



4 September 2009

Mr. Stig Enevoldsen
Chairman
Technical Expert Group
EFRAG
Square de Meeûs 35
B-1000 BRUXELLES

E-mail: commentletter@efrag.org

Ref.: ACC/HvD/SS/LF/SR

Dear Mr. Enevoldsen,

Re.: FEE Comments on EFRAG's Draft Comment Letter on IASB Exposure Draft Prepayments of Minimum Funding Requirement – Proposed amendments to IFRIC 14

- (1) FEE (the Federation of European Accountants) is pleased to provide you below with its comments on the EFRAG Draft Comment Letter on the IASB Exposure Draft Prepayments of Minimum Funding Requirement – Proposed amendments to IFRIC 14 (the "ED").
- (2) The ED proposes a necessary amendment to address the unintended consequences for the accounting treatment of prepayments of minimum funding requirement contributions related to future service arising from IFRIC 14. FEE agrees with EFRAG and believes that the amendment proposed corrects the unintended consequences of IFRIC 14 with respect to prepayments.
- (3) However, in our opinion the IASB should justify why prepayments should be treated differently from other assets resulting from a plan surplus measured in accordance with IAS 19. Also, given that it is proposed that prepayments are treated differently, it would be useful if the Board provided a clearer (tighter) definition of what is covered by the term "prepayment" than the definition proposed in paragraph 20(a). We suggest that EFRAG includes these remarks to the IASB too.
- (4) In addition, we would like to note in the paragraphs below certain considerations on the practicality of the proposals. We would also advice EFRAG to consider these in its comments to the IASB.
- (5) In practice, in certain jurisdictions, the calculation of minimum funding requirement may be affected by the existence of an IAS 19 plan surplus and accordingly, the minimum funding requirements may be lower because of plan surpluses that arise from reasons other than prepayments. Yet, it is not clear whether the requirements proposed in paragraph 20(a) would apply in these

circumstances. Moreover, to the extent that the prepayment is invested in the pension fund, it will be subject to returns (positive or negative) on the plan assets. In subsequent periods, it may be difficult to establish clearly what portion of the plan surplus is due to prepayment or from other assets.

- (6) Given the differences in funding regimes that exist in various jurisdictions, in order to ensure consistency in application of IFRIC 14, as discussed above, it is important that the IASB provides a justification of the special treatment applied to plan surpluses that arise from a prepayment of minimum funding requirement.
- (7) FEE also noted that paragraph 22 of the ED is being replaced by proposed paragraph 20(b)(ii) but that the wording of the two paragraphs are slightly different. Similarly, it is proposed that throughout IFRIC 14 references to “accrual of benefits” be changed to “future service”. It would be useful if the IASB explained the reason for the change and whether the change in terminology creates any change in application.

For further information on this letter, please contact Ms. Saskia Slomp, Technical Director.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Hans van Damme', with a long, sweeping horizontal stroke extending to the right.

Hans van Damme
President