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25 June 2004

Ms Anne McGeachin
Project Manager
Intrnational Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UNITED KINGDOM

Dear Ms McGeachin

**Exposure Draft: Actuarial Gains & Losses,
Group Plans and Disclosures**

The Group of 100 is pleased to provide comments on the exposure draft and our responses to the specific questions raised are attached.

Yours sincerely

John V Stanhope
National President

23 June 2004

Mr David Boymal
Chairman
Australian Accounting Standards Board
PO Box 204
COLLINS STREET WEST VIC 8007

Dear David

Proposed Amendments to IAS 19 'Employee Benefits' - AASB ED 131

The Group of 100 (G100) supports the IASB proposals in respect of actuarial gains and losses and believes that the AASB should adopt IAS 19 as amended by the IASB. In addition, as explained in our submission on ED 115(17 November 2003) the G100 does not support the AASB's decision to remove the 'corridor approach' alternative treatment in IAS 19 from the Year 2005 package and believes that it should be reinstated in conjunction with these proposals.

The G100 strongly believes that the AASB should reconsider this issue because:

a. although the IASB has indicated its intention to remove the 'corridor' option those proposals have not been included in an exposure draft and, as such, have not been subject to the public comment process. It is likely that there will be significant opposition to the removal of the 'corridor' approach by companies in Europe and the USA; and

b. IASB Standards should be adopted in Australia inclusive of any options. While there are no authoritative Australian requirements a number of Australian companies use a 'corridor' approach. The decision not to adopt the 'corridor' approach option requires these companies to make significant changes to accounting policies before the outcome of the IASB projects is known and because of the potential volatility in reported results companies may make sub-optimal asset allocation decisions.

The G100 supports the proposed operative date of reporting periods beginning on or after 1 January 2006. However, we believe that the AASB should ensure that entities can early-adopt the amended requirements if they wish to do so.

Our responses to the IASB questions are attached.

Yours sincerely

John V Stanhope
National President

GROUP OF 100 COMMENTS

PROPOSED AMENDMENTS TO IAS 19 EMPLOYEE BENEFITS

SPECIFIC COMMENTS

1. *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 or recognised income and expense.*

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

   While acknowledging that this treatment introduces a further option in IASB Standards the G100 supports this proposal as an interim measure pending the outcome of the long-term project on accounting for pension plans. However, the G100 believes that the introduction of a further statement (the statement of recognised income and expense) will result in unnecessary complexity and that such amounts should be included in the statement of changes in equity.

2. *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, i.e. in a statement of recognised income and expense.*

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

   The G100 supports the proposal because it is consistent with the underlying approach.

3. *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 (i.e. they should not be recycled).*

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

The G100 supports this proposal. Where it is argued that the performance of pension plans is outside the scope of ordinary operations and that recognition of actuarial gains and losses in income leads to volatility in reported earnings it is inconsistent to recycle these amounts through the income statement.

4. *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 indicated in our response to Question 1, the G100 believes that such amounts should be included in the statement of changes in equity. However, if the IASB persists with the statement of recognised income and expense, the proposed approach provides a transparent display of the outcome from applying the policy.

5. 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?

   The G100 supports the proposal.

   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?

   The G100 supports the criteria.

6. *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 G100 believes that issues relating to these disclosures should be considered as part of the longer-term IASB project.

7. *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 G100 believes that issues relating to these disclosures should be considered as part of the longer-term IASB project.