UBS AG
Postfach
CH-8098 Zürich
Tel. +41-44-234 11 11

Ralph Odermatt
Stockerstrasse 64
Tel. +41-44-236-8410
Fax +41-44-236-8800
ralph.odermatt@ubs.com

www.ubs.com

Ms. Anne McGeachin
International Accounting Standards
Board
30 Cannon Street
London, EC4M 6XH, UK

September 26, 2008

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

Dear Ms. McGeachin,

UBS appreciates the opportunity to comment on the Discussion Paper *Preliminary Views on Amendments to IAS 19 Employee benefits*. UBS is a global financial services firm that provides post employment benefits to its employees in numerous countries around the world, with our Swiss pension plan being the largest. Our financial statements are prepared in accordance with International Financial Reporting Standards (IFRS); furthermore, we have subsidiaries that prepare financial statements in accordance with US GAAP.

We acknowledge that there are significant issues in pension accounting in the existing standard, IAS 19 Employee Benefits. We greatly appreciate the efforts by the IASB to improve IAS 19 and to further develop an amended standard by 2011.

As a company dealing with the challenges of complying with multiple GAAPs, we are aware of the complexities and many inconsistencies that exist within the current standards, including IAS 19 Employee Benefits, and we support the movements by IASB and FASB to address those issues. However, we question whether the independent efforts and views of the IASB developed during Phase I of the post-employment benefits project would lead to workable converged solutions in the accounting for post-employment benefits in the later stages of the project, particularly in Phase II. Therefore, our recommendation to the IASB and FASB is to address the key issues, such as classification of contribution-based promises and their measurement, jointly in Phase II.

One of the primary concerns that UBS has with the Discussion Paper relates to the classification of pension benefits. We strongly recommend that the Board keeps the current classification for the existing defined contribution plans and defined benefit plans in this phase of the project. Under the existing standard, the distinguishing factor between different types of pension plans is whether the company ultimately bears the risks (investment and other) related to providing the accrued benefits to plan beneficiaries. We continue to believe that this classification based on the ongoing risk principle is the most meaningful to the users of financial statements. We recommend that the Board limits the concept of contribution-based promises to cash balance plans. Those plans are common in Switzerland and provide benefits based on years of service and also include an explicit guaranteed minimum return on contributions linked to a market index.

We support the Board's proposal for immediate recognition of actuarial gains and losses and changes in plan assets. However, we do not believe that any of the three proposed approaches in presenting the components of the defined benefit cost represent a significant improvement to the current presentation required by the existing standard. Of the three proposed approaches, UBS believes that Approach 1, is not compatible with management's view of the performance of the entity's business because the short term fluctuations in the pension benefits and pension plan assets may significantly impact the net results from the entity's operations in a current period. Consequently, we believe the best presentation of those results is in other comprehensive income. Approach 3 proposes to recognize the effects of financial assumption changes in the post-employment benefit obligation in other comprehensive income while presenting all other changes in profit or loss. In our view, such an approach is complex and does not provide additional value to the users of the financial statements in better understanding an entity's post employment benefit liability. We believe that Approach 2 provides a clear distinction between the operating and financing components of post-employment benefit obligation by recognizing cost of service in profit or loss and recognizing financings costs in other comprehensive income. UBS therefore believes the Approach 2 would be a preferable solution given the three alternatives provided in the Discussion Paper.

Further discussion of the issues mentioned above and our responses to specific questions raised in the Discussion Paper are included in the Appendix 1 of this letter. In addition, we have included an Appendix 2 with a brief description of our UBS Swiss pension plan, which may help you to better understand some of the key concerns we raised in this letter. We hope that you find these comments useful. If you would like to discuss any comments we have made, please do not hesitate to contact Ralph Odermatt at +41 44 236 8410 or John Gallagher at +1 203 719 4212.

Kind regards

UBS AG

Ralph Odermatt
Managing Director
Accounting Policies and Support

John Gallagher
Managing Director
Accounting Policies and Support

Appendix 1
UBS Responses to Questions from 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?

