



DRSC e. V. • Zimmerstr. 30 • 10969 Berlin

Telefon +49 (0)30 206412-12

Telefax +49 (0)30 206412-15

E-Mail info@drsc.de

Sir David Tweedie
Chairman of the
International Accounting Standards Board
30 Cannon Street

Berlin, 7 September 2010

London EC4M 6XH
United Kingdom

Dear David,

Exposure Draft ED/2010/3 'Defined benefit plans: Proposed amendments to IAS 19'

On behalf of the German Accounting Standards Board (GASB) I am writing to comment on the IASB Exposure Draft ED/2010/3 'Defined benefit plans: Proposed amendments to IAS 19' (herein referred to as ED). We appreciate the opportunity to comment on the Exposure Draft.

First of all, we would like to emphasise that we understand the proposals contained in the ED as being a part of a short-term project with the objective to improve IAS 19 by mid-2011. Therefore, our positions regarding the proposals in the ED and our answers to the questions in the ED respectively have to be read against the background and the objectives of this short-term project.

In this context we welcome that the IASB has abandoned its proposals in respect of the contribution-based promises contained in the March 2008 Discussion Paper 'Preliminary Views on Amendments to IAS 19 *Employee Benefits*'. However, this also means that there is no solution for the accounting of asset-linked promises until a comprehensive review of employee benefit accounting is finished, which will – as stated in the ED – not be started before mid-2011. We therefore believe that this comprehensive review, in particular in respect of the measurement requirements, is vital and should be given corresponding prominence in the IASB's work plan. In addition, we think that the consistency of measurement requirements for liabilities throughout



different IFRSs is an important aspect that has to be considered in connection with the comprehensive review of employee benefit accounting.

Please find our detailed comments on the questions raised in the ED in the appendix. Our main views are summarised below.

- The GASB agrees with the removal of the deferred recognition of actuarial gains and losses and of unvested past service cost.
- The GASB disagrees with the IASB's proposals regarding the disaggregation of defined benefit cost, the definition of the service cost component, the definition of the finance cost component and the presentation of the components of defined benefit cost as we generally do not support introducing new requirements regarding the recognition and the presentation of changes in the present value of defined benefit obligation and the fair value of plan assets until fundamental recognition and presentation issues regarding the statement of comprehensive income are resolved. Instead, the GASB suggests retaining the status quo, i.e. the current requirements in paragraphs 93A to 93D (so-called OCI option) for the recognition of actuarial gains and losses as well as the requirement to present an expected return on plan assets in profit or loss.
- If the IASB continues with its proposals in the ED we nevertheless ask the Board to reconsider the proposal to present in profit or loss a net interest on the net defined benefit liability or asset (i.e. the 'net interest approach'), which the GASB does not support.
- The GASB supports the disclosure objectives proposed in the ED and, in principle, the Board's approach to disclosures as described in paragraphs BC52-BC59 of the ED. However, we disagree with some additional disclosure requirements, proposed in the ED, for example the disclosure of the accumulated benefit obligation or of information about the process used to determine demographic actuarial assumptions.

If you would like to discuss our comments further, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr
President

Appendix – Answers to the questions of the Exposure Draft

Recognition

Question 1

The exposure draft proposes that entities should recognise all changes in the present value of the defined benefit obligation and in the fair value of plan assets when they occur. (Paragraphs 54, 61 and BC9–BC12) Do you agree? Why or why not?

The GASB agrees with the IASB's view that deferred recognition of actuarial gains and losses for defined benefit plans (i.e. the corridor approach) should be removed. Recognition of all changes in the present value of the defined benefit obligation and in the fair value of plan assets in the period in which those changes occur is appropriate.

Question 2

Should entities recognise unvested past service cost when the related plan amendment occurs? (Paragraphs 54, 61 and BC13) Why or why not?

