



DRSC e. V. • Zimmerstr. 30 • 10969 Berlin

Mr Hans Hoogervorst  
Chairman of the  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Telefon +49 (0)30 206412-12  
Telefax +49 (0)30 206412-15  
E-Mail info@drsc.de

Berlin, 16 January 2015

Dear Hans,

**Narrow-scope amendments to IAS 19 *Employee Benefits – Remeasurement at a plan amendment, curtailment or settlement***

On behalf of the Accounting Standards Committee of Germany (ASCG) I am writing to comment on the proposed amendments to IAS 19 by the IFRS Interpretations Committee (IFRS IC) regarding IAS 19 *Employee Benefits – Remeasurement at a plan amendment, curtailment or settlement* presented to the IASB at its meeting in January 2015 (agenda paper 12C).

We welcome the IFRS IC's and the IASB's intention to develop guidance on the issue raised (Should the current service cost and net interest for the post-event period be recalculated with updated assumptions at the event date?). However, we do not agree with the IFRS IC's conclusion that the proposed amendment of IAS 19 would enhance comparability and understandability as well as that, without a recalculation of the current service costs and net interest on the basis of updated assumption, the amendment would not result in useful information. In our opinion, the current service cost and net interest for the post-event period should only be adjusted by the results of the plan amendment or curtailment (e.g. reduction in current service cost following a decrease of plan participants) and not be recalculated with all updated assumptions.<sup>1</sup>

As the IFRS IC noted, paragraphs 123 and BC64 of IAS 19 imply that an entity should not revise any assumptions for the calculation of service cost and net interest for the post-event period, even if a significant event or change to the pension plan occurs.<sup>2</sup> As explained in the Basis for Conclusions on IAS 19 (para. BC58 – BC64 of IAS 19) the IASB considered an updating of actuarial assumptions for interim reporting and rejected this idea in 2011. There are, in our view,

<sup>1</sup> Members of the German Society of Actuaries (Deutsche Aktuarvereinigung (DAV)) expressed the same view.

<sup>2</sup> See IFRIC update May 2014, p. 3; IASB Agenda paper 12C, paragraph 9, January 2015.



no new information or other circumstances which would justify a revision of the Board's former view.

Notwithstanding that, adjusting current service cost and net interest is necessary to account for the situation of the plan after the plan amendment or curtailment. The plan amendment or curtailment is based on a decision of the entity and, therefore, the changes in current service cost and net interest are based on the entity's decisions and not on changes in market conditions. Hence, the post-event current service cost and net interest should only reflect the results of the entity's action.

In our view, updating all assumptions, i.e. also assumptions that are not under the control of the entity (mortality, business environment, etc.), would not necessarily result in more relevant information. Instead, the comparability between plans of the same entity and between entities with and without a plan event is reduced. While current service costs and net interest of plans with a plan event are calculated on updated assumptions, current service costs and net interest of all other plans are based on older (from the beginning of the period) assumptions. Thus, comparability between plans decreases.

Further, we agree with the IFRS IC's conclusion that the issue on significant market fluctuations could lead to a significant change in the application of IAS 19 and to a significant burden on entities. Therefore, we support the IFRS IC's decision not to address significant market fluctuation as part of the proposed amendments to IAS 19. Moreover, we agree with the IFRS IC's opinion that, if necessary, the remeasurement of service cost and net interest in the post-event period should be determined on a plan-by-plan basis.

If you would like to discuss our comments further, please do not hesitate to contact me.

Yours sincerely,

*Liesel Knorr*  
President