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6 August 2004

Private and Confidential

Ms Anne McGreachin
Project Manager
International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

Dear Anne

Exposure draft of proposed amendments to IAS19

I am pleased to enclose Hewitt Associates' response to the exposure draft published in April of proposed amendments to IAS19 – Employee Benefits.

Hewitt Bacon & Woodrow (www.hewittbaconwoodrow.co.uk) is the UK business of Hewitt Associates (www.hewitt.com), a global human resources outsourcing and consulting firm. Hewitt Bacon & Woodrow provides services in the following areas: HR & Benefits Delivery, HR Strategy & Technology, Organisational Change, Talent & Reward Strategies, Retirement & Financial Management, and Investment Consulting. The firm provides services from 12 offices in 9 locations in the UK and from 2 offices in Ireland, where it trades as Hewitt & Becketts (www.hewittbaconwoodrow.ie).

Hewitt Associates ranks as one of the largest HR outsourcing and consulting firms in the world, with revenues over £1,230 million, more than 16,500 employees and with offices in North America, South America, Europe, and Asia Pacific.

I hope these comments are helpful.

Yours sincerely

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Enclosure

Draft response to exposure draft of proposed changes to IAS19

Question 1.	**Initial recognition of gains and losses** Yes – The initial recognition of gains and losses outside P&L should be permitted as an option.
Question 2.	**Initial recognition of the effect of the limit on the amount of surplus that can be recognised as an asset.** Yes – If gains and losses are recognised outside P&L, so should any effect of any asset ceiling.
Question 3. **and** **Question 4.**	**Subsequent recognition of actuarial gains and losses** **Recognition within retained earnings** We are comfortable with these proposals, but believe they are technical accounting issues on which we do not have a strong view.
Question 5.	**Treatment of defined benefit plans for a group in the separate or individual financial statements of the group.** a) We agree that the provisions in IAS19 relating to multi-employer plans should be extended for use in the separate or individual financial statements of entities within a consolidated group. b) We believe the proposed criteria are too restrictive. If the entity neither produces consolidated financial statements under IFRS nor has a parent that does so, there is an argument that the entity should disclose information in a specified format for the scheme as a whole. However, forcing the entity to account for an arbitrary proportion of the plan assets and liabilities (where this would not be required if the entity could treat the plan as a multi-employer plan) is more likely to mislead than to inform a reader of the accounts.

	Similarly, we do not see why a current or proposed listing should require the entity to account for an arbitrary proportion of the plan assets and liabilities (where this would not be required if the entity could treat the plan as a multi-employer plan). This is more likely to mislead than to inform a reader of the accounts. Please see also our response to the consultation on D6 – Multi-employer Plans.
Question 6.	**Disclosures** We are comfortable with the additional disclosures proposed, except for the following: The disclosures in paragraph 120 (o) should not be required in respect of periods before the effective date of the standard, so that they are built up gradually rather than being required retrospectively. In any case, we believe that these disclosures are meaningless. Any consistent gains or losses shown over a 5 year period will be dominated by market cycles, and will not illustrate any optimistic or pessimistic bias in the assumptions used. These historic disclosures will therefore have no benefits, despite being costly to produce. We are surprised that Paragraph 120 (o) appears to relate only to experience adjustments and does not reflect the effect of changes to the assumptions used to value liabilities, so does not reflect the whole of actuarial gains and losses. (The definition of actuarial gains and losses in IAS19 makes it clear that experience excludes the impact of assumption changes.) We suggest deleting the phrase "as soon as it can reasonably be determined" from paragraph 120 (p). An entity can always derive an estimate, and explain any uncertainties. Including the phrase will encourage non-disclosure. As drafted, the sentence added to paragraph 121 would require a full description of the plan benefits, taking many pages. We suggest instead: "The description of the plan shall include sufficient detail regarding the form and nature of the benefits provided through the plan to allow the reader of the accounts to appreciate the risks and uncertainties attaching to the determination of the

	defined benefit obligation."
Question 7.	**Further disclosures** We do not believe that any further disclosures are required, and in particular do not believe that it be helpful to disclose either a) a narrative description of investment policies and strategies, or b) the benefits expected to be paid in each of the next 5 fiscal years and in aggregate for the following 5 fiscal years. We believe that if there are significant changes in plan and assets or liabilities, general accounting requirements would require an explanation, without the need for an explicit requirement here.