GROUP OF 100

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28 September 2015

Mr H. Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC 4M 6Xh
UNITED KINGDOM

commentletters@ifrs.org

Dear Mr Hoogervorst

ED/2015/5 "Re-measurement of a Plan Amendment…"

The Group of 100 (G100) is an organization of chief financial officers from Australia's largest business enterprises with the purpose of advancing Australia's financial competitiveness. The G100 is pleased to provide comment on this ED. The G100 supports efforts to clarify the requirements of IAS 19 and IFRS 14 and achieve consistent application of the requirements.

Q1. Accounting when other parties can wind up a plan or affect benefits for plan members without an entity's consent

The IASB proposes amending IFRIC 14 to require that, when an entity determines the availability of a refund from a defined benefit plan:

a. *the amount of the surplus that an entity recognises as an asset on the basis of a future refund should not include amounts that other parties (e.g. the plan trustees) can use for other purposes (e.g. to enhance benefits for plan members) without the entity's consent.*
   The G100 supports this proposal as rights/entitlements of other parties should not be adjusted without having obtained their consent.

b. *an entity should not assume a gradual settlement of the plan as the justification for the recognition of an asset, if other parties can wind up the plan without the entity's consent.*
   The G100 agrees with the proposed amendment which would apply while the plan has members.

c. *other parties' power to buy annuities as plan assets or make other investment decisions without changing the benefits for plan members does not affect the availability of a refund. Do you agree with the proposed amendments? Why or why not?*
   The G100 agrees with the proposed amendment and suggests that the drafting be amended so that "the power to buy annuities" is an example of an investment decision that can be made by other parties.

   The proposed amendments do not clarify if the rights of a regulator are excluded from its scope. In Australia and in other jurisdictions the regulator would have a right, under its respective legislation, to use the funds without an entity's consent under certain circumstances such as insolvency.

Q2. Statutory requirements that an entity should consider to determine the economic benefit available

The IASB proposes amending IFRIC 14 to confirm that when an entity determines the availability of a refund and a reduction in future contributions, the entity should take into account the statutory requirements that are substantively enacted, as well as the terms and conditions that are contractually agreed and any constructive obligations. Do you agree with the proposal? Why or why not?

Yes. The G100 agrees that substantially enacted statutory requirements and entrenched practice as reflected in a constructive obligation should be taken into account when determining the amount of any refund.

Q3. Interaction between the asset ceiling and past service cost or a gain or loss on settlement

The IASB proposes amending IAS 19 to clarify that:

a. the past service cost or the gain or loss on settlement is measured and recognised in profit or loss in accordance with the existing requirements in IAS 19; and

b. changes in the effect of the asset ceiling are recognised in other comprehensive income as required by para 57(d)(iii) of IAS 19, as a result of the reassessment of the asset ceiling based on the updated surplus, which is itself determined after the recognition of the past service cost or the gain or loss on settlement.

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

The G100 supports the proposed amendment to clarify the relationship between the asset ceiling and the treatment of past service cost or a gain or loss on settlement.

Q4. 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 para 99 of IAS 19;

~ the current service cost and the net interest after the re-measurement are determined using the assumptions applied to the re-measurement; and

~ an entity determines the net interest after the re-measurement based on the re-measured 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?

The G100 supports the proposed amendments to clarify the accounting requirements in respect of the occurrence of a plan amendment, curtailment or settlement.

It would be helpful for preparers if the amendments clarified:

- **The definition of curtailment and whether curtailments in a reporting period are assessed individually or cumulatively.**
- **What is required in respect of interim reports (IAS 34 which requires present value of defined benefit obligations and the market value of plan assets at the end of each reporting period) given that extrapolation of prior period information is currently used as an estimate by many entities.**

Q5. 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 (e.g., employee benefit expenses that are included in inventories) (see para 173(a) of IAS 19).

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

Subject to our comments below, the G100 agrees with the proposed transitional arrangements on the grounds that the pragmatic approach would minimise the costs of compliance.

However, the cost/benefit of retrospective treatment of the proposed amendments outlined in Q3 and Q4 above should be reviewed. For example, retrospective transition means that an entity would need to analyse the transactions throughout the history of the fund that are within the scope of those situations and then determine whether reclassification of amounts between the separate reserve and retained earnings is needed.

Yours sincerely
Group of 100 Inc

N Mitchell

Neville Mitchell
President