



STAFF PAPER

June 2019

IFRS® Interpretations Committee meeting

Project	Effect of a potential discount on plan classification (IAS 19)		
Paper topic	Agenda decision to finalise		
CONTACT(S)	Satenik Vanyan	svanyan@ifrs.org	+44 (0) 20 7246 6918
	Jawaid Dossani	jdossani@ifrs.org	+44 (0) 20 7332 2742

This paper has been prepared for discussion at a public meeting of the IFRS Interpretations Committee (Committee) and does not represent the views of the International Accounting Standards Board (Board), the Committee or any individual member of the Board or the Committee. Comments on the application of IFRS Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Decisions by the Board are made in public and reported in IASB® *Update*. Decisions by the Committee are made in public and reported in IFRIC® *Update*.

Introduction

1. The IFRS Interpretations Committee (Committee) received a submission about the classification of a post-employment benefit plan applying IAS 19 *Employee Benefits*. The submitter asked whether a potential discount on plan contributions made by the sponsoring entity affects the classification of the plan as either a defined contribution plan or a defined benefit plan.
2. In March 2019 the Committee published a tentative agenda decision. In that tentative agenda decision, the Committee concluded that, in the fact pattern described in the submission, the existence of the potential discount would not in itself result in classifying the plan as a defined benefit plan applying IAS 19.
3. The objective of this paper is to:
 - (a) analyse comments on the tentative agenda decision; and
 - (b) ask the Committee whether it agrees with our recommendation to finalise the agenda decision.

Structure of the paper

4. This paper includes:
 - (a) comment letter summary;
 - (b) staff analysis; and
 - (c) staff recommendation.
5. There are three appendices to this paper:
 - (a) Appendix A—proposed wording of the agenda decision;
 - (b) Appendix B—requirements in IAS 19 relating to classification; and
 - (c) Appendix C—comment letters.

Comment letter summary

6. We received ten comment letters by the comment letter deadline. All comment letters received, including any late comment letters, are available on our [website](#). This agenda paper includes analysis of only the comment letters received by the comment letter deadline, reproduced in Appendix B to this paper.
7. Six respondents (the Malaysian Accounting Standards Board, the Institute of Chartered Accountants of India, the Institute of Indonesia Chartered Accountants, the National Board of Accountants and Auditors Tanzania, the Taiwan Accounting Research and Development Foundation and Petrobras) agree with the Committee's decision not to add the matter to its standard-setting agenda for the reasons outlined in the tentative agenda decision.
8. Although not disagreeing with the Committee's decision to publish an agenda decision, Deloitte, PwC, EY and the Accounting Standards Committee of Germany (ASCG) disagree with aspects of the Committee's technical analysis of this matter.
9. Respondents' comments, together with our analysis, are presented below.

Staff analysis

The Committee's technical analysis

Actuarial and investment risk

Respondents' comments

10. PwC, EY and Deloitte say in determining the classification of a post-employment benefit plan, it is important to assess whether actuarial and investment risk fall in substance on the employer (defined benefit plan) or the employee (defined contribution plan). Paragraphs 28 and 30(b) of IAS 19 (reproduced in Appendix B to this paper) describe actuarial and investment risk. In particular, paragraph 30(b) states that 'under defined benefit plans ... (b) actuarial risk (that benefits will cost more than expected) and investment risk fall, in substance, on the entity...'
11. These respondents say the tentative agenda decision takes a narrow view of the reference to actuarial risk in paragraph 30(b) and downside risk in paragraph BC29 (see Appendix B to this paper). In their view, if contributions were structured so that the entity expects to receive a discount, the risk of failure to receive that discount constitutes actuarial risk for the entity because 'the benefits will cost more than expected'. They say the entity is exposed to downside risk in this situation. The ASCG says that 'if a discount was an inherent feature of the plan and if, in addition, an entity had an initial expectation of achieving a discount—such plans would be more akin to a [defined benefit] plan. In contrast, if the discount was rather incidental and unexpected, such plans could qualify...as [defined contribution plans].'. Similarly, Deloitte says 'the agenda decision gives a misleading impression that if a plan specifies a maximum amount, no matter how high, above which an employer would not be obligated to contribute in a given year, this is sufficient to conclude that the employer does not bear the actuarial risk and investment risk...'
12. EY says there is tension in the wording of the Standard—paragraph 29(a) of IAS 19 describes downside risk as an obligation to 'provide further contributions', whilst paragraph 30(b) describes this risk in relation to expectations, ie 'benefits will cost more than expected'. PwC also says paragraph BC29 states that the definitions focus

on the downside risk that ‘the cost to the entity may increase’, not only on the contributions to the plan.

