

# MERCER

Human Resource Consulting

Mercer Human Resource Consulting  
is a registered business name of  
Mercer Human Resource Consulting Pty Ltd  
ABN 32 005 315 917, which is a corporate  
authorised representative #260851 of  
Mercer Investment Nominees Limited  
ABN 79 004 717 533 AFS Licence #235906  
Darling Park Tower 3  
201 Sussex Street Sydney NSW 2000  
GPO Box 9946 Sydney NSW 2001  
02 8864 6818 Fax 02 8915 1526  
martin.stevenson@mercerc.com  
www.mercerHR.com.au

28 February 2007

The Chairman  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West  
Victoria 8007  
By e-mail: standard@asb.com.au

Dear Sir,

## **EXPOSURE DRAFT ED151: AUSTRALIAN ADDITIONS TO, AND DELETIONS FROM, IFRSs**

Mercer Human Resource Consulting is pleased to provide comments to the Australian Accounting Standards Board on Exposure Draft ED 151. We have restricted our comments to the proposed amendments to accounting standard AASB 119 Employee Benefits.

### **Paragraph Aus78.1 (Discount rate)**

We believe that the corporate bond market in Australia is now of sufficient size and depth to be described as a deep market for the purpose of setting the discount rate in accordance with AASB 119. This is particularly the case for bonds with short-term maturities (ie less than 5 years), but there is also sufficient information available on yields on corporate bonds with longer maturities.

We therefore endorse the change to the method of determining the appropriate discount rate that has been proposed by the AASB.

### **Paragraphs Aus121.1-2 (Disclosures)**

We believe that the work involved in providing the extra disclosures about the AAS 25 figures and the last actuarial valuation can be justified as it provides additional information to the users of the financial statements on the true financial position of the superannuation fund. However, there is also a valid argument that the AAS 25 figures could be up to three years out of date, making the snapshot of the funding position potentially misleading.

# MERCER

Human Resource Consulting

Page 2

28 February 2007

The Chairman

Australian Accounting Standards Board

We therefore endorse the removal of the AAS 25 information (paragraph Aus121.1(a)), as well as the details of the funding method and the economic assumptions used to make the funding recommendations (paragraphs Aus121.1(c) and Aus121.1(d)).

In relation to the requirement to disclose the current contribution recommendations (paragraph Aus121.1(b)), we believe that it would be more appropriate to require the company to disclose any event that has resulted in a significant change in current or expected future contribution rates since the last actuarial valuation.

We also believe that it is important that the company highlights who has the real legal responsibility for any deficit that may exist in the superannuation fund, if the responsibility does in fact fall on one particular party. We recommend that paragraph Aus121.2 be amended to reflect this.

## **About Mercer Human Resource Consulting**

Mercer Human Resource Consulting Pty Ltd is one of the leading providers of actuarial, consulting and administrative services to superannuation funds in Australia. We also operate one of Australia's largest superannuation master trusts. We have a large client base of employers contributing to defined benefit public sector and corporate superannuation funds to whom we provide financial reporting information in accordance with AASB 119.

Yours sincerely,



Martin Stevenson

Senior Actuary

Authorised Representative #264298 of Mercer Investment Nominees Limited

AFS Licence #235906

Email: [martin.stevenson@mercer.com](mailto:martin.stevenson@mercer.com)