BUSINESSEUROPE

International Accounting Standards
Board (IASB)
30 Cannon Street
London EC4M 6XH
United Kingdom

20 October 2015

Dear Board Member,

RE: ED/2015/5 Remeasurement on a Plan Amendment, Curtailment or Settlement/ Availability of a Refund from a Defined Benefit Plan

BUSINESSEUROPE appreciates the opportunity to comment on the proposed amendments to IAS 19 and IFRIC 14 (Exposure Draft ED/2015/5 Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan) issued in June 2015 (referred to as 'ED').

We welcome the efforts of the Board to clarify the addressed issues. BUSINESSEUROPE agrees with the proposals to amend IFRIC 14. In our view, these amendments are an appropriate clarification to the existing requirements and represent a helpful guidance regarding the application of IFRIC 14.

However, we do not fully agree with the proposed amendments to IAS 19. With respect to the proposed requirements to recalculate current service cost and net interest after a plan amendment, curtailment or settlement (referred to as 'plan event') based on the updated actuarial assumptions, as well as the proposed requirement to determine net interest for the period after the plan event based on the remeasured net defined benefit liability (asset), we are concerned that these requirements would lead to a significant loss in comparability between post-employment benefit plans within a single entity, as well as between post-employment benefit plans at different entities. We doubt that the benefit from the proposed amendment would outweigh the respective costs.

Our detailed comments and response to the IASB's questions is set out in the appendix to this letter.

Please do not hesitate to contact us, should you wish to discuss these issues any further.

Yours sincerely,

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APPENDIX

Question 4 – Accounting when a plan amendment, curtailment or settlement occurs
The IASB proposes amending IAS 19 to specify that: (a) when the net defined benefit liability (asset) is remeasured in accordance with paragraph 99 of IAS 19: (i) the current service cost and the net interest after the remeasurement are determined using the assumptions applied to the remeasurement; and (II) an entity determines the net interest after the remeasurement based on the remeasured net defined benefit liability (asset). (b) the current service cost and the net interest in the current reporting period before a plan amendment, curtailment or settlement are not affected by, or included in, the past service cost or the gain or loss on settlement. Do you agree with that proposal? Why or why not?

We do not agree with the proposed amendments to IAS 19. Under the current requirement of IAS 19, an entity does not have to update actuarial assumptions to calculate current service cost and net interest after a plan event. Consequently, it is also not required to calculate net interest for the period after a plan event based on the remeasured net defined benefit liability (asset). In the course of the introduction of IAS 19 (revised) in 2011, the Board decided against a requirement to update all assumptions for current service cost and net interest in case of a plan event. Instead, the board noted in BC64 to IAS 19 (2011) that the assumptions underlying the calculation of the current service cost and net interest are based on the assumptions as of the end of the prior financial year. We could not identify any reasons that would justify a revision of the Board's view, and continue to agree with this view.

The amendment now proposed in the ED would require a comprehensive update of all actuarial assumptions to recalculate current service cost and net interest for the period after the plan event; the net interest calculation for the time after the plan event would have to be based on the remeasured net defined benefit liability (asset). The requirement to remeasure is determined on a plan-by-plan basis. In light of the facts mentioned above, BUSINESSEUROPE is concerned that the implementation of this amendment may result in the following issues:

(i) A comprehensive update of all actuarial assumptions would result in significant cost increase for entities since the update of actuarial assumptions would lead to an increased workload for administering the plans that are subject to a plan event. Moreover, actuarial valuations for the current service cost and net interest after a plan event would also lead to increased costs.

(ii) Updating the assumptions for selected plans, i.e. plans with a plan event, would reduce comparability between different plans of an entity as well as between entities with and without a plan event.

Without a plan event, the current service cost as well as the net interest are calculated at the beginning of the relevant period and are expensed on a pro rata basis over the period. We consider that in case where there is a plan event, the respective measures for the affected plan should be adjusted to reflect the change ***caused by*** the plan event itself. Thus it is necessary to account e.g. for a decrease in the number of plan participants by reducing current service cost after the event. In our opinion, when an entity performs such an adjustment, it provides useful information for the period after the plan event. In order to reflect the impacts of a plan event, it is not necessary to update all actuarial assumptions. Decision-useful information would be provided by adjusting for the impact of the plan event itself rather than by updating all assumptions which would not have been updated without the event.

It follows that, in our view, a general requirement to update all of a plan's actuarial assumptions would not enhance the relevance of the information provided. In particular as only the plan event itself is or might be under the control of the entity, whereas actuarial assumptions – such as mortality tables – are not, updating actuarial assumptions would not result in useful information. Furthermore, post-employment benefits are already considered to be a complex area, and we do not consider that these changes to IAS 19 enhance the relevance or reliability of the information.

In conclusion, we think that the costs of the proposed amendment to update all assumptions in case of a plan event would outweigh the potential benefits. Therefore, we kindly ask the IASB to abandon its proposal with regard to cost and comparability considerations. In the opinion of BUSINESSEUROPE, it would be adequate to restrict the necessary adjustments caused by a plan event to the results of the plan event itself.

Question 5 – Transition requirements

The IASB proposes that these amendments should be applied retrospectively, but proposes providing an exemption that would be similar to that granted in respect of the amendments to IAS 19 in 2011. The exemption is for adjustments of the carrying amount of assets outside the scope of IAS 19 (for example, employee benefit expenses that are included in inventories) (see paragraph 173(a) of IAS 19).

Do you agree with that proposal? Why or why not?

Since we do not agree with the proposed amendments to IAS 19, we consequently do not consider it necessary to comment the transition requirements.

With regard to the amendments to IFRIC 14, we agree that these should be applied retrospectively, including the proposed exemption for assets outside the scope of IAs 19.