The GASB agrees with the IASB's proposal that entities should recognise unvested past service cost when the related plan amendment occurs, because it improves internal consistency of the IAS 19 recognition requirements. According to the current IAS 19 an obligation exists even if a benefit is not vested, and this obligation should be recognised as a liability. The possibility that certain benefits may not vest has to be reflected in the measurement of that obligation. Applying this rationale to plan amendments means that the attribution of benefits to past service – even if unvested – also results in an obligation that should be recognised as a liability. We see no reasons why the recognition of that liability should be deferred (or partly deferred) as it is currently required by paragraph 96 of IAS 19. Therefore, we agree with the IASB's proposal that entities should recognise unvested past service cost completely in the period when the related plan amendment occurs.

Disaggregation

Question 3

Should entities disaggregate defined benefit cost into three components: service cost, finance cost and remeasurements? (Paragraphs 119A and BC14–BC18) Why or why not?

The GASB does not support the IASB's proposals regarding the disaggregation of defined benefit cost, the definition of the service cost component (Question 4), the definition of the finance cost component (Questions 5) and the presentation of the components of defined benefit cost (Question 6) for the following reasons:



We take the view that as long as the fundamental issues regarding the presentation of items in the statement of comprehensive income are not resolved, the IASB should not introduce new requirements regarding the recognition and presentation of changes in the present value of the defined benefit obligation and the fair value of plan assets. The fundamental issues that have to be resolved are at first to find a conceptual basis for determining which items have to be recognised in profit or loss and which in other comprehensive income. Furthermore, the question of reclassification of items from other comprehensive income into profit or loss, i.e. if items should be reclassified, if yes which items and at which point in time, has to be answered on a conceptual basis. As long as this question has not been answered, we think there is no sufficient basis for evaluating which components of defined benefit cost should be presented in profit or loss or in other comprehensive income.

Against this background we prefer retaining the current requirements for the recognition of actuarial gains and losses which are most often used, i.e. the requirements in paragraph 93A to 93D (so-called OCI option), instead of introducing new requirements. In our view, this would also improve comparability of financial statements because options are abolished.

From this general view it also follows that in the meantime the GASB prefers retaining the two categories 'post-employment benefits' and 'other long-term employee benefits' instead of introducing one new category 'long-term employee benefits', which means that the GASB is in favour of retaining the current requirements for recognition and disclosure for other long-term employee benefits: immediate recognition in profit or loss and no specific disclosure requirements.

Defining the service cost component

Question 4

Should the service cost component exclude changes in the defined benefit obligation resulting from changes in demographic assumptions? (Paragraphs 7 and BC19–BC23) Why or why not?

Please see our answer to Question 3.

Defining the finance cost component

Question 5

The exposure draft proposes that the finance cost component should comprise net interest on the net defined benefit liability (asset) determined by applying the discount rate specified in paragraph 78 to the net defined benefit liability (asset). As a consequence, it eliminates from IAS 19 the requirement to present an expected return on plan assets in profit or loss.



Should net interest on the net defined benefit liability (asset) be determined by applying the discount rate specified in paragraph 78 to the net defined benefit liability (asset)? Why or why not? If not, how would you define the finance cost component and why? (Paragraphs 7, 119B, 119C and BC23–BC32)

For the same reasons as set out in our answer to Question 3 we disagree with the IASB's proposal that eliminates the requirement to present an expected return on plan assets in profit or loss from IAS 19 and that introduces the requirement to present in profit or loss a net interest on the net defined benefit liability (asset). Instead of introducing new requirements before fundamental presentation issues are resolved conceptually, we would prefer retaining the requirement to present in profit or loss an expected return on plan assets and to present in other comprehensive income the difference between the actual and the expected return on plan assets.

Presentation

Question 6

Should entities present:

- (a) service cost in profit or loss?
- (b) net interest on the net defined benefit liability (asset) as part of finance costs in profit or loss?
- (c) remeasurements in other comprehensive income?

(Paragraphs 119A and BC35–BC45) Why or why not?

Please see our answers to Questions 3 and 5.

