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Mr Robert Garnett
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30 Cannon Street
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Our ref MT/288

Contact Mary Tokar
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24 August 2007

Dear Bob

IAS 19 Employee Benefits – Post-employment benefits – Benefit allocation for defined benefit plans

We note from the July 2007 *IFRIC Update* that the IFRIC tentatively decided to remove from its agenda the issue of whether entities should take into account expected increases in salary in determining whether a benefit formula expressed in terms of current salary allocates a materially higher level of benefit in later years.

We acknowledge the reservations of the Board regarding IFRIC beginning a project to address employee benefits while the IASB currently is pursuing a project in the same area. However, we believe that the IFRIC should address this issue. The question is one that arises frequently and it appears from the Board's deliberations to date on phase 1 of its employee benefits project that not all benefits of this type will be addressed within the planned first phase. Further, a first consultation document has not yet been issued for this project and the final standard is not expected until 2010. As the Board currently plans to propose in phase 1 that some plans will continue to be accounted for as defined benefit plans, it appears that the issue of expected future salary increases will continue to be relevant at least until then.

We also are concerned that this agenda decision risks encouraging diversity in practice because the tentative agenda decision fails to note the IFRIC's previous observations regarding this issue (see eg IFRIC D9 *Employee Benefit Plans with a Promised Return on Contributions or Notional Contributions* and the July 2003 *IFRIC Update*). In D9 IFRIC noted that future salary increases should be considered in determining if a plan is back-end loaded under IAS 19.67 (see IFRIC D9 page 12). It is our understanding that IFRIC discontinued its work on D9 because it concluded that accounting for cash balance plans should be addressed by the Board but did not revise its conclusion on the future salary increases point. As such, at a minimum we believe that the agenda decision wording should refer to the previous comments of the IFRIC on this matter.

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Please contact Mary Tokar at +44 (20) 7694 8288 if you wish to discuss any of the issues raised in this letter.

Yours sincerely

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