UBS does not recommend addressing any additional issues in the project given the objective of the IASB to finalize an amended standard on employee benefits by 2011. In fact, we believe that the scope of Phase I of this project should be reduced. For example, the decisions regarding measurement of the contribution-based promises at fair value should not be undertaken during the current phase of this project. The Board has not finalized its project addressing fair value measurement at this time. As a result of not having a final standard on fair value measurement, the Discussion Paper only provides high-level principles to be used in determining the proposed fair value measurement for the contribution-based promises. Given the number of measurement issues associated with applying the concept of fair value to those promises, it is not possible to fully assess and comment on the proposed measurement method.

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 have noted that some of the proposed changes presented in the Discussion Paper do not converge with the generally accepted accounting principles in the United States (US GAAP). For example, changes to the corridor approach, the introduction of the contribution-based promises category, and the presentation options for defined benefit promises are changes that are different from guidance applied in US GAAP. The Memorandum of Understanding (MOU) from September 11, 2008, outlines the goal towards global convergence by the IASB and FASB; the MOU includes post-employment benefits, noting that the goal is to complete a set of common, principle-based standards. We question whether the independent efforts and views of the IASB developed during Phase I would lead to workable converged solutions in the accounting for post-employment benefits in the later stages of the project, particularly in Phase II. If the results in the joint efforts in Phase II led to different conclusions than those adopted in Phase I, the conclusions would significantly impact companies that meanwhile have implemented the intervening IFRS standard. In particular, we recommend that measurement of both the defined-benefit and contribution-based promises be evaluated by the IASB and FASB jointly at the later stage of the project, and subsequent to the IASB's completing its work on a fair value measurement standard.

Recognition and presentation of defined benefit promises

Question 3

Which approach to the presentation of changes in defined benefit costs provides the most useful information to users of financial statements? Why?

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?

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

UBS supports the IASB proposal to recognize all actuarial gains and losses immediately in the year they occur and to remove the corridor option that allows smoothing the changes in the defined benefit liability due to actuarial gains and losses as well as changes in the fair value of plan assets over time. We understand that the corridor approach has lost credibility with financial statement users. Instead of deferring the actuarial gains or losses for the defined benefit obligation over time under the corridor approach, the proposed recognition of changes in the obligation for defined benefit plans as they occur is a significant step forward in improving the post-employment benefit accounting and its consistency with the IFRS Framework, i.e. with the underlying assumption that effects of transactions should be recognized as they occur and reported in the accounting period to which they relate.

Our comments related to each proposed approach are as follows. Approach 1 is relatively simple. It is not compatible with management's view of performance of the entity's business because the short term fluctuations in the pension benefits and pension plan assets may significantly impact the net results from the entity's operations. We foresee that investors and other users of the financial statements would very likely subtract the gains or losses on the post-employment benefit from the total net income of the entity in order to determine the net income from operations without the effects on post-employment benefit changes. Therefore, we believe that including these gains or losses in the current year profit or loss would not improve the understandability and usefulness of the entity's income statement from the user's point of view. Approach 1 is easier to apply in comparison to the other two proposed alternatives because it would not require any segregation of the components of post-employment benefit changes between other comprehensive income and profit or loss. However, we believe that its relative simplicity does not outweigh the negative aspects of this approach, in particular the increased volatility.

Approach 3 proposes that remeasurements that arise from changes in the financial assumptions be reported in other comprehensive income while all other components of the changes in defined benefit obligation (these include costs of service, interest costs, and interest income) are reported in the profit or loss. We do not believe this approach would provide more useful information to the users about the defined benefit liability in comparison to Approach 1. This approach would add complexity to the presentation of changes in the defined benefit obligation. We believe this proposal would be confusing to the users because of the arbitrary presentation of some components in profit or loss and other components in other comprehensive income. Furthermore, Approach 3 would be difficult to apply because of the segregation of the various components of the post-employment benefit. We anticipate that applying this approach would require significant systems changes and incur higher implementation costs than Approaches 1 or 2.