Settlements and curtailments

Question 7

- (a) Do you agree that gains and losses on routine and non-routine settlement are actuarial gains and losses and should therefore be included in the remeasurement component? (Paragraphs 119D and BC47) Why or why not?
- (b) Do you agree that curtailments should be treated in the same way as plan amendments, with gains and losses presented in profit or loss? (Paragraphs 98A, 119A(a) and BC48)
- (c) Should entities disclose (i) a narrative description of any plan amendments, curtailments and non-routine settlements, and (ii) their effect on the statement of



comprehensive income? (Paragraphs 125C(c), 125E, BC49 and BC78) Why or why not?

Regarding Question 7(a), we would like to note that we appreciate introducing the term 'non-routine settlements' to IAS 19 in order to distinguish these transactions from 'routine settlements'. However, we would prefer the term 'routine settlement' to be defined too.

Assuming that routine settlement is regular payment of the benefits as foreseen in terms of the plan including the selection of a settlement option available under the plan terms by a beneficiary, we would agree that gains and losses resulting from routine settlement are experience gains and losses and should therefore be included in other comprehensive income.

Regarding non-routine settlement we disagree with the view that gains and losses arising are experience gains and losses, as it is stated in paragraph BC47 of the ED. As defined in the ED, non-routine settlement is 'a transaction (other than routine payment of benefits to, or on behalf of, employees) that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan'. Moreover, paragraph BC78 of the ED explains that 'the Board proposes to use the term 'non-routine settlements' in order to emphasise that these settlements refer only to non-routine transactions, rather than benefit options envisaged by the terms of the plan. From this definition in conjunction with paragraph BC78 follows that non-routine settlements are not foreseen in the terms of the plan and, thus, not included in the actuarial assumptions to determine the defined benefit obligation. Therefore, from our point of view, gains and losses arising from non-routine settlement do not represent experience gains and losses because by definition experience gains and losses or rather experience adjustments are actuarial gains and losses resulting from the effects of differences between the previous actuarial assumptions and what has actually occurred.

We would therefore suggest revising the corresponding paragraphs in the Basis for Conclusions in this respect. We would furthermore appreciate if the distinction that is established by introducing the term 'non-routine settlement' would be reflected in all paragraphs affected. For instance, we think that paragraph 119D of the ED refers to non-routine settlement. If this is the case it would be clearer if the paragraph would also use the term 'non-routine settlement' instead of 'settlement' as currently drafted.

Our above comments are based on the understanding that the content of BC47 as well as Question 7 is what the Board is striving for. However, in our view the wording of paragraph 119D says something different, i.e. that only the effects of remeasurement at transaction date before determining the effect of a settlement should be part of the remeasurement component whereas the gain or loss of settlement, the difference between the remeasured net defined benefit liability (asset) and the settlement price, should be recognised in profit and loss. We ask the Board to clarify this issue.



Irrespective of this, from our general view set out in our answer to Question 3 that the IASB should not introduce new requirements on the recognition and presentation of changes in the present value of defined benefit obligation and the fair value of plan assets until conceptual issues are resolved, it follows that the current requirements for recognition of gains and losses arising from non-routine settlements should also be retained, which means they should be recognised in profit or loss.

In respect of Question 7(b) we agree that curtailments should be treated in the same way as plan amendments, with gains and losses presented in profit or loss.

In principle, we also agree with the requirement to disclose a narrative description of plan amendments, curtailments and non-routine settlements, and their effect on the statement of comprehensive income (Question 7(c)). However, we suggest supplementing the respective requirement in paragraph 125C(c) by similar guidance as contained in paragraph B65 of IFRS 3, which makes clear that for individual immaterial plan amendments, curtailments and non-routine settlements occurring during the reporting period that are material collectively, the entity shall disclose in aggregate a narrative description of plan amendments, curtailments and non-routine settlements and their effect on the statement of comprehensive income. We think that a respective clarification of the disclosure requirement on plan amendments, curtailments and non-routine settlements would be appropriate, in order to avoid an information overload.

