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Mr. Patrick Mommens
Project Manager EFRAG
Avenue des Arts 41
B -1040 Brussels

5 July 2004

Re : Exposure Draft of proposed Amendments to IAS 19 *Employee Benefits:* Actuarial Gains and Losses, Group Plans and Disclosures.

Dear Mr. Mommens,

We are pleased to provide our comments on the draft reply of EFRAG to the European Commission, which deals with the Exposure Draft of proposed Amendments to IAS 19 *Employee Benefits:* Actuarial Gains and Losses, Group Plans and Disclosures.

General comments by EFRAG on the Exposure Draft of *proposed Amendments to IAS 19 Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures are totally shared by OIC* and consequently on *IAS 1*. We fully agree with EFRAG comment not to support the proposed core amendment to recognise actuarial gains and losses as they occur in the balance sheet and in the so called SORIE (Statement Of Recognised Income and Expense).
EFRAG's general comments have correctly underlined that splitting the statement of changes in equity in two parts, one of which deals with transactions other than with shareholders, causes a negative impact on comprehensive income that consequently would be pre-empted.

We make also a further consideration. This new option on the recognition of actuarial gains and losses outside profit and loss keeps difficult to compare different balance sheets. Actually, actuarial gains and losses are just part of income and expense. Please remind IASB that comparability is the essential target that is at the basis of all new principles and too many options are not consistent with this outcome.

Yours sincerely

Prof. Angelo Provasoli
(OIC – Chairman)

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 recognized income and expense.

Do you agree with the addition of this option? If not, why not?

OIC Response

We totally agree with the answer.
We also consider that the provision under the current IAS 19 to determine an amortisation period within the residual average life of beneficiary workers does not mean a lack of transparency in the balance sheet but rather it increases the transparency on the respect of the compliance with the future commitments towards those workers.

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 recognized 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?

OIC Response

We agree with EFRAG's answers

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?

OIC Response

We agree with EFRAG's answers

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?

OIC Response

We agree with EFRAG's answers

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?

OIC Response

We agree with EFRAG's answers

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 Postretirement Benefits.

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

OIC Response

We agree with EFRAG's answer on b) but we consider that having more information on the assumptions underlying the components of the defined benefit cost would be helpful to balance sheet's users.

<u>Question 7 – Further Disclosures</u>

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.

OIC Response

We believe that having more qualitative information on strategies, changes in plans and workers' residual life would be helpful. On the contrary further quantitative data - as the benefits expected to be paid - which are based only on expectations could cause confusion to the users.