Staff analysis

13. We agree that it is important to assess whether actuarial and investment risk fall in substance on the employer (defined benefit plan) or the employee (defined contribution plan). We note that the description of those plans in paragraphs 28 and 30 of IAS 19 focuses on the entity’s obligation to provide post-employment benefits and then goes on to describe who bears any resulting actuarial and investment risk.
14. In our view, the distinction between a defined contribution plan and a defined benefit plan in IAS 19 is all about what the entity has promised (legally or constructively) to employees, and thus what the entity’s obligation is towards employees:
 - (a) is the entity’s obligation to pay fixed contributions to a fund, and that is it? There is no possibility that the entity will be obliged (either legally or constructively) to pay more if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. If so, the plan is a defined contribution plan; or instead
 - (b) is the entity’s obligation to provide agreed benefits? If so, the plan is a defined benefit plan.
15. Paragraph 28 of IAS 19 states (emphasis added):

Under defined contribution plans the entity’s legal or constructive *obligation is limited to the amount that it agrees to contribute to the fund*. Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by an entity (and perhaps also the employee) to a post-employment benefit plan or to an insurance company, together with investment returns arising from the contributions. In consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall, in substance, on the employee.

16. Similarly, paragraph 30 of IAS 19 states (emphasis added):

Under defined benefit plans:

(a) the entity's *obligation is to provide the agreed benefits* to current and former employees; and

(b) actuarial risk (that benefits will cost more than expected) and investment risk fall, in substance, on the entity. If actuarial or investment experience are worse than expected, the entity's obligation may be increased.

17. We think the description of actuarial and investment risks in paragraphs 28 and 30 links to the respective descriptions of defined contribution and defined benefit plans in the first part of those paragraphs. That is, when paragraph 30 refers to cost being more than expected, the expected costs are those that are expected for the entity to meet its obligation to provide agreed benefits to employees. Similarly, when paragraph 28 refers to benefits being less than expected, and assets invested being insufficient to meet expected benefits, the expected benefits are those that are expected based on the contributions made by the employer and the employee, plus expected investment returns on those contributions.
18. Consequently, we think any assessment of expected benefits or costs is made in the context of the entity's obligation towards employees.
19. In the fact pattern described in the submission, the entity's obligation is to pay fixed annual contributions to the plan. The entity has determined that it will have no legal or constructive obligation to pay further contributions if the plan does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. This is different from a scenario in which an entity has an obligation to provide agreed benefits to employees and decides, for operational or financial reasons, to pay into the fund contributions that are so much higher that it does not expect to be required to pay additional amounts in the future relating to employee service in the current and prior periods. In the latter situation, the entity does not have an *obligation* to pay the higher amount—it simply chooses to do so. In that case, the plan would be a defined benefit plan.

20. Some would suggest distinguishing between plans based on whether an entity *expects* to receive a discount on a regular basis. However, we think IAS 19 does not provide requirements to distinguish between plans on this basis. Instead, as discussed in paragraphs 13–19 of this paper, we think the focus of the definition of a defined contribution plan, and related requirements on classification in IAS 19, is on the entity’s obligation towards employees.

Fixed contributions

[Respondents’ comments](#)

21. Paragraph 8 of IAS 19 defines defined contribution plans as (emphasis added): ‘post-employment benefit plans under which an entity pays *fixed* contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.’ PwC and EY say it is not clear that contributions are fixed if they could be partially refunded.

[Staff analysis](#)

22. We think the fact that a contribution could be partially refunded in the future does not preclude a contribution from being ‘fixed’. As mentioned in [Agenda Paper 9](#) of the Committee’s March 2019 meeting, we think the term ‘fixed contributions’ within the definition of defined contribution plans refers to contributions in relation to employee service in the current and prior periods that cannot be increased. That view aligns with the description of a defined contribution plan in paragraph 28 of IAS 19: ‘under defined contribution plans the entity’s legal or constructive obligation is limited to the amount that it agrees to contribute to the fund...’.
23. That view also aligns with a previous Committee discussion on a related matter. In July 2011, the Committee published the agenda decision [Defined Contribution Plans with Vesting Conditions](#). That agenda decision discusses a plan for which an entity could receive a refund of contributions (or a reduction in future contributions) if employees fail to meet a vesting condition. The agenda decision first considers whether the possible refund resulting from failure to meet the vesting conditions

would affect the plan's classification as a defined contribution plan. The agenda decision states (emphasis added):

