cost); some are within the control of the entity while others may not be.

Accordingly we believe that disaggregation is a more meaningful presentation for investors and better facilitates forward-looking analysis. Although the information is provided in the footnotes, footnote disclosure is not an adequate compensation for the commingling of financing and operating costs on the face of the income statement, costs that investors view as having different natures and often are picked up from the income statement itself.

We realize that disaggregation of postemployment benefit cost may be considered in the project on financial statement presentation. However, we believe the critical information conveyed to investors via an appropriate level of disaggregation on the face of the income statement to be of sufficient merit as to warrant specificity in this potential IAS 19 amendment.

We appreciate the opportunity to share with you our views on the presentation approaches for defined benefit promises as outlined in the Discussion Paper. Should you have any questions or if you would like to discuss any of our comments in more detail, please contact Janet Pegg at (201) 845-3870 or jpegg@optonline.net.

Sincerely,

Investors Technical Advisory Committee
By:

/s/ Janet Pegg

Janet Pegg
Member

cc: Peter C. Proestakes, Assistant Director, FASB