Warren Singer
Mercer
Tower Place West
London EC3R 5BU
+44 (0)20 7178 3423
warren.singer@mercer.com
www.mercer.com

Mr Andreas Barckow
IASB Chair
IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf
London
E14 4HD

27 September 2021

Subject: **IASB's Third Agenda Consultation**

Dear Mr Barckow

We welcome the opportunity to respond to this consultation. We are responding as advisers to corporate sponsors of pension and employee benefit arrangements who report under IAS 19 in a wide range of countries.

Given the scope of our involvement with IFRS reporting, we have limited our response to commenting on the priority that should be given to further projects related to IAS 19 *Employee Benefits*. Our response is attached in the appendix to the letter.

Yours sincerely

Warren Singer

Warren Singer, FIA
Chair, Mercer's Global Accounting Standards Group

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APPENDIX

CONSULTATION QUESTION RESPONSES

Question 3a) What priority would you give each of the potential projects described in Appendix B—high, medium or low—considering the Board's capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28)? If you have no opinion, please say so. Please provide information that explains your prioritisation and whether your prioritisation refers to all or only some aspects of the potential projects. The Board is particularly interested in explanations for potential projects that you rate a high or low priority

Project	Description	Mercer Priority	Mercer Comment
Pension Benefits that Depend on Asset Returns	The objective of this project is to explore whether the Board could feasibly develop targeted amendments to how companies determine the ultimate cost of pension benefits that vary with the returns of a defined pool of assets, applying IAS 19 Employee Benefits	Medium	We support the research project commenced by the IASB in December 2018 and hope that this leads to some recommendations in 2021 to improve internal consistency.
Develop accounting requirements for hybrid pension plans (likely to be a large project)	Stakeholders raised concerns that the requirements of IAS 19 do not deal effectively with post-employment benefit plans (for example, pension plans) with characteristics of both defined contribution and defined benefit plans (hybrid pension plans).	Low	Given the historic difficulties of reaching a solution to this issue, including the International Financial Reporting Interpretations Committee D9 proposals, we do not believe that the benefits of such a project are likely to outweigh the costs. However, if the FASB were to address this issue under US GAAP then we would recommend the IASB consider making corresponding changes to IAS 19 for consistency.

Project	Description	Mercer Priority	Mercer Comment
Undertake a comprehensive review of IAS 19 (likely to be a large project)	This may be necessary to develop consistent accounting requirements for hybrid plans.	Low	We believe that the current requirements of IAS 19 are largely fit for purpose and well understood by users of financial statements, such that there is no compelling reason for a comprehensive review.
Availability of a Refund	The objective of this project is to clarify how a company determines the economic benefits available in the form of a refund when other parties, such as trustees have rights to make particular decisions about the company's defined benefit plan	Low	We agree with the IASB's decision in February 2020 not to finalise the previously proposed amendments to IFRIC 14. We do not believe there is any need for further guidance on IFRIC 14.
Discount rates in the absence of a deep market in high quality corporate bonds	Stakeholders do not understand how to apply paragraph 83 of IAS 19 Employee Benefits to determine the rate used to discount post-employment benefit obligations in the absence of a deep market in high-quality corporate bonds. In the absence of a deep market in such bonds, IAS 19 requires companies to use market yields on government bonds instead	Medium	We believe that a limited scope project could improve comparability of financial statements by providing useful guidance on (i) how to assess whether a "deep market" exists at some or all maturities; (ii) what to do if there is no deep market in both government bonds and high quality corporate bonds; and (iii) whether government bonds are suitable if they are of a differing quality and/or less liquid than the available high quality corporate bonds.