Disclosure

Defined benefit plans

Question 8

The exposure draft states that the objectives of disclosing information about an entity's defined benefit plans are:

- (a) to explain the characteristics of the entity's defined benefit plans;
- (b) to identify and explain the amounts in the entity's financial statements arising from its defined benefit plans; and
- (c) to describe how defined benefit plans affect the amount, timing and variability of the entity's future cash flows. (Paragraphs 125A and BC52–BC59) Are these objectives appropriate? Why or why not? If not, how would you amend the objectives and why?

The GASB thinks that the disclosure objectives as given in paragraph 125A of the ED are appropriate and capable of providing users with relevant information about the entity's involvement in defined benefit plans.



Question 9

To achieve the disclosure objectives, the exposure draft proposes new disclosure requirements, including:

- (a) information about risk, including sensitivity analyses (paragraphs 125C(b), 125I, BC60(a), BC62(a) and BC63–BC66);
- (b) information about the process used to determine demographic actuarial assumptions (paragraphs 125G(b) and BC60(d) and (e));
- (c) the present value of the defined benefit obligation, modified to exclude the effect of projected salary growth (paragraphs 125H and BC60(f));
- (d) information about asset-liability matching strategies (paragraphs 125J and BC62(b)); and
- (e) information about factors that could cause contributions to differ from service cost (paragraphs 125K and BC62(c)).

Are the proposed new disclosure requirements appropriate? Why or why not? If not, what disclosures do you propose to achieve the disclosure objectives?

We agree with the requirement to disclose information about risks arising from an entity's involvement in defined benefit plans as proposed by paragraph 125C(b), that is disclosing a narrative description of the extent of risks to which the plan exposes the entity and any concentrations of risk.

Regarding the proposal to disclose sensitivity analyses we would like to note the following: Paragraph 129 of IAS 1 requires an entity to 'present the disclosures in paragraph 125 [i.e. information about the entity's assumptions about the future and other major sources of estimation uncertainty] in a manner that helps users of financial statements to understand the judgements that management makes about the future and about other sources of estimation uncertainty. The nature and extent of the information provided vary according to the nature of the assumption and other circumstances. Examples of the types of disclosures an entity makes are: ... (b) the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity; ...' In our view, due to this requirement entities already disclose sensitivity analyses in respect of the defined benefit obligation and the current service cost if this information is material. Putting the proposed requirement in paragraph 125I in context with the existing requirements in IAS 1, we regard the proposal as additional guidance what the requirement in IAS 1 means in respect of defined benefit plans; against this background we agree with the IASB's proposal in paragraph 125I.



In addition, we suggest requiring in paragraph 125I also to disclose sensitivity analyses reflecting the correlations between the actuarial assumptions that are used in determining the defined benefit obligation.

Relating to the proposed paragraph 125G(b) that would require entities to disclose a brief description of the process used to determine demographic actuarial assumptions, we would strongly suggest removing this requirement. We take this view because we do not understand the purpose of the disclosure and we doubt whether this information is necessary and useful to users of financial statements. Against the background that already a lot of information has to be disclosed in respect of defined benefit plans in our view this disclosure requirement bears the risk to obscure important information. Because of our above reasoning we would therefore suggest removing this requirement.

Regarding the proposed requirement in paragraph 125H, i.e. to disclose the present value of the defined benefit obligation adjusted to exclude the effect of projected growth in salaries (herein referred to as 'accumulated benefit obligation or ABO'), we also question the usefulness of the resulting information. As argued in BC60(f) of the ED, it is believed that in some circumstances this amount is similar to the amount of the entity's obligation if the plan were to be terminated. However, this is only the case in very few circumstances. As far as we know, there are even a lot of jurisdictions where special requirements for termination of long-term employee benefit plans exist so that the ABO is not equivalent to the entity's obligation in case of terminating the plan. In addition, we generally disagree with the disclosure of alternative measurements because it puts the measurement into question that is used in determining the amounts recognised and presented in the statement of financial position and the statement of comprehensive income, respectively. Against this background we see no benefit of disclosing the ABO and would therefore reject requiring the disclosure of this additional information.

