НСФО

НАЦИОНАЛЬНАЯ ОРГАНИЗАЦИЯ ПО СТАНДАРТАМ
ФИНАНСОВОГО УЧЕТА И ОТЧЕТНОСТИ

COMMENT LETTER

Submitted electronically through the IASB Internet site

www.iasb.org September, 05, 2010
Exposure Draft ED/2010/3 *Defined Benefit Plans*

International Accounting Standard Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Re: *Discussion Paper ED/2010/3 Defined Benefit Plans*

Dear Sirs,

National Accounting Standards Board of Russia (NASB) appreciates the opportunity to submit comments on the Exposure Draft ED/2010/3 Defined benefit plans.

Members of the National Accounting Standards Board of Russia (NASB) support the Exposure Draft in general as it propose extensive additions, improvements in applying of IAS 19 and amendments in disclosing information about defined benefit plans in an entity's financial statement.

Our answers to the questions stated in the Invitation to comment are presented below.

Question 1 – Recognition of all changes in the present value of defined benefit obligation
The Exposure Draft proposes that entities should recognise all the changes in the present value of defined benefit obligation and in the fair value of plan assets when they occur. Do you agree? Why or why not?

The NASB agrees with the proposal to recognise all the changes in the present value of defined benefit obligation and in the fair value of plan assets when they occur. The resulting amounts in the statement of financial position and comprehensive income will be relevant to users of financial statements and easier for them to understand.

Question 2 - Recognition of unvested past service cost
The Exposure Draft proposes that entities should recognise unvested past service cost when the related plan amendments occurs. Why or why not?

The NASB agrees with the proposal to recognise unvested past service cost when the related plan amendments occurs. Proposed amendments complies the definition of liability by IAS 19.

Question 3 – Disaggregation of defined benefit costs
The Exposure Draft proposes that entities should disaggregate defined benefit costs into three components: service cost, finance cost and remeasurements. Why or why not?

The NASB agrees with the proposal to use disaggregate defined benefit costs into three components: service cost, finance cost and remeasurements. This disaggregation clearly illustrates the nature of the amount of costs related to defined benefit liability. In addition, considered the volatility of actuarial gains (losses) and new approach of its recognition, disaggregation of defined benefit costs into three components provides an explication of the cost value related to defined benefit liability.

Question 4 – defining the service cost component
The Exposure Draft also proposes that the service cost component should exclude changes in the defined benefit obligation resulting from changes in demographic assumptions. Why or why not?

NASB disagrees with the proposals of the DP. It is not always possibly to estimate ease the impact of changes in demographical assumptions on service cost amount (especially on current service cost). Simplicity of calculation depends on the approach used to determine a current service cost component (using assumptions estimated at the beginning or at the end of reporting period). NASB proposes this requirement not to be mandatory.
NASB also notes that current IAS 19 doesn't content an adequate definition of the method how the current service cost component should be estimated: using actuarial assumptions (both economic and demographical) defined at the beginning of the reporting period (excluding changes in remeasurements component) or at the end of the reporting period (relevant to the defined benefit obligation definition by IAS 19).

Question 5 - Defining the Finance cost component
The Exposure Draft proposes that the finance cost component should comprise net interest on the net defined benefit liability (asset) determining by applying the discount rate specified in paragraph 78 to the 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 defined benefit liability (asset) be determined by applying the discount rate specified in paragraph 78 to the defined benefit liability (asset)? Why or why not? If not, how would you define the finance cost component and why?

The NASB agrees with the proposal that interest on the defined benefit liability (asset) should be determined by applying the discount rate specified in paragraph 78 to the defined benefit liability (asset).

Question 6 – Presentation of
The Exposure Draft proposes the entities should present:
(a) Service cost in profit or loss;
(b) Net interest on the defined benefit liability (asset) as part of finance cost in profit or loss;
(c) Remeasurements in other comprehensive income.
Why or why not?

NASB agrees that entities should present:
(d) Service cost in profit or loss;
(e) Net interest on the defined benefit liability (asset) as part of finance cost in profit or loss;
(f) Remeasurements in other comprehensive income.

Question 7 - Settlements and curtailments – recognition and disclosing

The Exposure Draft proposes that:

(a) Gains and losses on routine and non-routine settlement are actuarial gains and losses and should therefore be included in the remeasurements component. Why or why not?

(b) Curtailments should be treated in the same way as plan amendments, with gains and losses presented in profit or loss.

(c) *Entities should disclose a narrative description of any plan amendments, curtailments and non-routine settlements, and their effect on the statement of comprehensive income. Why or why not?*

The NASB agrees with the proposal that:

(a) Gains and losses on routine and non-routine settlement are actuarial gains and losses and should therefore be included in the remeasurements component.

(b) Curtailments should be treated in the same way as plan amendments, with gains and losses presented in profit or loss.

(c) Entities should disclose a narrative description of any plan amendments, curtailments and non-routine settlements, and their effect on the statement of comprehensive income.

