



ASSOCIATION OF CONSULTING ACTUARIES

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International Accounting Standards Board
30 Cannon Street
London
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Dear Sirs

PROPOSED AMENDMENTS TO IFRIC 14

I am contacting you on behalf of the Accounting Standards Committee of the Association of Consulting Actuaries Limited (ACA) in connection with agenda papers 12B and 12C (Amendments to IAS 19 and IFRIC 14) for tomorrow's IASB Meeting.

The IASB is about to consider starting the balloting process for the proposed changes to IAS 19 and IFRIC 14. We are concerned that there is not sufficient clarity on the position of the Interpretation Committee and the Board regarding drafting changes to the wording of proposed paragraph 12A of IFRIC 14.

Discussions have taken place at meetings in September 2016¹ and December 2016² on whether reference should be made to third-party powers to settle benefits in proposed paragraph 12A. This would be a significant departure from the wording in the exposure draft (which referred only to third-party wind-up powers) for entities with UK defined benefit pension plans. The Association of Pension Lawyers wrote to the Board on 7 December 2016³ to explain why there is a significant distinction between these powers and we do not repeat them here.

We note that paragraph 6.26 of the IFRS Foundation Due Process Handbook states:

“The IASB needs to consider whether the revised proposals include any fundamental changes on which respondents have not had the opportunity to comment because they were not contemplated or discussed in the Basis for Conclusions accompanying the Exposure Draft. The IASB also needs to consider whether it will learn anything new by re-exposing the proposals.”

¹ IFRS Interpretation Committee Meeting, September 2016. Ref: agenda paper 3A, paragraph 71

² IASB Meeting, December 2016. Ref: agenda paper 12B, paragraph 62

³ http://www.ifrs.org/Current-Projects/IASB-Projects/IFRIC-14-19/Documents/AOPL_Comment_Letter.pdf

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In our view any reference to a third-party power to settle benefits would be a fundamental change for many entities with a UK defined benefit pension plan as there will be differences in interpretation depending on the precise wording in each plan's rules, leading to substantial costs, legal uncertainty and diversity in practice for business and users of accounts.

We believe that the original wording proposed in paragraph 12A was clear. If the IASB considers that it is necessary to refine the drafting for further clarity, then we would suggest:

“An entity does not have an unconditional right to a refund of a surplus on the basis of assuming the gradual settlement described in paragraph 11(b) if other parties (for example, the plan trustees) can fully settle the plan liabilities in a single event as a plan wind up without the entity's consent.”

If the IASB wishes to amend the drafting to more broadly refer to third-party powers to settle benefits then we would ask the IASB to re-expose a revised proposal on the basis of a fundamental change.

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We would be pleased to answer any questions you may have.

Yours faithfully

Andrew Mandley

On behalf of

ACA Accounting Standards Committee

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