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Dear Ms McGeachin

Amendments to IAS19 Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures

The Chartered Institute of Management Accountants (CIMA) is pleased to have the opportunity to comment on this consultation. CIMA is a global professional body representing accountants in business. CIMA represents over 62,000 members and 81,000 students in 154 countries. CIMA is committed to high quality, global, principle-based, neutral financial reporting standards and supports the widespread adoption of International Financial Reporting Standards.

The proposed amendment will be to the benefit of UK firms who are already recognising fund value changes in full, outside of their main profit and loss account, by applying UK standard FRS 17. If the amendment is approved then these companies will not have to change their methodology only to have to change again when IAS 19 is fundamentally reviewed and reissued.

Although we are not normally in favour of optional treatments in accounting standards, we do not, in this case, see any good alternative approaches. We would expect this to be an interim solution until other issues are dealt with and the Board can fully reconsider a comprehensive revision to IAS19, from which optional treatments should be excluded.

We attach answers to your specific questions and would be pleased to discuss with you any aspect of this letter that you may wish to raise with us. A hard copy of this email will be put in the post to you today.

Yours sincerely

Nick Topazio *Jim Metcalf*

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Responses to specific questions raised in the invitation to comment

Question 1 - Initial recognition of actuarial gains and losses

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 do not generally approve of optional treatments within accounting standards, as this tends to lead towards inconsistency. However, we believe this to be a reasonable approach, benefiting users of accounts of companies who have adopted the UK's standard FRS17, and not harming users of accounts prepared under different treatments.

Question 2 - Initial recognition of the effect of the limit on the amount of a surplus that can be recognised as an asset

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?

Yes.

Question 3 - Subsequent recognition of actuarial gains and losses

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?

Yes.

Question 4 - Recognition within retained earnings

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?

International Standards do not currently provide for a statement of recognised gains and losses. If or when such a concept is introduced then general rules for resolving this question should also be defined. On balance it is not a good idea for companies to pay dividends at the expense of future pensioners, and the proposal as it stands will discourage this.

Therefore we are in favour of the proposal, but would urge an early review of the distributability of reserves.

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

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?

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?

We agree with the proposals in a) and b) above but call for explicit guidance in relation to the accounting by groups.

We believe that disclosure in group financial statements is sufficient in the case of wholly owned subsidiaries that are members of a group plan. We do not believe that it is the intention of the IASB to require plan disclosures by individual entity. If this is so, it would be helpful for the exemption of subsidiaries from the individual disclosure requirements to be explicitly stated within this amendment.

Question 6 – Disclosures

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 Post Retirement Benefits.

Do you agree with the additional disclosures? If not, why not?

We agree with these proposals.

Question 7 – Further Disclosures

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.***

SFAS 132 also encourages disclosure of additional asset categories if that information is expected to be useful in understanding the risks associated with each asset category.

We believe that there should be narrative description of investment policies and strategies but feel that the other disclosures suggested would not be appropriate.