

# International Financial Reporting Standards



March 2015

IFRS Interpretations Committee meeting

Agenda Ref 8

Appendix: Summary of the outreach result

*IFRIC 14 IAS 19—The Limit on a Defined Benefit Asset,  
Minimum Funding Requirements and their Interaction*

Should an entity assume continuation of a minimum funding requirement for contributions relating to future service?

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

# Summary of the outreach results

2

- In order to gather information about the issue described in Agenda Paper 8 for the March 2015 IFRS Interpretations Committee meeting, we sent requests to:
  - the International Forum of Accounting Standard-Setters;
  - securities regulators;
  - global accounting firms; and
  - specialists in pension accounting and actuarial practices.
- We provide a summary of the results in these slides.
- We did not identify sufficient evidence to conclude that significant diversity in practice exists for this issue, but it seems that some diversity exists in the UK.

## Responses from national standard setters

- The geographical breakdown for the responses received from the national standard-setters is as follows:

Geographical region	Number of respondents
Asia	2
Europe	4
Americas	2
Oceania	1
Total respondents	9

- The nine respondents stated that they do not observe this issue, because
  - defined benefit plans are not common (2);
  - plan surpluses are rarely found (1);
  - the minimum funding requirements are prescribed by legislation / such arrangements are not common (5) ; or
  - enforcers would generally require any such arrangement to be over the expected life of the fund (1).

- One respondent stated that it had no experience with this issue in its jurisdictions.

- Two respondents stated that:
  - Similar arrangements are common in several jurisdictions.
  - View 2 is the predominant approach. (One of the two respondents thinks that View 1 was used in the UK in the past.)
  - No diversity is observed.
- One respondent stated that:
  - The fact pattern and the views in the submission are not sufficiently precise to confirm experience with this issue.
  - They do not have sufficient evidence to conclude whether or not diversity exists.

- One respondent stated that:
  - It observes a variety of views about the measurement of economic benefits available as a reduction in future contributions—the complex measurement has caused debates in some jurisdictions. It thinks diversity exists in the UK.
  - It disagrees with View 1.
  - It thinks that the schedule of contributions should not be simply extrapolated, if there is no ongoing requirement for contributions for future services. However, it thinks that the funding strategy or principles agreed with trustees (in UK schemes) should be assumed to continue unchanged.  
(One specialist from another firm stated a similar point.)

## *Other responses from specialists*

7

- A group of global actuarial consultants stated:
  - they think that there is some diversity in the UK
  - they observe that view 2 is applied in Switzerland, and thus no diversity
  - In some jurisdictions, this issue is not common because
    - there are no independent trustees to negotiate such arrangements; or
    - there are minimum funding arrangements but they are set at a level where an asset ceiling does not apply.
- Another specialist stated that diversity exists in the UK.
- Another specialist explained that this issue is not relevant to his jurisdiction.