Federation of European Accountants
Fédération des Experts comptables Européens

Sir David Tweedie
Chairman
International Accounting Standards Board
Cannon Street
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E-mail: commentletters@iasb.org

8 September 2009

Ref.: ACC/HvD//LF/SR

Dear Sir David,

Re: FEE Comments 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 IASB Exposure Draft Prepayments of Minimum Funding Requirement – Proposed amendments to IFRIC 14 (the "ED").

(2) As a founding organisation of EFRAG we have also contributed to the EFRAG consultation process by submitting on 4 September the FEE comments on EFRAG's Draft Comment Letter of 10 July 2009. EFRAG has issued its final comment letter on 7 September 2009. We have considered the EFRAG Final Comment Letter in our response.

(3) The ED proposes a necessary amendment to address the unintended consequences of the accounting treatment for 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.

(4) 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 IASB provided a clearer (tighter) definition of what is covered by the term "prepayment" than the definition proposed in paragraph 20(a) of the ED.

(5) In addition, we would like to note in the paragraphs below certain considerations on the practicality of the proposals.

(6) 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) of the ED 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.

(7) 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.

(8) 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,

Hans van Damme
President

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