AMERICAN ACADEMY *of* ACTUARIES

Sept. 30, 2009

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

Submitted electronically to www.iasb.org

To Whom It May Concern:

These comments are being submitted on behalf of the Pension Accounting Committee of the American Academy of Actuaries[1] concerning exposure draft 2009/10 – *Discount Rate for Employee Benefits (proposed amendments to IAS 19).*

Thank you for this opportunity to comment on the exposure draft. Because Academy members' practice primarily involves financial reporting under the standards of the Financial Accounting Standards Board, rather than the IASB, we have limited our comments to those areas where our experience might be relevant to the board's deliberations or where there is an opportunity to further the goal of converging standards.

Our comments follow, organized by question number in the exposure draft:

1. Question 1, *Discount rate for employee benefits,* asks a limited-scope question about eliminating the requirement to use government bond rates to determine the discount rate in countries without a deep market in high quality corporate bonds. High quality corporate bonds (of the same currency as the liability and consistent with the term of the liability) would form the basis for determining the discount rate in all countries. In this connection, we note that, under US accounting standards, discount rates may be set by reference to "high-quality fixed-income investments"[2] and some preparers have used more than just corporate bonds to set discount rates. These additional bonds might include municipal, government, quasi-governmental or agency issues. Under the exposure draft, as well as IAS 19, the applicable bond market is referred to as "corporate bonds." It would be helpful to clarify whether this difference is intended as an additional restriction or whether noncorporate bonds could fall within the measurement objective of estimating the time value of money, as described in paragraph 79 of IAS 19. Without this clarification, a US actuary calculating numbers for a US subsidiary of a parent company that

[1] The American Academy of Actuaries is a 16,000-member professional association whose mission is to serve the public on behalf of the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

[2] *Accounting standards codification* 715-30-35-43 and -44

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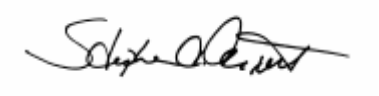
complies with IFRS would appear to be constrained to develop a discount rate different from what would have been used if the subsidiary complied with US accounting standards.

2. In Question 2, *Guidance on determining the discount rate for employee benefits*, reference is made in the footnote to paragraphs 38-54 of exposure draft ED/2009/5 *Fair Value Measurement.* When this exposure draft is finalized, the relevant paragraphs will replace the guidance referenced from IAS 39. We would like to see that reference extended to paragraph 55, which allows employers to estimate the most representative price within the bid-ask spread, as well as permitting the use of practical expedients. By referring to paragraph 55, the proposed changes to IAS 19 would eliminate any possible ambiguity in this area and would align the discount rate calculation with other fair value estimates.

3. In Question 3, *Transition*, a question is raised as to whether the proposed amendments should be applied prospectively. We strongly urge the Board to apply the proposed provisions prospectively. As the Board notes, to do otherwise would require reconstruction of past databases and the construction of yield curves in past periods. The reconstruction would typically be difficult and, in many cases, impossible. The yield curve construction in past periods would be very prone to the use of hindsight. The additional information that users could glean from the process is unlikely to be worth the extra time and cost.

Thank you again for this opportunity to comment. We would be glad to answer any questions you may have, and to assist your deliberations as you may see fit.

Sincerely yours,



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