The Interpretations Committee received a request seeking clarification on the effect that vesting conditions have on the accounting for defined contribution plans. The Committee was asked whether contributions to such plans should be recognised as an expense in the period for which they are paid or over the vesting period. In the examples given in the submission, the employee's failure to meet a vesting condition *could result in the refund of contributions to, or reductions in future contributions by, the employer.*

The Committee noted from the definition of a defined contribution plan in paragraph [8] of IAS 19 and the explanation in paragraph[s] [BC28–BC29] of IAS 19 that vesting conditions *do not affect the classification of a plan as a defined contribution plan* if the employer is not required to make additional contributions to cover shortfalls because of these vesting conditions. ...

24. We also note that paragraph 51(a) of IAS 19 acknowledges that, for a defined contribution plan, entities might receive a reduction in future payments or a cash refund:

When an employee has rendered service to an entity during a period, the entity shall recognise the contribution payable to a defined contribution plan in exchange for that service: (a) as a liability...If the contribution already paid exceeds the contribution due for service before the end of the reporting period, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

Other matters

Respondents' comments

25. EY says:
- (a) paragraph 28 of IAS 19 states that in a defined contribution plan ‘the amount of the post-employment benefits received by an employee is determined by the amount of contributions paid by an entity..., together with investment returns arising from the contributions.’ The presence of a benefit formula (that enables a surplus to arise) means it is likely that benefits are not *determined by* the contributions, and thus that the plan is a defined benefit plan.
 - (b) the tentative agenda decision places too much reliance on the basis for conclusions, without properly analysing the requirements in IAS 19 itself.

Staff analysis

26. We disagree with EY. In particular:
- (a) we note that the Board amended IAS 19 in 2011. As part of those amendments, the Board changed the example of a defined benefit plan in paragraph 29(a) as follows: ‘a plan benefit formula that is not linked solely to the amount of contributions and requires the entity to provide further contributions if assets are insufficient to meet the benefits in the plan benefit formula’. Paragraph BC30 of IAS 19 (see appendix B to this paper) explains the Board’s rationale for that amendment—paragraph BC30 explains that the amendment clarifies that a plan is a defined contribution plan when the benefit payments are based on the lower of a benefit formula and plan assets available. In other words, a plan can be a defined contribution plan even though, in some situations, the benefits might be determined by a benefit formula.
 - (b) the tentative agenda decision focuses primarily on the requirements in paragraphs 8 and 27–30 of IAS 19 and makes only one reference to the Basis for Conclusions. That reference reproduces an extract from

paragraph BC29 that we think is helpful in providing context for the definitions and classification requirements in IAS 19.

Economically similar plans and structuring opportunities

Respondents' comments

27. Deloitte and PwC say the agenda decision could lead to inconsistent accounting between economically similar plans. For example, PwC says a plan with very high initial contributions (with an expectation of a future discount and/or return of contributions) might be classified as a defined contribution plan, but a plan with lower initial contributions (and an expectation of making further payments) might be classified as a defined benefit plan. Therefore, plans that expose an employer in substance to the same level of economic risks might be classified differently simply because of the level at which contributions are set. EY says the Committee's analysis on this matter should have 'due regard to the likely wider application [of the agenda decision] which could include structuring opportunities.'

Staff analysis

28. As discussed earlier in paragraphs 13–20 of this paper, we think the classification of a post-employment benefit plan as defined benefit or defined contribution depends on the entity's obligation towards employees. An entity would classify as defined contribution plans those plans for which its legal and constructive obligation is limited to the amount it has agreed to contribute to the fund, and classify all other plans as defined benefit plans.
29. We acknowledge that two plans for which an entity ultimately incurs the same cost could be classified differently. However, those plans will be classified differently *only* when the entity's obligations are in fact different—in a defined contribution plan, the entity's obligation towards employees is to make agreed contributions; in a defined benefit plan, the entity's obligation towards employees is to provide agreed benefits.
30. This is no different from some other classifications/assessments in IFRS Standards—for example, an entity requiring the transportation of its goods could either decide to

lease a number of vans for 3 years (together with servicing and maintenance being provided by the lessor), or outsource the transportation to a van transportation entity by signing a 3-year service contract. Economically, the entity might incur very similar costs of transportation under both contracts, however the accounting would be different reflecting the fact that the entity's rights and obligations are different in those two contracts.