Approach 2 proposes recognition of cost of service in profit or loss while all other changes in the post-employment benefit obligation are shown in other comprehensive income, thereby reducing the volatility of profit or loss in comparison to Approach 1 because the service cost is generally a relatively stable component of the pension benefit liability. Reporting cost of service in profit or loss is also conceptually consistent with other standards, i.e. employee salary costs, stock–based compensation expenses, etc. We believe that reporting the other remaining components of the post-employment benefit liability in other comprehensive income transparently. In our opinion, Approach 2 provides a better system for classifying the elements of pension costs and would be more beneficial to the users in understanding the post employment benefit expense and post employment benefit liability than Approaches 1 or 3.

Overall, all three proposed presentation approaches for defined benefit promises are major changes from the current presentation. It is not clear which of the proposed approaches would provide the best format for improving users' understanding of post-employment benefit costs and obligations. However, we do believe that users of the financial statements would expect to understand the nature and amount of the obligation for post-employment benefits and an entity's ability to meet those obligations to its employees, including whether the entity's pension plans are in surplus or in deficit. The proposal to eliminate the corridor option by recognizing the actual returns, instead of expected returns on assets and actuarial gains and losses immediately, would meet that objective.

In addition to the difficulties in applying each of the presentation approaches noted above, different presentation proposals for defined benefit promises and for contribution-based promises would be a problem for employers who have plans with both types of promises in a single plan. The entity may not be able to separate the portfolio of assets related to a particular component of the plan in order to determine the actual return on those assets, for example, as suggested in Approach 3. Other consequences of the proposed presentation approaches are additional actuarial costs in determining the actuarial gains and losses in each reporting period.

Question 4

How could the Board improve the approaches discussed in this paper to provide more useful information to users of financial statements? 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 expressed our views on the proposed approaches in our response to Question 3 above.

We believe that a valid alternative already exists and it is an option permitted by IAS 19.93A: presentation of all actuarial gains and loses in other comprehensive income instead of in profit or loss. Under this approach, the actuarial gains and losses remain in other comprehensive income and are not "recycled" to profit or loss. We understand that the IASB is currently addressing the "recycling issue" in its Financial Statement Presentation project. Phase B of that project addresses the fundamental issues of presentation of information in the financial statements, including whether components of other comprehensive income should be reclassified to profit or loss, and if so, the characteristics of the transactions and events that should be reclassified and what reclassifications should be undertaken. Since our alternative approach suggests that components of the defined benefit obligation are to be reported in other comprehensive income, we recommend that the views on the presentation of defined benefit promises should be addressed only after the Financial Statement Presentation project is completed.

Definition of contribution-based promises

Question 5

Do you agree that the Board has identified the appropriate promises to be addressed in the scope of this project, and why?

UBS supports the IASB efforts in determining how to better account for benefits that are defined contribution in nature but have a promised return feature; those plans would be classified as defined contribution plans if it was not for the guaranteed promised return. However, we do not believe that the proposed definition of the contribution-based promises and the proposed classification of all post-employment benefit promises as either contribution-based or defined benefits represent a significant improvement to the current classification of pension plans. We believe that for most financial statement users the key differentiator between plans should be whether the company bears any financial risks related to the plan. We do not believe that the proposed classification scheme, which does not differentiate between plans where the company has no financial risk once the contribution is made and those plans with ongoing risk (e.g., guarantee or promised return), is necessarily appropriate.

Under IAS 19, the distinguishing factor between different types of pension plans is whether the company ultimately bears the risks (investment and other) related to providing the accrued benefits to plan beneficiaries. Under IAS 19, a defined contribution plan is a plan where once the employer makes a contribution to the pension scheme, the company no longer has any financial or other risks related to the provision of benefits. Under IAS 19, in comparison, the employer bears the investment risk, salary risk, and other economic risks depending on the plan design as well as demographic risks in plans that were classified as defined benefit plans. We continue to believe that the classification under IAS 19 based on the ongoing risk principle is the most meaningful to the users of financial statements.

