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Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

6 September 2010

Reference: IASB Exposure Draft "Defined Benefit Plans"

Dear Sir David,

CEIOPS welcomes the opportunity to comment on IASB's Exposure Draft on Define Benefit Plans ('the ED'), which was issued in April 2010. While recognising that the perspective and objectives of Solvency reporting and general purpose financial statements are often different, CEIOPS is keen to achieve a regulatory reporting regime under Solvency II that is aligned as far as possible with International Financial Reporting Standards. In this context CEIOPS has chosen to focus in this letter on the main issues and not to answer the questions separately.

Background and general comments

CEIOPS welcomes the proposal on the reduction of the complexity of the presentation of results, in combination with the recognition of all actuarial gains and losses when these occur and an approved approach on risk sharing issues.

In our opinion, the "corridor" approach does not lead to a fair and actual view of the value of defined benefit plans. That is why we agree with the removal of this option, especially because we believe that the split of results into service costs, finance costs and remeasurement components may lead to more transparency.

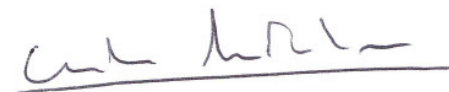
However, it is very important that also the measurement of the defined benefit obligation is adequate and transparent and that different pension systems can be accommodated. In that context, CEIOPS welcomes the fact that risk sharing and conditional indexation is addressed explicitly. This will improve the possibility to value the defined benefit plans according to the risks on the employer's balance sheet. However, we think further – principle based - guidance is needed on the way this may work in practice. We have doubts whether all types of pension plans (for example combinations of Defined Benefit and Defined Contribution plans) can be properly addressed by these proposals. Contracts between pension funds and sponsors can be various and complex. It should be clear that a contractual limitation of the legal and constructive obligation to pay additional contributions to cover a shortfall in plan assets should be taken into account in calculating the best estimate.

CEIOPS doesn't propose an alternative approach concerning the current IAS 19 multi-employer plans treatment where there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan. We agree with the Board's conclusion that a global blend exemption from the defined benefit accounting requirements in IAS 19 would not be appropriate for all plans that meet the definition of a multi-employer plan. However, we also agree that in practice for many plans the criteria for a consistent and reliable basis for allocation will not be fulfilled. In particular in relation to question 14 we want to remark that in a situation where plan assets are ring-fenced for each participating entity and the cost and actuarial risks to a participating entity in the plan is calculated on the basis of information associated with the current and former employees of the individual entity (and not with employees of other entities), the defined benefit multi-employer plan can have a consistent and reliable basis for allocation to the individual entities participating in the plan.

Although CEIOPS appreciates the improvements in the ED concerning recognition, presentation and disclosure, we still think it is necessary to address the measurement of defined pension benefits. We would like to stress the importance of a comprehensive review of IAS19. As insurance supervisors, we have a particular interest in the valuation approach developed by the IASB for insurance contracts under the Phase II of IFRS4. In this context and more generally, we would like to stress the importance to define a consistent measurement framework applicable to all the prospective valuation of liabilities and based on the calculation of a best estimate and risk margin.

If you have any questions or wish to discuss this further with us, please feel free to contact jarl.kure@ceiops.eu.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Carlos Montalvo', is written over a horizontal line.

Carlos Montalvo

CEIOPS Secretary General