31. In addition, as discussed in paragraph 20 of this paper, when assessing classification of a plan, an entity assesses its *obligation* to make a fixed contribution and not whether it voluntarily decides to make that contribution. It is also essential that an entity appropriately assesses whether it will have any legal or constructive obligation to pay further contributions for employee service in the current and prior periods—this aspect of the definition of a defined contribution plan is highlighted in the agenda decision. We think these factors limit potential structuring opportunities.

Summary of fact pattern and consideration of all facts and circumstances

Respondents' comments

32. Deloitte and PwC say the fact pattern described in the submission (and the tentative agenda decision) is not sufficiently detailed to permit a conclusion on the classification of the plan. Deloitte says the presence of a potential discount when the ratio of plan assets to plan liabilities exceeds a set level can often imply that the opposite is also true, ie if the plan does not hold sufficient assets to pay all employee benefits, then further contributions may be required in a subsequent period.
33. PwC and the ASCG say the tentative agenda decision focuses narrowly on only one specific feature—the potential maximum payment (and the related discount). This, together with the highly summarised nature of the fact pattern described in the submission, could give a misleading impression of the analysis required to determine the classification of many employee benefit arrangements. PwC and EY also say the fact pattern described in the submission is not common.
34. EY says although the conclusion in the tentative agenda decision is not definitive, 'there is nothing else in the discussion which would suggest that the plan is defined

benefit in nature. That means most readers would conclude that the question submitted has been answered and that the plan is a defined contribution plan.’

35. Deloitte, PwC, EY and the ASCG all suggest revising the agenda decision to highlight the need to consider the substance of the arrangement and all relevant terms and conditions when assessing the classification of the plan including, for example, an analysis of the plan benefit formula and the manner in which annual contributions and the discount are determined. PwC also suggests revising the tentative agenda decision to state that the fact pattern does not provide enough information to determine the classification of the plan.

Staff analysis

36. We agree that, in classifying a post-employment benefit plan, it is essential to consider all relevant terms and conditions of the plan, as well as any informal practices that might give rise to a constructive obligation (as described in paragraph 4(c) of IAS 19¹). We also agree that, when a potential discount exists as in the fact pattern described in the submission, an entity would consider the manner in which annual contributions and any potential discount are determined (including the target ratio/benefit formula). We think it would be helpful to add these considerations to the agenda decision and recommend doing so (see Appendix A to this paper).
37. We understand that the presence of a potential discount when the ratio of plan assets to plan liabilities exceeds a set level could imply that the opposite is also true, ie if the plan does not hold sufficient assets to pay all employee benefits, then further contributions may be required in a subsequent period relating to employee service in the current and prior periods—if that were the case, the plan would be a defined benefit plan. However, this fact is not part of the fact pattern described in the submission. We think we would be unresponsive to the question in the submission if we were to change the facts.

¹ Paragraph 4(c) of IAS 19 states that ‘informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity’s informal practices would cause unacceptable damage to its relationship with employees’.

38. In describing the fact pattern in the agenda decision, we note that the terms and conditions of the plan listed are ‘the relevant terms and conditions’. We think this helps to avoid the agenda decision being read as applying to a wider set of circumstances than would be appropriate. We recommend enhancing the wording by noting that the terms and conditions listed are ‘the only relevant terms and conditions’. There is always a risk that stakeholders might read the explanatory material to apply more widely than would be appropriate—however, that risk exists for all agenda decisions with explanatory material as well as for all illustrative examples accompanying IFRS Standards.
39. We note that the agenda decision does not conclude on the classification of the plan. In responding to the question asked, it states that, in the fact pattern described in the request, the existence of a right to a potential discount would not in itself result in classifying the plan as a defined benefit plan applying IAS 19.

Staff recommendation

40. On the basis of our analysis, we recommend finalising the agenda decision as published in *IFRIC Update* in March 2019, subject to the changes discussed in paragraph 36 and 38 of this paper and some editorial changes. Appendix A to this paper sets out the proposed wording of the final agenda decision.

Question for the Committee

Does the Committee agree with our recommendation to finalise the agenda decision set out in Appendix A to this paper?

Appendix A—proposed wording of the agenda decision

A1. We propose the following wording for the final agenda decision (new text is underlined and deleted text is struck through).