The IASB also noted that their intention, in defining the contribution-based category, was to capture promises for which measurement is difficult to apply. Since the measurement of the defined contribution plans is not particularly difficult, those plans should be excluded from the category of contribution-based promises. Therefore, we propose removing currently classified defined contribution plans from the contribution-based promise category and treating those plans as a separate category of pension plans which would continue to be treated in accordance with current standards.

We understand that the Board's objective is to improve accounting for plans that do not fit into the current defined benefit or defined contribution category. For example, cash balance plans comprised of a contribution-based benefit corresponding to current salary and a promised return on contributions that is fixed or linked to an index or an underlying portfolio of assets (these plans are common in Switzerland). We accept that there are differences between plans that would be classified as defined benefit under the proposal and those classified as contribution-based; however, it is not clear that salary risk is the clear delineation point between such plans. We generally view that salary risk is not inherently different from other types of economic indexes to which plan benefit accruals maybe linked. Salary increases across a population of employees are generally linked to labor market conditions and typically bear a connection to inflation rates in a country. A plan sponsor may have some additional control over salary risks especially in the short term, but we are not clear on why the IASB has chosen salary risk as the differentiator between classes of plans.

In addition, we believe that the definition of the contribution-based promises (accompanied by examples in Appendix A), as presented in the Discussion Paper is not clear and much broader than warranted. Under the current proposed guidelines, our UK pension plan, which accrues a pension benefit on retirement equal to 1.7% of current salary for each year of service and revalues the accrued pension benefits annually based on actual inflation rates, would seem to be classified as a contribution-based promise. Meanwhile, another company may have a traditional defined benefit pension plan in the UK that similarly accrues a benefit equal to 1.7% of current salary for each year of service but revalues the accrued pension benefits based on actual salary increases thus producing a pension benefit at retirement on a final salary basis. We question whether those two plans that are more or less similar should be classified differently purely based on the difference that one is linked to inflation and one is linked to salary increases. As noted earlier, we do not understand from a financial user's perspective why the plans should be classified and thus treated differently (especially given that salary increases are a substantive proxy for inflation).

We are not clear on whether the risks related to contribution-based plans and defined benefit plans necessarily warrant a different classification and hence different accounting treatment. During the accumulation stage, a cash balance plan and a final salary defined benefit plan have different risks. For example, the liabilities for a final salary plan will grow based on the underlying growth in the employee’s salary while for a cash balance type plan the liabilities will grow based on the growth in a bond index. However, in most cases, once the employee is no longer accruing the benefits and thus either in deferment or pay-out stage, the risks underlying the plans are very similar, i.e. the company must make pension benefits when they come due.

We would support a differentiation that clearly distinguishes the risks between different types of plans which meaningfully captures the differences in risk. However, once the accumulation stage is completed and members retire (or leave the company), the differences in the risks between the two defined types are generally the same. The company bears the risks to pay any benefits which have been accrued. Therefore, we are not sure if the classification of benefits during the accumulation phase is meaningful when the end product ultimately carries the same risk to the company (the company has a promise to pay a series of cash flows for the life of an employee or for a fixed period of time depending on the plan design).

We would support a different classification for cash balance plans such as our Swiss Pension Plan where the liabilities are based on a fixed contribution during the period and are linked to the investment return on the pension plan assets with an underlying guarantee. This type of plan has elements of both a traditional defined contribution plan where the employee bears the risk and a defined benefit plan where the company bears the risks. It is differentiated from a traditional defined contribution plan by the fact that the benefits have an underlying guarantee (put option) such that the liabilities (and thus the member’s pension benefits) can never fall below a certain level. The value of this put option would, of course, be linked to the assets underlying the plan which can vary frequently based on the plan’s investment strategy. We are not aware that a market value exists for such an option but, of course, it would be possible to derive a theoretical one from the underlying investments. We would ask the IASB to consider whether the value of a complex valuation exercise would provide significant value to the financial statement’s users compared to the effort involved in its production.

