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

October 19, 2015

RE: Exposure Draft ED/2015/5 – Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan - Proposed amendments to IAS 19 and IFRIC 14

Dear Board Members:

The "Group of Latin American Accounting Standard Setters"¹ – GLASS welcomes the opportunity to comment on the Exposure Draft ED/2015/5 – Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan - Proposed amendments to IAS 19 and IFRIC 14 (the "ED").

Due process
The discussions regarding the ED were held within a specified Technical Working Group (TWG) created in August 2015. All country-members had the opportunity to appoint at least one member to participate in this TWG. Each standard setter represented in the TWG has undertaken different tasks in their respective countries (e.g. surveys, internal working groups). All results were summarized, and this summary was the platform for the TWG discussion process.

The TWG discussed the different points of view included in the summary during several conference calls. In those calls the TWG developed a final document on the basis of the agreed-upon responses and the technical points of view of its members. Finally, the TWG document was submitted to and approved by the GLASS Board.

Overall Comments
We welcome the Board’s initiative in addressing a number of areas of accounting for defined benefit plans that currently cause problems in practice. For the most part, we support the proposals in the ED.

We recommend that the Board clarify the effects on accounting in interim financial statements subsequent to a plan amendment, curtailment or settlement.

Specific comments
Attached please find our specific responses to the questions presented in the ED.

Contact
If you have any questions about our comments, please contact glenif@glenif.org.

Sincerely yours,

Felipe Pérez Cervantes
Chairman
Group of Latin American Accounting Standard Setters (GLASS)

¹ The overall objective of the Group of Latin American Accounting Standard Setters (GLASS) is to present technical contributions with respect to all Exposure Drafts issued by the IASB. Therefore, GLASS aims to have a single regional voice before the IASB. GLASS is constituted by: Argentina (Board), Bolivia, Brazil (Vice Chairman), Chile, Colombia (Board), Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico (Chairman), Panama, Paraguay, Peru (Board), Uruguay (Board) and Venezuela (Board).
GLASS' Comment Letter on the IASB Exposure Draft on Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan (Proposed amendments to IAS 19 and IFRIC 14)

Question 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.

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

GLASS agrees with the proposal for the reasons set out in the Basis for Conclusions in the ED.

We recommend that proposed paragraph 12A specify that other parties' power to buy annuities as part of a wind up of the plan (in contrast to their purchase as plan assets as referred to in proposed paragraph 12C) would affect the availability of a refund.

Question 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?

GLASS agrees with the proposal for the reasons set out in the Basis for Conclusions in the ED.

Question 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?

GLASS agrees with the proposal. However, we believe that the explanation in proposed paragraph 64A is unclear and could be expressed by specifying the order of entries to be made as:

1 - Recognise any change in the effect of the asset ceiling resulting from the plan amendment, curtailment or settlement in other comprehensive income;

2 - Recognise past service cost or gain or loss on settlement (which will then reflect the 'gross' gain or loss excluding any effect of the asset ceiling) in profit or loss.

In addition, we recommend that a short example of the proposed approach to a settlement transaction be added below paragraph 109 of IAS 19.

**Question 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?

GLASS agrees with the proposal to update the assumptions used to determine current service cost and net interest following a plan amendment, curtailment or settlement, as this will provide more useful information.

We recommend that the effect of this proposal be clarified by specifying in proposed paragraph 67A and 123 that all inputs that are amended in determining past service cost according to paragraph 99 of IAS 19 are also amended in determining service cost and net interest subsequent to a plan amendment, curtailment or settlement. As currently drafted, the proposed paragraphs could be interpreted as requiring amendment of only some inputs to those costs.

In addition, we believe that the proposal might apply equally to interim financial statements, but paragraph 89 of IAS 34 is silent on this issue and could result in different interpretations and frequent revisions of current service cost. For this reason, we recommend that the effect of the proposed amendments on interim financial statements be specified.

**Question 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?

GLASS agrees with the proposal for retrospective application to an entity’s assets and liabilities but note that in some jurisdictions it is common practice to maintain a separate component of equity representing the cumulative value of remeasurements recognised in other comprehensive income. We suggest that relief from retrospective application of the amendments to such balances be provided to avoid any need to revisit transactions that occurred several years ago.