Effect of a potential discount on plan classification (IAS 19 *Employee Benefits*)

The Committee received a request about the classification of a post-employment benefit plan applying IAS 19. In the fact pattern described in the request, an entity sponsors a post-employment benefit plan (the plan) that is administered by a third party. The only relevant terms and conditions of the plan are as follows:

- (a) the entity has an obligation to pay fixed annual contributions to the plan. The entity has determined that it will have no legal or constructive obligation to pay further contributions if the plan does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
- (b) the entity is entitled to a potential discount on its annual contributions. The discount arises if the ratio of plan assets to plan liabilities exceeds a set level. Thus, any discount might be affected by actuarial assumptions and the return on plan assets.

The request asked whether the existence of ~~the~~ a right to a potential discount would result in a defined benefit plan classification applying IAS 19.

Paragraph 8 of IAS 19 defines defined contribution plans as ‘post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.’ Defined benefit plans are ‘post-employment benefit plans other than defined contribution plans.’

Paragraphs 27–30 of IAS 19 specify requirements relating to the classification of post-employment benefit plans as either defined contribution plans or defined benefit plans.

Paragraph 27 states that ‘post-employment benefit plans are classified as either defined contribution or defined benefit plans, depending on the economic substance of the plan as

derived from its principal terms and conditions.’ The Committee therefore noted the importance of assessing all relevant terms and conditions of a post-employment benefit plan, as well as any informal practices that might give rise to a constructive obligation, in classifying the plan. That assessment would identify whether:

(a) the entity’s legal or constructive obligation towards employees is limited to the amount that it agrees to contribute to the fund (a defined contribution plan as described in paragraph 28); or

(b) the entity has an obligation to provide the agreed benefits to current and former employees (a defined benefit plan as described in paragraph 30).

The Committee noted that, in the fact pattern described in the request, assessing the relevant terms and conditions of the plan would include, for example, assessing the manner in which annual contributions and any potential discount (including the target ratio) are determined.

The Committee observed that ~~the definition of defined contribution plans requires that an entity will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.~~ to meet the definition of a defined contribution plan, ~~the~~ an entity must ~~therefore~~ (a) have an obligation towards employees to pay fixed contributions into a fund; and (b) not be obliged to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current or prior periods. For example, there should be no possibility that future contributions could be set to cover shortfalls in funding employee benefits relating to employee service in the current and prior periods.

The Committee also observed that paragraphs 28 and 30 of IAS 19 specify that, under defined contribution plans, actuarial risk and investment risk fall in substance on the employee whereas, under defined benefit plans, those risks fall in substance on the entity. Paragraphs 28 and 30 describe (a) actuarial risk as the risk that benefits will cost the entity more than expected or will be less than expected for the employee; and (b) investment risk as the risk that assets invested will be insufficient to meet expected benefits.

~~Paragraph 28 of IAS 19 states that ‘under defined contribution plans the entity’s legal or~~

~~constructive obligation is limited to the amount that it agrees to contribute to the fund.²~~

Paragraph BC29 of IAS 19 explains that the definition of defined contribution plans ~~focuses on the downside risk that the cost to the entity may increase; the definition~~ does not exclude the upside potential that the cost to the entity may be less than expected.

Consequently, the Committee concluded that, in the fact pattern described in the request, the existence of ~~the~~ a right to a potential discount would not in itself result in classifying the plan as a defined benefit plan applying IAS 19.

The Committee noted that, applying paragraph 122 of IAS 1 *Presentation of Financial Statements*, an entity would disclose ~~any~~ the judgements that its management has made regarding the classification of post-employment benefit plans if those are part of the judgements that had the most significant effect on the amounts recognised in the financial statements.

The Committee concluded that the requirements in IAS 19 provide an adequate basis for an entity to determine the classification of a post-employment benefit plan as a defined contribution plan or a defined benefit plan. Consequently, the Committee {decided} not to add this matter to its standard-setting agenda.

Appendix B—requirements in IAS 19 relating to classification

B1. Paragraphs 27–30 of IAS 19 state:

27. Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions.

28. Under defined contribution plans the entity's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by an entity (and perhaps also the employee) to a post-employment benefit plan or to an insurance company, together with investment returns arising from the contributions. In consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall, in substance, on the employee.