From fair value perspective, we are also concerned about whether fair value would be based on transfer or settlement notion. We believe that a risk premium UBS would pay to the third party in a hypothetical transfer would result in higher pension obligation amount which we believe would not fairly reflect UBS's pension obligation.

Question 6

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?

Yes, all our material plans would appear to be re-classified as contribution-based promises under the Board’s proposal. One further practical difficulty is that within our plans, the plan design may have changed such that for active employees, a portion of their benefit was accumulated in the past on a defined benefit basis but the current accumulation is on a contribution-based promise basis. We are not clear whether the proposal covers this point and what impact that may have. Likewise within the same pension fund, there may be employees who are accumulating benefits under different types of arrangements; some employees within the same pension fund may have a defined benefit promise while others have a contribution-based promise. The current guidelines would require splitting the plan assets between these two groups of employees which would have to be done on a pro-rata basis and may not be meaningful.

The reclassification of our plans will be further complicated by the assessment of our plans on a "higher of" option, as further discussed in our answer to Question 13. Furthermore, our significant plans, for example our plan in Switzerland, consists of multiple defined benefit and defined contribution elements. Separating these elements and valuing these elements differently would be complex, time consuming and costly.

As noted in our answer to Question 5 above, the definition of contribution-based promises is not clear and would lead to confusion by applying it to certain plans, for example, a plan which carries an inflation risk rather than an asset-based risk.

Questions 7

The Board does not intend this proposal to lead to significant changes in the accounting for most promises that meet the definition of defined contribution plans in IAS 19. Do the proposals achieve that goal?

UBS agrees that the accounting for defined-contribution plans generally would not change under the proposals in the Discussion Paper. Referring to our response to Question 5, we recommend that defined contribution plans should not be included in the contribution-based promise category because they do not carry ongoing risk to the employer. The current classification of these plans under IAS 19 is clear and understandable and does not warrant any changes.

Question 8

Chapter 6 discusses recognition issues related to contribution-based promises. Do you have any comments on those preliminary views? If so what they are?

We agree with the preliminary views outlined in PV9-PV11:

- An entity should recognize both vested and unvested contribution-based promises as a liability.

- An entity should allocate the benefits earned under a contribution-based promise to periods of service in accordance with the benefit formula.
- There should be no requirements to recognize additional amounts determined by the benefit that an employer would have to pay when an employee leaves employment immediately after the reporting date.

These views are consistent with the current IAS 19 requirements. Therefore, there is no reason to modify these requirements.

Question 9

Are there any alternative measurement approaches that better meet the objectives described in this paper? Please describe the approaches and explain how they better meet the measurement objectives. 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 promises project? How should this be done?

As noted in our response to Question 5, we do not support the contribution-based promises category in having such a broad scope that includes certain post employment benefit plans that are currently classified as defined benefit plans. Therefore, we do not support the proposal to value the contribution-based promises at fair value. That would result in changing the valuation method for these defined benefit plans which are currently valued by using the projected unit credit method under IAS 19 such as our UK pension plan.

However, as we noted in our answer to Question 5, we support a separate classification for plans that have characteristics such as our Swiss plan which has elements of both a traditional defined contribution plan as well as a defined benefit plan. The Swiss plan is differentiated from a traditional defined contribution plan by having an underlying guarantee providing a minimum return on the contributed amount. When considering the valuation methodology of this plan, the guarantee is considered to be a put option which could be bifurcated from the defined contribution portion of the plan and valued separately using the valuation methods that are applied for options. However, an accurate valuation of this option would be relatively complex and may not provide useful information to financial statement users due to the complexities involved in valuing it, as there is no inherent market for such a put option. We are not aware that a market value exists for such an option but, of course, it would be possible to derive a theoretical one from the underlying investments. We would ask the IASB to consider whether the value of a complex valuation exercise would provide significant value to the financial statement's users compared to the effort involved in its production.

