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**International
Accounting Standards
Board**

This observer note is provided as a convenience to observers at IFRIC meetings, to assist them in following the IFRIC's discussion. Views expressed in this document are identified by the staff as a basis for the discussion at the IFRIC meeting. This document does not represent an official position of the IFRIC. Decisions of the IFRIC are determined only after extensive deliberation and due process. IFRIC positions are set out in Interpretations.

Note: The observer note is based on the staff paper prepared for the IFRIC. Paragraph numbers correspond to paragraph numbers used in the IFRIC paper. However, because the observer note is less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

IFRIC meeting: **March 2009, London**

Project: **IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction—Voluntary prepayments (Agenda Paper 5H)**

Progress update

1. In November 2008, the IFRIC decided to add to its agenda an issue relating to an unintended consequence that arises from some voluntary prepayments to a defined benefit plan that is subject to a minimum funding requirement. Paragraph 22 of IFRIC 14 requires an entity to include particular expected cash outflows in the assessment of whether there is an asset at the reporting date. In some cases, the inclusion of these cash flows may be considered inappropriate as the outflows relate to avoidable future expenses.
2. The IFRIC's preliminary discussions indicated that the clearest way of resolving the issue would be to amend the wording in IFRIC 14, rather than to issue further interpretations. The staff had intended to discuss amended wording with the IFRIC at its January meeting. However, due to the cancellation of the IFRIC's January meeting

and after consultation with the IFRIC, the staff decided to take this issue directly to the Board. We had the following reasons:

- a. Although we are unable to take any action that would resolve any issues that might arise for entities preparing financial statements for the year ended December 2008, we think that any amendments should be made as quickly as possible.
 - b. Amendments to an existing Interpretation would have to be approved by the Board in any case.
3. We circulated an advance draft of the Board paper to IFRIC members and incorporated their comments into the final Board paper.
4. The Board discussed this issue at its January 2009 meeting. IASB Update for January 2009 reported:

“The Board considered a proposal to amend IFRIC 14 *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* to eliminate an unintended consequence that arises from some voluntary prepayments made to a defined benefit plan that is subject to a minimum funding requirement.

The Board tentatively decided to amend IFRIC 14 so that an entity recognises an asset for a prepayment that will reduce future contributions by the entity. (This is View C as set out in the observer notes). The staff will draft for written ballot an exposure draft proposing these changes.”
5. After the Board meeting, we discussed the issue and the Board’s decision with the Board’s Employee Benefits Working Group (EBWG). The EBWG was supportive of the Board’s decision.
6. We circulated a draft preballot draft of amendments to IFRIC 14 to IFRIC members on 18 February 2009 and have asked for comments back in advance of the IFRIC meeting. We will incorporate those comments in the preballot draft that we send to the Board.
7. Because an IFRIC project is no longer needed, the staff proposes removing the issue from the IFRIC’s agenda. The staff believes that this decision does not need to be exposed for comment and therefore proposes draft wording for a final agenda decision in Appendix A.

Questions for the IFRIC

8. Do you agree with the staff recommendation in paragraph 7? Do you have any comments on the drafting of the agenda decision?