



The Actuarial Profession

making financial sense of the future

Consultation Response IFRS

IASB Agenda Consultation

28 November 11

About the Institute and Faculty of Actuaries

The Institute and Faculty of Actuaries is the chartered professional body for actuaries in the United Kingdom. A rigorous examination system is supported by a programme of continuous professional development and a professional code of conduct supports high standards, reflecting the significant role of the Profession in society.

Actuaries' training is founded on mathematical and statistical techniques used in insurance, pension fund management and investment and then builds the management skills associated with the application of these techniques. The training includes the derivation and application of 'mortality tables' used to assess probabilities of death or survival. It also includes the financial mathematics of interest and risk associated with different investment vehicles – from simple deposits through to complex stock market derivatives.

Actuaries provide commercial, financial and prudential advice on the management of a business' assets and liabilities, especially where long term management and planning are critical to the success of any business venture. A majority of actuaries work for insurance companies or pension funds – either as their direct employees or in firms which undertake work on a consultancy basis – but they also advise individuals and offer comment on social and public interest issues. Members of the profession have a statutory role in the supervision of pension funds and life insurance companies as well as a statutory role to provide actuarial opinions for managing agents at Lloyd's.

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28 November 2011

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Dear Sir/Madam

IASB Agenda Consultation – request for views

We are grateful for the opportunity to respond to the IASB Agenda Consultation, issued on 28 July.

In June 2011, the IASB issued a revised version of IAS 19, representing the outcome of the first phase of the IASB's review of IAS 19. The second phase of the IASB's review of IAS 19 is intended to consider the measurement of defined benefit plans and contribution based plans, including hybrid plans that have characteristics of both defined benefit and contribution based plans. It is worth noting that hybrid plans are less common in the UK than they are in other countries, and hence are a lesser issue for us. Therefore, while we acknowledge that there are outstanding concerns regarding these aspects of IAS 19 (in particular the approach to measuring some hybrid pension plans), in the UK we regard this second phase of the IASB's IAS 19 project as being of lower priority.

Addressing the measurement of post-employment benefit plans will be a difficult and time consuming exercise (as evidenced by the abortive work to date on these issues). Nevertheless, we would categorise the development of measurement of post-employment benefit plans as being, in relative terms, "fine-tuning" compared to the need to resolve the differences in approach present elsewhere across current accounting standards. In particular, under current IFRSs, financial assets and liabilities which have similar economic impacts are measured in very different ways depending on the context in which they arise.

We believe that it is logical:

- to decide general principles as to how assets and liabilities should be measured first rather than considering measurement of different assets and liabilities on an ad hoc basis (and potentially applying inconsistent approaches to different but economically similar categories of assets and liabilities)
- to address the big differences between the approaches applied to different categories of economically similar categories of assets and liabilities before turning to the relatively minor tweaking of the approach to measuring post-employment benefits.

We therefore regard it as much more important and urgent for the IASB:

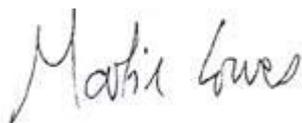
- to complete its work on the Conceptual Framework, including in particular deciding as a matter of principle which assets and liabilities should be measured on a mark-to-market basis (concentrating on the economic nature of those assets and liabilities, and not on the labels attached to them [as to how they arise])
- and to develop in respect of those categories of assets and liabilities an overall approach to the application of marking to market (noting that the IFRS 13 new measurement standard addresses this in part)

before it turns its attention to the application of those principles consistently to all the relevant categories of assets and liabilities, such as (perhaps) post-employment benefits.

We note that another of the projects that has been suggested to the IASB is about setting generic guidance on the determination of discount rates, rather than this being considered on a Standard by Standard basis. In line with the above, we believe it would be appropriate for the IASB to address the issue as to how discount rates should be determined consistently across all assets and liabilities where discount rates are required in the measurement, before looking again at the discounting of post-employment benefits.

We hope the above will be helpful, but if you have any questions or would like to discuss any of these matters further please do not hesitate to contact us. Please contact Kirstin Lambert (0207 632 2168 or via Kirstin.Lambert@actuaries.org.uk) in the first instance.

Yours sincerely,



Martin Lowes

On behalf of the Consultations Group, Pensions Practice Executive Committee