

## BY E-MAIL AND BY POST

Our Ref.: C/UII

21 July 2004

The International Financial Reporting Interpretations Committee,  
International Accounting Standards Board,  
30 Cannon Street,  
London EC4M 6XH,  
United Kingdom.

Dear Sirs,

### **International Financial Reporting Interpretations Committee - IFRIC Draft Interpretation D6**

In response to the International Financial Reporting Interpretations Committee's Draft Interpretation D6 *Multi-employer Plans*, we are pleased to set out below our comments to the questions raised in your Invitation to Comment.

#### **Question 1**

*In your experience, are participants in defined benefit multi-employer plans able to obtain the information necessary to apply defined benefit accounting? If not, what causes the information not to be available? How do such entities monitor and manage the risks involved in their participation in the plan?*

In Hong Kong, most retirement plans are defined contribution plans. Defined benefit plans are usually only run by large entities (including the government employees' retirement benefit scheme). Because our understanding is that defined benefit multi-employer plans are not common in Hong Kong we are unable to provide the information as requested. However, it is our belief that whether a participant would be able to obtain the information necessary to apply defined benefit accounting would depend on its interest in the plan. Entities that have a small interest relative to the plan as a whole would normally only have restricted access to the information of the plan. Such entities would usually rely on the reports of the trustees to manage their risk involved in their participation in the plan. Despite this, we believe that this Interpretation, as currently drafted, would provide sufficient leeway for those entities not being able to obtain information necessary to apply defined benefit accounting.

#### **Question 2**

*Does application of defined benefit accounting by participants in multi-employer plans provide useful information compared with the disclosure of substantial information about the plan as required by paragraphs 30(b) and (c) of IAS 19?*

We believe application of defined benefit accounting by participants in multi-employer plans is conceptually sound. It would, on the assumption that reliable information can be obtained, provide more useful information as compared with the existing disclosure required. It would also enhance the transparency of financial statements as such statements would reflect, rather than merely disclose, the economic costs and risks of the entity's participation in the plan.

### **Question 3**

*The consensus requires a participant in a multi-employer plan to apply defined benefit accounting by, if possible:*

- (a) measuring the plan in accordance with IAS 19 using assumptions that apply to the plan as a whole and*
- (b) allocating the plan so that the entity recognises an asset or liability that reflects the extent to which the surplus or deficit in the plan will affect its future contributions.*

*Do you agree that this is an appropriate way for a participant in a multi-employer plan to apply defined benefit accounting? If not, how should defined benefit accounting be applied?*

We agree the treatment required in this Interpretation is an appropriate way for a participant of a multi-employer plan to apply defined benefit accounting as such allocation would take into account the substance of the plan.

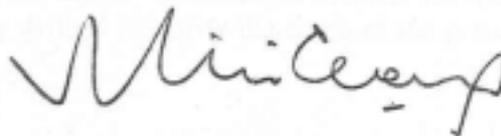
### **Question 4**

*The appendix to the draft Interpretation sets out a proposed amendment to IAS 19, narrowing the scope of the definition of state plans and requiring them to be accounted for as defined contribution plans. Plans that are excluded from the definition of state plans will be multi-employer plans. Do you agree with the narrowed scope of the definition of state plans? Do you agree that state plans defined as proposed should be accounted for as defined contribution plans?*

We agree with the narrowed scope of the definition of state plans. We also agree that state plans as proposed should be accounted for as defined contribution plans as it is unlikely that an entity would obtain information necessary and make the allocations necessary to apply defined benefit accounting for such plans.

If you have any questions on our comments, please do not hesitate to contact Mr. Simon Riley, Technical Director (Financial Reporting) at the Society, in the first instance.

Yours faithfully,



WINNIE C.W. CHEUNG  
CHIEF EXECUTIVE & REGISTRAR  
HONG KONG SOCIETY OF ACCOUNTANTS

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