Question 8 - Disclosure objectives - defined benefit plans

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 amounts, timing and variability of the entity's future cash flows. Are these objectives appropriate? If not, how would you amend the objectives and why?

Explaining the characteristics of the entity's defined benefit plans and identifying the amounts in the entity's financial statements arising from its defined benefit plans are very important to understand the amounts in the entity's financial statements related.

Otherwise, describing how defined benefit plans affect the amounts, timing and variability of the entity's future cash flows is relevant if defined benefit liability value is significant signature of statement of financial position and if it really affects the amount of the entity's cash flows. Russian entities don't provide such big allowances for their employee as in other countries applying IFRS. Moreover, in fact all the liabilities of employers in Russia are contingent. Entities in Russia have an opportunity to change plan schemes when it is required by theirs financial position and they don't have legal liability to provide any defined benefit plan for employees. Consequently this requirement is not relevant for entities in Russia. We propose to make this new requirement to be mandatory only for entities whose defined benefit plan liability is juridical and if it is significant signature of statement of financial position.

Question 9 – New disclosure requirements - defined benefit plans

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

(a) information about risks, including sensitivity analyses;

(b) information about the process used to determine demographic actuarial assumptions;

(c) the present value of defined benefit obligation, modified to exclude the effect of projected salary growth;

(d) information about asset-liability matching strategies; and

(e) information about factors that could cause contributions to differ from service cost.

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

The NASB agrees with the proposals to disclosure information about risks, including sensitivity analyses, information about the process used to determine demographic actuarial assumptions and information about asset-liability matching strategies. We also don't objects to disclosing information about factors that could cause contributions to differ from service cost, but there are lots of features that could cause contributions to differ from service cost, one of them is that at first instance entities in Russia provide finance of benefits relating to employee whose age is closer to pension age. NASB We don't agree with the requirement to disclose the present value of defined benefit obligation, modified to exclude the effect of projected salary growth because we don't think this information will be useful for users of financial statement.

Question 10 - Disclosure objectives – multi-employers plans
The exposure draft proposes additional disclosures about participation in multi-employer plans. Should the Board add to, amend or delete these requirements?

The NASB agrees with the proposal of additional disclosures about participation in multi-employer plans.

Question 11 - Disclosure objectives – multi-employers plans
The exposure draft updates, without further reconsideration, the disclosure requirements for entities that participate in state plans of defined benefit plans that share risks between various entities under common control to make them consistent with disclosures in paragraphs 125A-125-K. Should the Board add to, amend or delete these requirements? Why or why not?

The NASB agrees with the updates the disclosure requirements for entities that participate in state plans of defined benefit plans that share risks between various entities under common control to make them consistent with disclosures in paragraphs 125A-125-K.

Question 12 - Disclosure objectives – multi-employers plans
The exposure draft invites to expound any other comments about the proposed disclosure requirements.

The NASB don't have any other comments about the proposed disclosure requirements.

Question 13 – Other amendments to IAS 19
The exposure draft also proposes to amend IAS 19 as summarized below:

(a) The requirements in IFRIC 14 IAS 19 – The limit on a Defined benefit Assets, Minimum Funding Requirement and their Interaction, as amended in November 2009, are incorporated without substantive changes.
(b) 'Minimum funding requirement' is defines as any enforceable requirement for the entity to make contributions to fund a post-employment or other long-term defined benefit plan.
(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 tax.
(d) The return on plan assets shell be reduced by administrative costs only if those costs relate to managing plan assets.
(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 latest years.
(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.

(g) *Risk-sharing and conditional indexation features shell be considered in determining the best estimate of the defined benefit obligation.*

The NASB agrees with the proposed amendments, apart from including tax payable by the plan in the return on plan assets or in the measurement of the defined benefit obligation, depending on the nature of tax. We don't see any advantage to aggregate calculations of defined benefit liability and tax related. The existing approach to calculated taxes related to defined benefit obligation or plan assets is optimal in applying.

Question 14 – Other amendments to IAS 19 - multi-employers plans

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

The 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 risk 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.

We haven't met any situation in which a defined benefit multi-employer plan has a consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan and we think that participants in such multi-employer plan should apply defined contribution accounting.

Question 15 – Applying of proposed amendments

The exposure draft proposes the entities should apply the proposed amendments to IAS 19 retrospectively, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Should entities apply the proposed amendments retrospectively?

The NASB think that the entities should apply the proposed amendments retrospectively from the beginning of the first period presented in financial statement.

Question 16 – The Boards assessments

In the Boards assessments:

(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 more understandable way.

ii. Eliminating some presentation options currently allowed by IAS 19, those 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 proposals 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?

The NASB agrees with the Board's assessments in general.

Question 17 – Other comments
The exposure draft invites to any other comments on the proposals.

The NASB don't have any other comments on the proposals.

Thank you for the opportunity to present our views.

Yours sincerely,

Askold Birin
Chairman
National Accounting Standards Board