REDOVISNINGSRÅDET

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We appreciate the opportunity to respond to the ED of proposed amendments to IAS 19 Employee Benefits, *Actuarial Gains and Losses, Group Plans and Disclosures.* This letter represents the views of the Swedish Financial Accounting Standards Council (SFASC).

Although we welcome the Board´s efforts to deal with inconsistencies between IAS 19 and the Framework we question if it is appropriate to approach IAS 19 in the way the proposed amendment to IAS 19 does. According to the exposure draft the Board is considering whether to include a major project on post-employment benefits in its current work programme. In order to get a total view of the need for amendments and a thourough analysis of the accounting issues in question, we believe that the Board should handle employee benefit accounting issues in a comprehensive project, and abstain from limited amendments like the ones presented in this exposure draft.

Furthermore, the proposed additional recognition option (i.e. that actuarial gains and losses could be recognised outside profit or loss in a statement of recognised income and expense) is closely related to and, in our opinion, dependent on issues handled within the Comprehensive Income-project. Consequently the introduction of an additional option is a solution that might have to be reversed or at least revisited when the appropriate presentation of profit or loss and other items of recognised income and expense, including the issue of recycling, have been finally determined by the Board within the Comprehensive Income-project. Therefore we believe that it would have been more appropriate to await the outcome of the Comprehensive Income-project before introducing an additional method for recognition of actuarial gains and losses to IAS 19.

We also question the addition of another option to IAS 19 from the point of view that the standard already has a number of options and that an additional option is contrary to the Board´s objectives in other recent projects, e.g. the Improvements-project, to reduce or eliminate alternative recognition methods in the standards.

It may also be questioned whether the introduction in paragraph 34A of a new wording, “reasonable and consistent”, is in line with the qualitative characteristics of the Framework.

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.

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Do you agree with the addition of this option? If not, why not?

Comments to Question 1:

No, we do not agree. See our general comments above.

Question 2 - Initial recognition of the effect of the limit on the amount of a surplus that can be recognised as an asset

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?

Comments to Question 2:

No. The issue of whether the effect of the asset ceiling should be presented outside profit or loss is dependent on how the Board finally determines the appropriate presentation of profit or loss and other items 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?

Comments to Question 3:

We believe that the issue of recycling should be considered by the Board, within the Comprehensive Income-project, and probably lead to consequential amendments in other standards before introducing a new method for recognition of actuarial gains and losses.

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.

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Do you agree with this proposal? If not, why not?

Comments to Question 4:

Question 4 is not applicable, see our general comments above.

Question 5 - Treatment of defined benefit plans for a group in the separate or individual financial statements of the entities in the group

(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?

Comments to Question 5:

a) We question the introduction in paragraph 34A of a new wording, “reasonable and consistent”. We do not see why this new level should be introduced in this particular standard and not in other standards (“reliable” seems to be more commonly used), and we do not see how this wording is compatible with the qualitative characteristics of the Framework. It may also be noted that the Board in BC24 (a) inconsistently uses the wording “consistent and reliable” instead of “consistent and reasonable”.
b) We agree.

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?

Comments to Question 6:

We would like the Board to give further details about the broad principles and the objectives that the various disclosure requirements are intended to meet, followed by a discussion of whether the proposed disclosure requirements are necessary to meet these objectives (see e.g. BC170-178 in IFRS 3 Business Combinations). Furthermore, we believe that the Board should consider to limit the proposed additional disclosures to major plans in order to avoid detailed but hardly necessary difficulties for preparers in providing the information.

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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.

Comments to Question 7:

No, we do not believe that any other disclosures should be required. See also our comments to Question 6 above.

Other comments:

The exposure draft also contains some editorial amendments, where the words “should” and “enterprise” are replaced by “shall” and “entity”. We presuppose that these editorial amendments will be made consistently throughout all IAS 19 and not only in the paragraphs that are amended by this exposure draft.

Stockholm 2004-07-09
The Swedish Financial Accounting Standards Council

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