29. Examples of cases where an entity's obligation is not limited to the amount that it agrees to contribute to the fund are when the entity has a legal or constructive obligation through:

(a) a plan benefit formula that is not linked solely to the amount of contributions and requires the entity to provide further contributions if assets are insufficient to meet the benefits in the plan benefit formula;

(b) a guarantee, either indirectly through a plan or directly, of a specified return on contributions; or

(c) those informal practices that give rise to a constructive obligation. For example, a constructive obligation may arise where an entity has a history of increasing benefits for former employees to keep pace with inflation even where there is no legal obligation to do so.

30. Under defined benefit plans:

(a) the entity's obligation is to provide the agreed benefits to current and former employees; and

(b) actuarial risk (that benefits will cost more than expected) and investment risk fall, in substance, on the entity. If actuarial or investment

experience are worse than expected, the entity's obligation may be increased.

B2. Paragraphs BC28–BC30 of the Basis for Conclusions on IAS 19 state:

Defined contribution plans

BC28. IAS 19 before its revision in 1998 defined:

(a) **defined contribution plans** as retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to contributions to a fund together with investment earnings thereon; and

(b) **defined benefit plans** as retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' remuneration and/or years of service

BC29. IASC considered these definitions unsatisfactory because they focused on the benefit receivable by the employee, rather than on the cost to the entity. The definitions introduced in 1998 focused on the downside risk that the cost to the entity may increase. The definition of defined contribution plans does not exclude the upside potential that the cost to the entity may be less than expected.

Defined benefit plans: amendments issued in 2011

BC30. The amendments made in 2011 clarify that the existence of a benefit formula does not, by itself, create a defined benefit plan, but rather that there needs to be a link between the benefit formula and contributions that creates a legal or constructive obligation to contribute further amounts to meet the benefits specified by the benefit formula. This amendment to paragraph 29 addressed a concern that can arise when a plan has a benefit formula determining the benefits to be paid if there are sufficient plan assets, but not requiring the employer to pay additional contributions if there are insufficient plan assets to pay those benefits. In effect, the benefit payments are based on the lower of the benefit formula and the plan assets available. The amendments clarify that such a plan is a defined contribution plan.

Appendix C—comment letters

14 May 2019

Sue Lloyd
Chair
IFRS Interpretations Committee
Columbus Building
7 Westferry Circus
Canary Wharf
London
United Kingdom
E14 4HD

Dear Ms Lloyd

Tentative agenda decision – IAS 19 Employee Benefits: Effect of a Potential Discount on Plan Classification

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretations Committee's publication in the March 2019 IFRIC Update of the tentative decision not to take onto the Committee's agenda the request for clarification on the classification of a specific type of post-employment benefit plan.

While we agree with the IFRS Interpretations Committee's decision not to add this item onto its agenda, we do not believe that the tentative agenda decision adequately identifies the principles applicable to an analysis of the fact pattern. In addition, we do not believe that the terms and conditions of the plan as presented in the tentative agenda decision are sufficiently detailed to permit a conclusion on the classification of the plan as a defined contribution plan or defined benefit plan. In particular, the presence of a potential discount where the ratio of plan assets to plan liabilities exceeds a set level can often imply that the opposite is also true, i.e. if the plan does not hold sufficient assets to pay all employee benefits then further contributions may be required in a subsequent period.

We believe that paragraphs 28 and 30 of IAS 19 establish the principle that the classification of a plan is based on whether the employees bear, in substance, the actuarial and investment risks. Accordingly, reaching a conclusion on the classification of a benefit plan requires a holistic understanding of the substance of the benefit plan and its principal terms and conditions including, among other things, an analysis of the plan benefit formula and the manner in which annual contributions and the discount are determined. Analysis of these factors will lead to a determination of whether the employer bears a meaningful portion of the actuarial or investment risk (defined benefit plan) or all, or substantially all, of such risks is borne by the employees (defined contribution plan). The relevance and analysis of these factors is omitted from the tentative agenda decision.

Further, we are concerned that the tentative agenda decision gives the misleading impression that if a plan specifies a maximum amount, no matter how high, above which an employer would not be obligated to contribute in a given year, this is sufficient to conclude that the employer does not bear the actuarial risk and investment risk (and therefore that the plan is a defined contribution plan). The narrow view of what constitutes downside risk may result in classifying differently plans that expose an employer in substance to the same level of risks simply because of the level at which the contributions are set. In other words, establishing a maximum obligation while there is substantial variability to the entity below the maximum should not mean the entity does not bear risk.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte Touche Tohmatsu Limited is a private company limited by guarantee incorporated in England & Wales under company number 07271800, and its registered office is Hill House, 1 Little New Street, London, EC4a, 3TR, United Kingdom.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0) 20 7007 0884.

