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Mrs. Anne McGeachin
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Betreff **Exposure Draft of Proposed Amendments to IAS 19 Employee Benefits Actuarial Gains and Losses, Group Plans and Disclosures**

Dear Mrs. McGeachin,

Thank you for the opportunity to comment on the proposed amendments to IAS 19 Employee Benefits. We would like to express our views as follows:

Question 1-4 – Recognition of actuarial gains and losses outside profit and loss

We do not agree with the proposal. We do not regard it as an adequate solution for the problems connected with the current method used for pension accounting (corridor amortization), because of the following reasons:

- The aim of the improvement project was the elimination of allowed alternative treatments. With the proposal, however, even a third possibility for the recognition of actuarial gains and losses would be introduced.
- The proposal disregards the efforts for convergence with US-GAAP standards and creates a new deviation item.
- Unrealized losses resulting from deviations between assumptions and actual development will never impact income. This is an incentive for companies to set optimistic assumptions for expected returns on plan assets – the effects from not having met the expectations will never hurt income.
- The expense recognized in the income statement for pension obligations becomes meaningless. The focus is only on balance sheet items.

We strongly recommend to discuss the problem of deferred recognition of actuarial gains and losses in the context of a comprehensive project "pension accounting" together with the FASB and not to search for individual, preliminary solutions.

Question 5 – Treatment of defined benefit plans for a group in the separate or individual financial statements of the entities in the group

a) IAS 19 allows participants in defined benefit multi-employer plans to use defined contribution accounting and provide additional disclosures, if the enterprise cannot identify its share in the financial position and performance of the plan with sufficient reliability. The exemption is not available for enterprises under common control. The exposure draft extends these provisions for multi-employer plans to entities under common control, if they meet certain criteria similar to those in IAS 27 for the exemption from preparing consolidated financial statements. We think that for large groups with several business segments there are various practical problems that prevent them from making use of this provision: On a group level the pension plan has to be reported as defined benefit plan. This means that on group level the pension expense is determined by the net periodic pension cost, whereas on the level of the single company the pension expense is determined by the amount of contribution paid. These amounts can differ widely. Part of the pension expense becomes a component of the cost of inventory. We cannot see how a correct segment reporting and calculation of the production cost of inventory in the consolidated financial statements would be possible with defined benefit plans being reported as defined contribution plans on the level of the individual company. Only for groups with a less complex structure it may be practicable to make use of the possibility to report the plans as defined contribution plan on the level of the individual company. In these cases we agree with the view of the board that the cost for obtaining the information necessary for defined benefit accounting is not outweighed by the benefit obtained.

b) We agree with the criteria.

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Question 6 and 7 – Disclosures

We appreciate the attempt to bring the disclosure requirements in IAS 19 in line with those required in the US standard SFAS 132. Basically we agree with the additional disclosures regarding them as useful for (potential) investors. We would like to suggest, however, to reconsider the proposed disclosure in IAS 120 (i) (expected rate of return for each category of plan assets). When the disclosure requirements in SFAS 132 were revised by the FASB many respondents to the exposure draft disagreed with this proposal and it was removed from the final standard (see SFAS 132, Appendix A, A17). We agree to the then discussed arguments of the respondents and propose to remove this disclosure requirement from the final standard.

We do not agree with the proposed disclosure in IAS 19.120 (o):
- Sub-item (i) is repeating a disclosure already required by IAS 19.120 (f)
- The disclosures in the notes should refer only to the years for which a balance sheet and income statement is presented. Therefore we do not agree with the proposed disclosure of a five years` development.

Yours sincerely,

BASF Aktiengesellschaft

Hasselmeyer ppa. Steigner

Hasselmeyer Steigner