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Ms A McGeachin
International Accounting Standards Board
30 Cannon Street
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26 September 2008

Dear Anne

Preliminary Views on Amendments to IAS 19 Employee Benefits

The Chartered Institute of Management Accountants (CIMA) is pleased to have the opportunity to comment on this consultation. CIMA is a global professional body representing accountants in business. CIMA represents over 164,000 members and students in 161 countries. CIMA is committed to high quality, global, principle-based, neutral financial reporting standards and supports the widespread adoption of International Financial Reporting Standards.

Accounting for pension benefit promises is an important financial reporting issue and CIMA believes that there are areas of the current standard, IAS 19, that require urgent improvement. We welcome the publication of the Board's preliminary views and would like to comment specifically on three areas within the discussion paper

Removal of deferral mechanisms

We agree with the proposed removal of the corridor approach and other smoothing techniques as they are a source of complexity and opacity in financial reporting. There will undoubtedly be increased volatility in financial statements if these approaches are removed from pension accounting standards. As regards the income statement then it should be possible to explain this volatility (subject to the final outcome of the IASB's Financial Statement Presentation project) through appropriate presentation and clear narrative disclosure.

However we are more concerned with the effect on the balance sheet. Volatility in the recognised pension deficit can in some circumstances affect a company's ability to pay a dividend in the UK by significantly reducing distributable reserves in the parent company. This impact may have little to do with liquidity and, although not an issue for the IASB, we will continue to call for a change in the law relating to dividend payments. We believe a solvency approach should be adopted. Loan covenants will also need to be reconsidered.

Actual returns on pension assets rather than expected

The expected return on assets is subjective and very likely for any individual year to be a poor indication of actual returns. We do not consider the use of expected returns in financial statements to be reliable and would prefer the use of the actual return on assets. Nevertheless over the mid to long term the expected return on assets may provide information useful for decision-making by users of the financial statements and we would support a requirement to disclose this information by way of a note.

Presentation approaches

> Although potentially the most difficult to understand, we prefer the third approach to the presentation of the components of post-employment benefit costs. This approach would require entities to present remeasurements that arise from changes in financial assumptions in other comprehensive income. Other changes in the amount of post-employment benefit cost (eg service cost, interest cost and interest income) would be presented in profit and loss.
>
> This approach provides the information required for informed decision-making about the potential risks and future performance implications of providing a defined benefit pension scheme. The inherent complexity of this approach can be mitigated through clear narrative disclosure including comprehensive disclosure of the assumptions used.

We note that objective of this IASB project is to address specific issues in a limited time frame. We believe that the three areas identified above are important priorities for an improved IAS 19 and would recommend that an exposure draft of the Board's views be issued as soon as practicable. If development of the sections of the discussion paper relating to revised definitions of post-employment benefits and defined benefit plans is likely to delay this then we would suggest that these issues are deferred to the longer-term project to develop a standard to replace IAS 19.

We would be pleased to discuss with you any aspect of this letter that you may wish to raise with us.

Yours sincerely

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