



OICV-IOSCO

Organización Internacional de Comisiones de Valores
International Organisation of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores

October 9, 2008

Discussion Paper: Preliminary Views on Amendments to IAS 19 *Employee Benefits*
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

RE: Discussion Paper: Preliminary Views on Amendments to IAS 19 *Employee Benefits*

Dear IASB Members:

The International Organization of Securities Commissions (IOSCO) Standing Committee No. 1 on Multinational Disclosure and Accounting (Standing Committee No. 1) appreciates the opportunity to comment on the IASB's Discussion Paper on Preliminary Views on Amendments to IAS 19 *Employee Benefits* (Discussion Paper), which discusses short-term improvements to IAS 19.

IOSCO is committed to promoting the integrity of international markets through promotion of high quality accounting standards, including rigorous application and enforcement. Members of Standing Committee No. 1 seek to further IOSCO's mission through thoughtful consideration of accounting and disclosure concerns and pursuit of improved transparency of global financial reporting. The comments we have provided herein reflect a general consensus among the members of Standing Committee No. 1 and are not intended to include all of the comments that might be provided by individual securities regulator members on behalf of their respective jurisdictions.

General Observation

While we encourage the IASB to continue to devote its resources to enhancing the postretirement benefit accounting model, we believe that fundamental changes to the accounting for postretirement benefits should only be adopted after completion of the IASB's comprehensive project on postretirement benefit accounting. We elaborate on this observation in our comments below.

Recognition and Presentation of Gains and Losses Arising from Defined Benefit Arrangements

We believe that significant changes to the timing of recognition and presentation of the components of net post-employment benefit cost should only be made as part of the IASB's comprehensive project on postretirement benefit accounting and after completion of, or in conjunction with, the IASB's project on financial statement presentation. The components of net post-employment benefit cost generally include service cost, interest cost, expected return on plan assets, and the amortization of actuarial gains

Calle Oquendo 12
28006 Madrid
ESPAÑA
Tel.: (34.91) 417.55.49 • Fax: (34.91)
555.93.68
mail@oicv.iosco.org • www.iosco.org

and losses. If these components of net post-employment benefit cost are presented separately, we believe that the IASB's project on financial statement presentation would enhance the understandability of the resulting effects on the statement of comprehensive income. We believe that fundamental changes in the timing of recognition and presentation of the components of net post-employment benefit cost are better addressed as part of the longer-term project to improve IAS 19. In any event, significant changes to the existing postretirement benefit accounting model should utilize the output of the IASB's project on financial statement presentation.

In the short term, in an effort to further the objectives of the IASB's proposals, the IASB may consider reducing the existing options in IAS 19 for recognition of actuarial gains and losses resulting in companies reporting the current net financial position of their benefit arrangements on the statement of financial position. As the IASB is aware, IAS 19 currently permits three options for the recognition of actuarial gains and losses: immediate recognition in profit and loss, immediate recognition in other comprehensive income, or delayed recognition by use of a systematic method of amortization of actuarial gains and losses that results in amortization that at a minimum is the amount that would be required through application of the "corridor method" as described in paragraph 92 of IAS 19. We recommend that the IASB eliminate the existing third option of delayed recognition which uses a systematic method of amortization. We recommend that the IASB require companies to immediately recognize actuarial gains and losses in either profit and loss or other comprehensive income. By eliminating the existing third option of delayed recognition, companies would be required to report the current net financial position of their benefit arrangements on the statement of financial position. We believe this alternative would enhance the transparency of a company's statement of financial position in the short term while the presentation of related gains and losses is fully reconsidered in the longer term as part of the comprehensive projects on postretirement benefit accounting and financial statement presentation.

Benefits That Are Based On Contributions and a Promised Return

We believe that the IASB's proposal to re-differentiate postretirement benefit arrangements as defined-contribution promises and defined benefit promises is a fundamental change best considered as part of the IASB's comprehensive project on postretirement benefit accounting. We believe the Discussion Paper's proposal would substantially decrease the number of plans that are accounted for as defined benefit plans as many benefit arrangements that are based on contributions with a promised return are currently accounted for as defined benefit plans. Moreover, and as further discussed below, for those plans no longer considered defined benefit plans, the measurement of the postretirement liabilities and attribution of expense would be significantly altered relative to IAS 19's existing requirements.

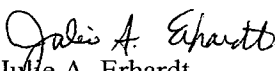
We look forward to the IASB's future study on the appropriate measurement attribute for postretirement benefit liabilities, including its future study on the inputs that should be included in the discount rate assumptions used. Further, we believe that the effect of the introduction of a fair value-like measurement attribute to contribution-based promises, upon the re-differentiation of these plans between contribution-based promises and defined-benefit promises, should be more fully considered as part of the research conducted during the longer-term project. Similarly, as the IASB is aware, its proposals would require that benefits earned under a contribution-based promise be attributed to periods of service in accordance with the benefit formula. This is significant as the attribution of expense for many existing benefit arrangements, where an employee's service in later years will lead to materially higher levels of benefit, would be changed as IAS 19 currently requires straight-line attribution for such plans. We believe this would result in a significant change in expense attribution for a large subset of defined benefit plans and, therefore, should not be adopted as part of a short-term project.

In summary, due to the complexity of issues associated with the measurement of benefit liabilities and the attribution of associated expense, we believe that both issues should only be addressed as part of a comprehensive project on postretirement benefit accounting. Fundamental changes such as these should be part of a longer-term project to ensure their consistency with the ultimate principles adopted when IAS 19 is comprehensively reconsidered. However, we do support the Board's efforts to make short-term improvement such as our suggested changes discussed earlier in this letter.

* * * *

We appreciate your thoughtful consideration of the comments and suggestions provided in this letter. If you have any questions, or if you would like to discuss further, please do not hesitate to contact me at 202-551-5300.

Sincerely,


Julie A. Erhardt
Chair

IOSCO Standing Committee No. 1