October 15, 2015

International Accounting Standards Board
30 Cannon Street, 1st Floor
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The Canadian Institute of Actuaries (CIA) is the national voice of the actuarial profession in Canada. The CIA establishes the Rules of Professional Conduct, guiding principles and monitoring and discipline processes for qualified actuaries. All members are expected to adhere to the profession's standards of practice and support Guiding Principle One, which holds the duty of the profession to the public above the needs of the profession and its members. The CIA also establishes guidance to support standards developed by the independent Actuarial Standards Board, which are applicable to actuaries working in Canada.

The CIA would like to offer the following comments on the June 2015 paper entitled Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan.

While we do not object to the proposed amendments described in reference questions one and two, we disagree with the amendment proposed in question 4, and feel that clarification is required for the amendment described in question three. The proposal in question five is dependent on reference question four. Our comments below provide more detail.

1. *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 (for example, the plan trustees) can use for other purposes (for example, to enhance benefits for plan members) without the entity's 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.*
>
> *(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.*



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*Do you agree with the proposed amendments? Why or why not?*

We do not object to the proposed amendments. We do not believe that there are many circumstances in which they would impact entities reporting under IAS 19 in Canada.

2. *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 that proposal? Why or why not?*

We do not object to the proposed amendments. The proposal is reasonable and we have no objection, recognizing that it will be the reporting entity determining what is substantively enacted.

3. *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 paragraph 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?*

We agree with the proposed treatment, but feel the clarification is an interpretation and would be better added to an IFRIC or to the Basis of Conclusions of IAS19.

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?*

This proposal represents a departure from existing practice in Canada. We disagree with it, as it reduces transparency and comparability of financial reporting. Only the affected plan will be remeasured, and no interim update to sensitivity information will be provided. We question if the additional cost in complying adds any net benefit to the users of the statements. We would support an interpretation that clarifies the current requirements to update interest and service cost to reflect changes in membership, demographic assumptions, and duration of benefit payments attributable to the plan change, where material, based on fiscal year-end market bond yields.

*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?*

We agree with the proposal, assuming the proposal in Q4 does not proceed. If the proposal in Q4 proceeds, then we would seek a further exemption that does not require retrospective application of the proposals in Q4 in instances where a plan amendment, curtailment, or settlement was considered immaterial, but the impact on interest and service cost is material.

**Conclusion**

The Canadian Institute of Actuaries hopes that its comments provided herein will be of value to you. Please feel free to contact me if you have any questions, or require any clarifications.

Sincerely,

Robert H. Stapleford
CIA President