We also disagree with the proposed paragraph 125J that requires an entity to disclose details of any asset-liability matching strategies used by the plan to manage longevity risk because we think that this specific disclosure requirement is not necessary. In our view the disclosure of information about longevity risk is already demanded by paragraph 125C(b) that requires an entity to disclose a narrative description of the extent of the risks to which the plan exposes the entity. In our view, this requirement is sufficient in order to explain the entity's risks arising from its defined benefits plans. Any additional disclosure requirement bears the risk of obscuring relevant information and contributes to an information overload. Accordingly, we reject any additional and specific disclosure requirements regarding risks resulting from defined benefit plans, and therefore also the requirement proposed in paragraph 125J.

We agree with the proposal contained in paragraph 125K that requires an entity to disclose information about factors that could cause contributions to differ significantly



from service cost. We have a minor editorial remark: We think this paragraph will be clearer if the term 'contributions' is supplemented with the expression 'to the fund'.

Multi-employer plans

Question 10

The exposure draft proposes additional disclosures about participation in multi-employer plans. Should the Board add to, amend or delete these requirements? (Paragraphs 33A and BC67–BC69) Why or why not?

In principle, we agree with the proposed additional disclosure requirements regarding multi-employer plans since the proposals accommodate the fact that entities participating in multi-employer plans usually bear more risks than entities having 'individual' defined benefit multi-employer plans. However, in our view it could partly be difficult to obtain or to obtain in time all the information required to meet the disclosure requirements contained in paragraph 33A of the ED. Furthermore, we notice that some of the information that should be disclosed would not be relevant for multi-employer plans in Germany, for example information about any agreed deficit or surplus allocation on wind-up of the plan, or the amount that is required to be paid on withdrawal of the entity from the plan (paragraph 33A(d)). Disclosure of this information would not be relevant because mostly there are only little or no practically viable options for an entity participating in a multi-employer plan to terminate the relationship with the plan. Furthermore, most multi-employer plans in Germany cannot be wound-up. Therefore, agreements for deficit or surplus allocation on wind-up of the plan do not exist.

State plans and defined benefit plans that share risks between various entities under common control

Question 11

The exposure draft updates, without further reconsideration, the disclosure requirements for entities that participate in state plans or defined benefit plans that share risks between various entities under common control to make them consistent with the disclosures in paragraphs 125A–125K. Should the Board add to, amend or delete these requirements? (Paragraphs 34B, 36, 38 and BC70) Why or why not?

We agree with the IASB's proposal that updates the disclosure requirements for entities that participate in state plans or defined benefit plans that share risks between various entities under common control in order to maintain consistency with the disclosures in paragraphs 125A-125K.



Other comments

Question 12

Do you have any other comments about the proposed disclosure requirements? (Paragraphs 125A–125K and BC50–BC70)

While we acknowledge the IASB's 'objective-based approach' as set out in paragraphs BC52-BC59 instead of prescribing detailed disclosure requirements that cover all possible circumstances of every entity with a defined benefit plan, we nevertheless think that the proposals in the ED significantly expand the existing disclosure requirements for defined benefit plans. As expressed in our answers to the disclosure-related questions above, we often consider the additional disclosure requirements, i.e. the resulting information, not useful to users. In any case there are additional costs resulting from the additional disclosure requirements that should be carefully considered in finalising the amendments by the IASB. For detailed comments regarding the costs that in our view result from the proposals we refer to our answer to Question 16.