The Board noted, in paragraph 7.16 of the Discussion Paper, that the fair value measurement of a contribution-based promise liability should be based on an expected value approach. The expected present value of such a plan is the probability-weighted average of the present value of the cash flows. The Board stipulated that this approach should consider all possible outcomes. As noted in our response to Question 13, such a valuation methodology applied by actuarial firms would require a stochastic simulation for each individual member, or group of members, which would require using a significant number of assumptions to estimate the liability. We question whether such a complex valuation methodology is required in valuing the liabilities or whether a more streamlined approach with fewer possible outcomes would be recommended.

Introducing an additional variable such as credit risk will further complicate the comparability of information regarding post employment benefits between companies. The key factors in determining the risk in a pension plan is the investment mix of the underlying pension fund that can be ascertained by financial report readers from the current disclosures which require disclosing the investment mix and information about own credit risk adjustment for financial liabilities of the sponsoring employer. Own credit risk is not incorporated into the measurement of the defined benefit liabilities, or similar liabilities, such as liabilities related to insurance contracts. Therefore, adjusting the discount rate to reflect own credit risk for a specific category of post employment benefit is inconsistent and would lead to a reduced comparability of the post employment benefit liabilities.

Question 10 a) and b)

Do you agree that the liability for benefits in the payout and deferment phase should be measured in the same way as they are in the accumulation phase? If not, why?

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?

We agree with measuring liabilities in the accumulation, payout and deferment phase similarly. However, we question whether classifying plans differently based on the accumulation stage is most appropriate as it may be misleading to a financial report user. Depending on the plan design, once the promise reaches the deferment stage and payout stage, the promise can take the same shape and have the same inherent risks to the company irrespective of whether the benefit was accumulated as a contribution-based promise or a final salary defined benefit plan. Thus, the same liabilities, which after the accumulation stage are generally cash flows which must be paid out in some future period, would be shown and possibly accounted for differently if they stem from a defined benefit plan or from a contribution-based promise. For example, over 70% of our liability in the UK pension plan is with respect to pensioners and deferred members. Likewise, over 50% of the liability for the Swiss plan is with respect to pensioners. For this population of employees, the risk the employer bears is essentially the same: cash flows must be paid out over an uncertain future time period as both plans also include longevity risk.

We understand that defined benefit plans are not considered under the current scope of the project but we would ask the Board to reconsider the preliminary view that the same types of liabilities should be measured differently depending on the classification arising from the accumulation stage.

Question 11 a) and b)

What level of disaggregation of information about changes in the liability for contribution-based promises is useful to users of financial statements? Why?

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 not, why?

UBS supports the same level of disaggregation of the changes in the liability for plans that would be classified as contribution-based promises, e.g. Swiss Pension Plan, as is required for defined benefit promises. We believe that any different disaggregation of the changes in the contribution-based promise liability would be confusing to the users of the financial statements. The requirement to show service cost is already included in the current IAS 19 standard. Therefore, aggregating the other components, which are currently shown separately for the defined benefit plan on the basis that it would add complexity or it would be more difficult, is not justified.

Question 12

Should changes in the liability for contribution-based promises be presented in the profit or loss, along with changes in the value of any plan assts or mirror the presentation of changes in liability for defined benefit promises? Why?

UBS supports the same presentation of the changes in the liability for plans that would be classified as contribution-based promises, e.g. Swiss Pension Plan, consistent with the presentation format and requirements for defined benefit promises. We believe that a consistent treatment across plans would make it easier for the users to understand the nature and risks of the post-employment benefit obligations.

Benefit promises with a "higher of option"

Question 13 a) and b)

What are the practical difficulties, if any, in identifying and measuring the higher of option that an entity recognizes from a host benefit?

