Question 1

I agree with the option to permit actuarial gains and losses to be shown outside the income statement due to the distortion it would cause to the results of underlying operations. The deferral option currently permitted should subject to changes continue to be permitted.

It is important to maintain the integrity of the balance sheet / value of net assets, a flaw in the deferral method, which this method addresses.

Question 2

No comment

Question 3

It should not be possible to indefinitely keep actuarial gains and losses out of the income statement.

All income and expenditure should at some point pass through the income statement. To allow the actuarial losses to be kept out of the income statement indefinitely is to ignore the full underlying cost of providing a defined benefit pension plan and would allow management of companies with poor performing pension plans to ignore the problem for longer as the full cost / losses would not be charged to the income statement /EPS etc.

This damages shareholders and in the long-run employees who are the intended beneficiaries under the pension plans, where because the problem develops into something which is too big to handle, the worst case scenario is chosen - termination of the plan.

Actuarial gains and losses in the Equity Reserve could be amortised/released to the income statement over the average remaining service lives of employees so that the full cost of maintaining a defined benefit pension scheme is expensed through the income statement at some point in time.

I think the deferral concept is fair and reasonable in order to prevent the income statement from being overwhelmed by temporary market fluctuations, while at the same time ensuring that the balance sheet position of the entity is more transparent. The current IAS19 treatment of allowing actuarial losses to be treated off-balance sheet (disclosure only) is not helpful.

Question 4

Unrecognised actuarial gains and losses should be segregated from retained earnings within Equity until after the gains or loss pass through the income statement.

Question 5

No comment

Question 6

k) in multi-national multi-pension group this narrative description would be impractical / meaningless

Question 7

Narrative description of investment policies and strategies is good in principle and would work in stand alone entity accounts, however for a diversified Group with multiple pension plans in many jurisdictions which could be a different points in the economic cycle any investment strategy comments would neither be practical or meaningful to the reader.

Benefits for next five fiscal years / aggregate following ten – surely the cost to produce this additional disclosure would outweigh the limited benefit of the output given the subjectivity / estimates involved in producing the underlying disclosure figures.

Explanation of significant changes in plan liabilities or plan asset not otherwise apparent - this would be beneficial

Disclosure of additional asset categories would be potentially useful to the reader

Pat McGlynn

Group Financial Controller

MEC Holdings GmbH