The Actuarial Profession
making financial sense of the future

CL 88

Ms Anne McGeachin
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Dear Ms McGeachin

IASB EXPOSURE DRAFT OF PROPOSED AMENDMENTS TO IAS 19 EMPLOYEE BENEFITS - ACTUARIAL GAINS AND LOSSES, GROUP PLANS AND DISCLOSURES

This is the response of the UK Actuarial Profession to your invitation to comment on the above exposure draft. Although we assisted in the development of the response by the International Actuarial Association, the final submission by the IAA does not accord with our views in relation to the recognition of actuarial gains and losses, and we wish to record our views in this separate submission.

The UK has a unique appreciation of the practical issues involved in balance sheet accounting for pensions, and the UK Actuarial Profession sees no compelling reason for a particular approach to be preferred in IAS19 ahead of the more complete review that is planned as part of the convergence project.

Our responses to the individual exposure draft questions are attached at the Appendix.

We confirm that these comments may be placed on the public record.

Yours sincerely

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Appendix

UK ACTUARIAL PROFESSION RESPONSES TO IAS 19 EXPOSURE DRAFT QUESTIONS

Question 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 of recognised income and expense.

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

We agree with the addition of this option. In particular, the change is helpful in avoiding further disruption for UK companies that have recently elected early compliance with FRS 17 (in that the revised IAS19 would provide essentially the same option).

Question 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?

We agree that the treatment should be consistent.

Question 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?

We have no comment on this proposal.

Question 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?

We have no comment on this proposal.

Question 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?

We agree with this 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 suggested criteria seem restrictive. The easement could be extended to the individual accounts of parent companies that are listed and participate in the group pension plan.

Question 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?

We agree with the proposal.

Question 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.

We believe that additional disclosures should not be required. A company wishing to provide further information can do so on an optional basis