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Exposure draft of proposed amendments to IAS 19 *Employee Benefits*: actuarial gains and losses, group plans and disclosures

Dear Ms McGeachin,

Thank you for the opportunity to respond to the exposure draft of proposed amendments to IAS 19. We would like to comment on the following aspects of the draft:

Introduction of an additional option for immediate and full recognition of actuarial gains and losses in equity

In principle, we consider the existing approach of IAS 19 to be appropriate: mandatory recognition of actuarial gains and losses in profit or loss is required only if they exceed a specified "corridor" around a best estimate (corridor approach). This takes account of the long-term nature of pension liabilities and thus of the fact that, in all likelihood, actuarial gains and losses within the corridor will offset one another over time. Alternatively, an entity may, under the existing IAS 19, adopt any systematic method that results in faster recognition of actuarial gains and losses in profit or loss – including immediate and full recognition. The third option now proposed in the exposure draft, permitting immediate and full recognition of actuarial gains and losses in retained earnings, would cause unnecessary volatility in equity that would be difficult to explain in economic terms and would ultimately convey merely an illusion of accuracy. In contrast, the widely used, tried and tested corridor approach, together with the existing detailed disclosure requirements (e.g. on the amount of actuarial gains and losses), is far better at providing a "true and fair view". We therefore consider a rule permitting immediate and full recognition of actuarial gains and losses in equity to be dispensable.

Reporting rules for immediate and full recognition of actuarial gains and losses in equity

If an option permitting full recognition of actuarial gains and losses in equity is nevertheless included in the new standard, these should, in the interests of transparency, be reported as a separate item in the statement of changes in equity, not in retained earnings. The mandatory introduction of a "statement of recognised income and expense", whose sole function would be to cater for this special option, can thus be dispensed with.

Disclosure requirements

In principle, we welcome the aim of revising disclosure requirements in a manner which furthers convergence with US GAAP and the creation of uniform standards that will enjoy global recognition. The extensive requirements in draft paragraphs IAS 19.120 (j) (ii) and IAS 19.120 (o) should not be viewed in the light of this objective, however, since they go far beyond the corresponding disclosure requirements under US GAAP. This applies especially to the data covering a five-year period required under draft paragraph IAS 19.120 (o), calculation of which would, moreover, be extremely onerous for the entities involved. When introducing additional disclosure requirements, it should always be borne in mind that the effort invested in compliance must be reasonably proportionate to the additional information value thus provided.

Should you require any further information about the comments in this letter, please do not hesitate to contact us at any time.

Yours sincerely,

Burkhardt Böttcher

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