Other issues

Question 13

The exposure draft also proposes to amend IAS 19 as summarised below:

- (a) The requirements in IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, as amended in November 2009, are incorporated without substantive change. (Paragraphs 115A–115K and BC73)
- (b) 'Minimum funding requirement' is defined as any enforceable requirement for the entity to make contributions to fund a post-employment or other long-term defined benefit plan. (Paragraphs 7 and BC80)
- (c) Tax payable by the plan shall be included in the return on plan assets or in the measurement of the defined benefit obligation, depending on the nature of the tax. (Paragraphs 7, 73(b), BC82 and BC83)
- (d) The return on plan assets shall be reduced by administration costs only if those costs relate to managing plan assets. (Paragraphs 7, 73(b), BC82 and BC84-BC86)
- (e) Expected future salary increases shall be considered in determining whether a benefit formula expressed in terms of current salary allocates a materially higher level of benefits in later years. (Paragraphs 71A and BC87-BC90)
- (f) The mortality assumptions used to determine the defined benefit obligation are current estimates of the expected mortality rates of plan members, both during and after employment. (Paragraphs 73(a)(i) and BC91)



- (g) Risk-sharing and conditional indexation features shall be considered in determining the best estimate of the defined benefit obligation. (Paragraphs 64A, 85(c) and BC92-BC96)

Do you agree with the proposed amendments? Why or why not? If not, what alternative(s) do you propose and why?

We agree with the IASB's proposal to incorporate the requirements of IFRIC 14 into IAS 19. We also agree with the proposal that clarifies the definition of a 'minimum funding requirement'.

Furthermore, we support the clarification proposed in respect of taxes payable by the plan because we think it is a clear and appropriate principle to include those taxes either in the return on the plan assets or in the measurement of the defined benefit obligation, depending on the nature of the taxes. In addition, we would like to note that in Germany the respective taxes have in most cases been treated as proposed in the ED. Therefore, the proposal represents basically a clarification of the respective requirements and does not change the existing accounting practice.

In respect of plan administration costs we think that plan administration costs should generally be included either in the return on plan assets or in the measurement of the defined benefit obligation, depending on the nature of these costs.

We agree with the proposed amendment to paragraph 73(a)(i) stating that mortality assumptions used to determine the defined benefit obligation are current estimates of expected mortality rates of plan members, both during and after employment. However, we question whether the amendment is necessary as we see no change in practice resulting from this amendment. Generally, all estimates are current estimates as of the measurement date, so that it remains unclear to us what the purpose of the proposed amendment is. But, as we think it does not change anything, we agree with it in the end.

Finally, we agree with the proposal in paragraph 71A concerning the matter whether expected future salary increases should be considered in determining whether a benefit formula expressed in terms of current salary allocates a materially higher level of benefits in later years. We also agree with the proposals regarding risk-sharing and conditional indexation features as we think these are reasonable clarifications and we presume that no fundamental changes in practice are intended by these amendments to IAS 19.

Multi-employer plans

Question 14

IAS 19 requires entities to account for a defined benefit multi-employer plan as a defined contribution plan if it exposes the participating entities to actuarial risks



associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan. In the Board's view, this would apply to many plans that meet the definition of a defined benefit multi-employer plan. (Paragraphs 32(a) and BC75(b))

Please describe any situations in which a defined benefit multi-employer plan has a consistent and reliable basis for allocating the obligation, plan assets and cost to the individual entities participating in the plan. Should participants in such multi-employer plans apply defined benefit accounting? Why or why not?

The GASB agrees that generally defined benefit accounting should be applied if entities have sufficient information to apply it and if the defined benefit multi-employer plan has a consistent and reliable basis for appropriately allocating the obligation, plan assets and cost to the individual entities participating in the plan.

However, in our experience in most cases these pre-conditions are not fulfilled, i.e. information that is necessary to apply defined benefit accounting is not available for the entities participating in a defined benefit multi-employer plan. A practical issue is that, typically, entities are effectively stuck with a particular multi-employer plan with little or no practically viable options to terminate the relationship. This results in the difficulty that the entity has little or no means of applying pressure on the provider to deliver IFRS-conform calculation results, let alone in due time for financial reporting purposes. In fact, we are not aware of any entity participating in a multi-employer plan in Germany that applies defined benefit accounting.