Do you have any other comments on the proposals for benefit promises with a higher of options? If so, what are they?

From the actuarial and valuation point of view in general, the measurement of “higher of” promises would have to be carried out for each individual member (or groups of members) but not at the aggregate pension plan level, a methodology that is currently used in our pension plans. The measurement would require a stochastic simulation for each member (for example, groups of thousands of members) because there will not always be a closed form solution whereby a simple formula is used to derive the mean level of annual pension increases for promises. The measurement methodology would require a full set of calculations starting with each individual member's data at each balance sheet date. In contrast, the valuation of the defined benefit liabilities for the plan as a whole can readily be "rolled forward" to each balance sheet date and compared with the asset value at that date. The cost of such valuation approaches would rise significantly in accordance with the increased time needed to complete these valuations for financial reporting purposes.

Question 14

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

We have no comments regarding disclosures at this point.

Question 15

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

We have no further comments.

Appendix 2
A brief description of the UBS Swiss Pension Plan

The UBS Swiss pension plan is governed by Swiss law and the statutes of the plan. Swiss law requires that a pension plan is set up in an entity legally separated from the employer. The governing body of the pension plan consists of 50% employer representatives and 50% employee representatives. Decisions are taken with simple majority. The plan's statutes can not be changed without the agreement of at least one of the employee representatives. The law stipulates the minimum level of benefits, however, under the UBS Swiss plan, UBS grants benefits above the minimum required benefit. The UBS Swiss pension plan is a cash balance plan.

The UBS Swiss pension plan consists of two elements: The "Rentenplan" the base plan in Switzerland and the "Bonusplan" which supplements the base plan. The two elements are part of one plan and are not bankruptcy remote against each other.

Contributions to the plans are paid by employees and the employer. The employee contributions are calculated as a percentage of covered salary and are deducted each month from the gross salary. The Employee and Employer contribution rate varies by different age categories for both sections of the plan. The Employee has flexibility in the level of contribution paid and can choose from three different contribution levels

These contributions are defined in the plan's statutes and exceed the legal minimum set by Swiss law. At minimum the company is required to pay employer contributions equal to100% of employee contributions. On the portion of the plan benefits which are subject to the minimum level of benefits under Swiss law (BVG), the fund is required to credit an annual interest rate on the balance as set out by the government (due to the interaction with the full pension fund account this minimum return can be spread over many years). For the portion above the minimum, the Pension Fund must guarantee the capital amount in an employee's account from year to year. The capital amount in the employee's account equals the total of employee and employer contributions and any interest credited in prior years.

Participants earn an annual interest credit which is determined on an annual basis by the Plan's Board and is based on how the pension plan assets have performed over the year and also possibly the funding level of the plan..
If the plan were to go into a deficit position on a local Swiss basis, the pension fund has to take appropriate action to cover this deficit. This may be accomplished by requiring additional contributions by UBS and employees (50:50 split); or by reducing the benefits for active employees.

Contributions to the Swiss plan are based on current salary. Paying the contribution to the pension plan generally extinguishes the obligation of UBS. UBS could be asked to make additional contributions in respect of past service if the plan became underfunded on a local Swiss basis.
The final payout is in the form of an annuity over the remaining term of the retiree's life exposes the plan to longevity risk. For the "Rentenplan" and the "Bonusplan", the member's account is converted into an annual pension by a defined percentage as set out in the plan rules. The minimum conversion rate is defined periodically by the Swiss government.

The pension plan also provides for a bridging pension at the level of the Social Security old age pension between age 62 and the normal Swiss retirement age. This is fully funded by the employer.

Besides the pension benefits the Swiss plan also has disability and life insurance components. The risk premiums are fully paid by the employer. The payments of life and disability benefits are based on the insured salary.

Disability insurance features provide pension payments as a percentage of the insured salary from the moment when disability occurs to normal retirement age under the plan from when the retirement pension is payable. The benefits under the life insurance features are similar but paid out to spouses and/or children (for children only during a limited time).