Comments on Amendments to IAS 19 Employee Benefits Actuarial Gains and Losses, Group Plans and Disclosures

CL 19

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The Life Insurance Association of Japan

The Life Insurance Association of Japan (LIAJ) would like to express respect for the efforts that have been made by the International Accounting Standards Board to develop international accounting standards. We appreciate this opportunity to comment on the exposure draft Amendments to IAS 19 Employee Benefits Actuarial Gains and Losses, Group Plans and Disclosures.

The LIAJ is a trade association composed of 40 life insurance companies, whose purpose is to promote development and public trust in the Japanese life insurance industry.

Question in "Invitation to Comment"	Answers and Comments
Question 1 - Initial recognition of actuarial gains and losses IAS 19 requires actuarial gains and losses to be recognised in profit or loss, either in the period in which they occur or on a deferred basis. The Exposure Draft proposes that entities should also be allowed to recognise actuarial gains and losses as they occur, outside profit or loss, in a statement of recognised income and expense. Do you agree with the addition of this option? If not, why not?	We oppose to the proposed option that would allow entities to recognise actuarial gains and losses outside profit or loss, in a statement of recognised income and expense. The proposed amendment to the Exposure Draft requires that entities recognise actuarial gains and losses outside profit or loss. This < recognition outside profit or loss> issue, however, is still under consideration in the<Reporting Comprehensive Income project> and has not come to a conclusion yet. It would be inappropriate as due process to make amendments to the Accounting Standard based on such an immature project still in discussion, and it also might lead to repeated amendments within a short period. Therefore we are opposed to this proposed amendment even though it is optional, not mandatory. Furthermore, the current IAS 19 permits that entities recognise actuarial gains and losses in full in the period in which they occur. Should entities like to recognise actuarial gains and losses immediately, they may use this IAS 19 option as an alternative, and thus there seems to be no need to introduce such an option. Since some uncertainties exist on the amount of projected benefit obligation calculated on actuarial assumption basis, the current IAS 19, which permits entities to recognise actuarial gains and losses on a deferred basis, has certain support of practical persons and has been actually applied in many countries, from a standpoint of its capacity of securing usefulness of profit and loss information in order to estimate future revenue. We are concerned that the proposed amendment might pose some risks of interfering with international convergence of the accounting standards.
Question 2 - Initial recognition of the effect of the limit on the amount of a surplus that can be recognised as an asset	For the same reason as we stated in our reply to Question 1, we oppose to the proposal that

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Paragraph 58(b) of IAS 19 limits the amount of a surplus that can be recognised as an asset to the present value of any economic benefits available to an entity in the form of refunds from the plan or reductions in future contributions to the plan (the asset ceiling).* The Exposure Draft proposes that entities that choose to recognise actuarial gains and losses as they occur, outside profit or loss in a statement of recognised income and expense, should also recognise the effect of the asset ceiling outside profit or loss in the same way, ie in a statement of recognised income and expense. Do you agree with the proposal? If not, why not?	entities recognise the effect of the limit on the amount of a surplus that can be recognised as an asset outside profit or loss, in statement of recognised income and expense.
Question 3 - Subsequent recognition of actuarial gains and losses The Exposure Draft proposes that, when actuarial gains and losses are recognised outside profit or loss in a statement of recognised income and expense, they should not be recognised in profit or loss in a later period (ie they should not be recycled). Do you agree with this proposal? If not, why not?	As the recycling issue is still under consideration in the <Reporting Comprehensive Income project>, which has not reached a conclusion yet, it would be untimely to set rules for the recycling issue in IAS 19 at this point. Therefore we oppose to the amendment. In addition, the current IAS 19 permits that entities recognise actuarial gains and losses in full in the period in which they occur. Instead of prohibition of recycling, entities may use this IAS 19 option as an alternative. Thus, there seems to be no need to introduce such a new option of recognizing actuarial gains and losses outside profit or loss. The calculated numerical values of actuarial gains and losses recognised outside profit or loss, in a statement of recognised income and expense are only transient, which have to be recognised as sustainable gain or less within a later, appropriate period. Therefore, we believe it appropriate to recognise those amounts in profit or loss in a later period (recycle), in case entities recognise actuarial gains and losses outside profit, in a statement of recognised income and expense.
Question 4 - Recognition within retained earnings The Exposure Draft also proposes that, when actuarial gains and losses are recognised outside profit or loss in a statement of recognised income and expense, they should be recognised immediately in retained earnings, rather than recognised in a separate component of equity and transferred to retained earnings in a later period. Do you agree with this proposal? If not, why not?	As we commented on Question 3, it is untimely to set rules for retained earning in IAS 19 at this point, since the <Reporting Comprehensive Income project> has not reached a conclusion yet. Therefore, we oppose to the amendment to the Exposure Draft.
Question 5 - Treatment of defined benefit plans for a group in the separate or individual financial statements of the entities in the group	No comments.

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(a) The Exposure Draft proposes an extension of the provisions in IAS 19 relating to multi-employer plans for use in the separate or individual financial statements of entities within a consolidated group that meet specified criteria. Do you agree with this proposal? If not, why not? (b) The Exposure Draft sets out the criteria to be used to determine which entities within a consolidated group are entitled to use those provisions. Do you agree with the criteria? If not, why not?	
Question 6 - Disclosures The Exposure Draft proposes additional disclosures that (a) provide information about trends in the assets and liabilities in the defined benefit plan and the assumptions underlying the components of the defined benefit cost and (b) bring the disclosures in IAS 19 closer to those required by the US standard SFAS 132 *Employers' Disclosures about Pensions and Other Postretirement Benefits*. Do you agree with the additional disclosures? If not, why not?	The proposed requirement for disclosure is excessively burdensome to financial statement preparers and might result in the cost deficiency of operation. It is appropriate to illustrate a general disclosure example that is not too detailed and that could be used as a meaningful and appropriate standard for users. When considering the content of disclosure, the study on the current practice in each country should be conducted first, and inputs from practitioners should be used for useful reference. As for the Accounting Standard itself, only the fundamental principle of disclosure should be provided. It is more useful to add a supplementary clause or provide the minimum illustration in the application guidance, when necessary. As for more detailed disclosure, it is preferable to leave it up to financial statement preparers and its users.
Question 7 - Further disclosures Do you believe that any other disclosures should be required, for example the following disclosures required by SFAS 132? If so, why? (a) a narrative description of investment policies and strategies; (b) the benefits expected to be paid in each of the next five fiscal years and in aggregate for the following five fiscal years; and (c) an explanation of any significant change in plan liabilities or plan assets not otherwise apparent from other disclosures. SFAS 132 also encourages disclosure of additional asset categories if that information is expected to be useful in understanding the risks associated with each asset category.	The same as the reply to Question 6, the proposed requirement for disclosure is excessive. It is inappropriate to enforce such detailed disclosure uniformly.