Finally, we would like to note that we think it would be helpful if the IASB would provide more guidance on what is meant by having a consistent and reliable basis for appropriately allocating the obligation, plan assets and cost to the individual entities participating in a multi-employer plan.

Transition

Question 15

Should entities apply the proposed amendments retrospectively? (Paragraphs 162 and BC97–BC101) Why or why not?

We support retrospective application of the amendments proposed in the ED and we agree that there is no need to amend the requirements of IFRS 1 for employee benefits (except for the removal of paragraph D10 and D11 as proposed) as a result of these proposals.

We notice the IASB's efforts to align the effective dates for standards and amendments to standards to be completed by 30 June 2011. We generally welcome these efforts. With reference to paragraph BC102(c) of the ED, we assume that the effective date for



the proposals contained in this ED will not be earlier than 1 January 2013. Furthermore assuming that the proposals in this ED will be finalised at the latest by mid-2011, we then would concur with an effective date of 1 January 2013.

Benefits and costs

Question 16

In the Board's assessment:

- (a) the main benefits of the proposals are:
 - (i) reporting changes in the carrying amount of defined benefit obligations and changes in the fair value of plan assets in a more understandable way.
 - (ii) eliminating some presentation options currently allowed by IAS 19, thus improving comparability.
 - (iii) clarifying requirements that have resulted in diverse practices.
 - (iv) improving information about the risks arising from an entity's involvement in defined benefit plans.
- (b) the costs of the proposal should be minimal, because entities are already required to obtain much of the information required to apply the proposed amendments when they apply the existing version of IAS 19.

Do you agree with the Board's assessment? (Paragraphs BC103–BC107) Why or why not?

The GASB partly agrees with the IASB's assessment of the main benefits of the proposals in the ED. In our view, the recognition of all changes in the present value of the defined benefit obligation and in the fair value of plan assets when they occur, i.e. the removal of the corridor approach, improves financial reporting. Furthermore, we agree with the IASB that eliminating presentation options improves comparability of financial statements. However, as indicated in our answer to Question 3, in order to gain these benefits we think it is not necessary and also not reasonable to introduce new requirements regarding the recognition and presentation of changes in the present value of defined benefit obligations and the plan assets. Abolishing deferred recognition of actuarial gains and losses connected with retaining the current OCI option as being the only way of recognising and presenting actuarial gains and losses is in our view capable of gaining similar benefits and therefore preferable to the IASB's proposal regarding the recognition and the presentation of changes in the present value of defined benefit obligation and the fair value of plan assets proposed in the ED.



Furthermore, we have doubts in respect of the Board's assessment regarding the costs of implementing the proposals which are explained below:

As stated in paragraph BC77 of the Basis for Conclusions combining the categories 'post-employment benefits' and 'other long-term employee benefits' into one new category 'long-term employee benefits' means that an entity has to disclose all information required by paragraphs 125A-125K also for benefits that are currently classified as 'other long-term employee benefits'. This means that in respect of these benefits an entity has to disclose a lot more information than before. In our view, in applying the existing version of IAS 19 entities are not required to obtain most of the information necessary to disclose the information required by paragraph 125A-K for 'other long-term employee benefits'. Therefore, we expect increasing costs for entities resulting from the proposal to combine both categories mentioned above.

In addition, we also expect increasing costs for entities as a consequence of the requirement that entities should disaggregate defined benefit cost into three components, i.e. into service cost, finance cost and remeasurements. This is also linked to the IASB's decision to combine the categories 'post-employment benefits' and 'other long-term employee benefits' into one new category 'long-term employee benefits' because this means that the requirement to disaggregate the defined benefit cost also applies to all types of long-term employee benefits, e.g. jubilee benefits. We expect increasing costs from this requirement because it demands that the entities or their actuary record a lot more data than currently and track the actual payments, which was not necessary until now.

Other comments

Question 17

Do you have any other comments on the proposals?

There are no additional comments on the proposals in the ED.