Yours sincerely

A handwritten signature in grey ink, appearing to read 'V. Poole', with a stylized flourish at the end.

Veronica Poole
Global IFRS Leader



Ms Sue Lloyd
Chair, IFRS Interpretations Committee
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD

15 May 2019

Dear Sue

Tentative agenda decision – Effect of a Potential Discount on Plan Classification (IAS 19 Employee Benefits)

We are pleased to respond to your invitation to comment on the tentative agenda decision – Effect of a Potential Discount on Plan Classification (IAS 19 *Employee Benefits*)—published in March 2019, on behalf of PricewaterhouseCoopers.

Following consultation with members of the PricewaterhouseCoopers network of firms, this response summarises the views of member firms who commented on the tentative agenda decision. “PricewaterhouseCoopers” refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

We are concerned that the analysis in the tentative agenda decision is too narrow and might in some circumstances lead to inappropriate accounting.

We understand that the Committee has addressed the specific fact pattern in the submission and that the analysis in the tentative agenda decision is restricted to the question the Committee was asked. However, we are concerned that the fact pattern in the submission was highly summarised and that the analysis might therefore not properly consider the range of circumstances that exist in employee benefit plans. This could lead to inappropriate accounting if the analysis in the agenda decision is applied without considering the substance of the arrangement as a whole.

We observe that plans such as the one described in the fact pattern are not common. We are also concerned that the focus in the tentative agenda decision on one specific feature of a rare type of arrangement might give a misleading impression of the analysis required to determine the classification of many employee benefit arrangements.

Employee benefit plans take many forms and the terms of specific plans may vary significantly even within a single jurisdiction. It is therefore important that entities consider all of the terms and conditions and any other relevant facts to determine whether an individual plan is classified as a defined benefit plan or defined contribution plan. We acknowledge that there might be circumstances where an individual factor does not, in itself, determine the classification of the plan. We are, however, concerned that the focus in the tentative agenda decision on one aspect of the arrangement might be misunderstood to imply that it is not necessary to consider the overall substance of the arrangement or suggest that the classification of the plan can be determined by considering only individual features or elements of the plan.

PricewaterhouseCoopers International Limited, 1 Embankment Place, London WC2N 6RH
T: +44 (0) 20 7583 5000, F: +44 (0) 20 7212 4652, www.pwc.co.uk



We observe that the analysis in the tentative agenda decision might result in inconsistent accounting between economically similar plans – for example, a plan in which the contributions are initially set very high with an expectation of a future discount and/or a return of contributions to the sponsoring entity might be classified as a defined contribution plan, but a plan with lower initial contributions and an expectation of making further payments might be classified as a defined benefit plan.

We also observe that:

- The tentative agenda decision takes a narrow view of the statement in paragraph 30(b) of IAS 19 that under defined benefit plans, actuarial risk (that benefits will cost more than expected) and investment risk fall, in substance, on the entity. It is not clear why the possibility of not receiving an expected rebate or refund is not a risk to the entity.
- The tentative agenda decision takes a narrow view of the reference in paragraph BC 29 of IAS 19 to downside risk. There is downside risk for an entity that expects a discount or a refund that does not materialise. We note that BC29 of IAS 19 states that the definition focuses on the downside risk that ‘the cost to the entity may increase’, not only on the contributions to the plan.
- The tentative agenda decision suggests that the contributions in the fact pattern are ‘fixed’ contributions. It is not clear that a contribution that might be returned or refunded is fixed.
- The fact pattern in the request is different from plans in which the contributions are subject to vesting conditions (with forfeited amounts reducing the sponsor’s future contributions) and different from the arrangements described in paragraph BC 30 of IAS 19, which addresses only whether the existence of a benefit formula is enough for a plan to be a defined benefit plan.

We believe it is important that the assessment of a particular plan considers the substance of the plan as a whole and in particular whether the risk that the promised benefits will cost more than expected falls onto the entity.

Consequently, we suggest the tentative agenda decision be revised to:

- State that the fact pattern described in the request does not provide enough information, to determine the classification of the plan in accordance with paragraph 28 of IAS 19.
- Focus more clearly on the need to consider the substance of the arrangements. For example, paragraph 27 of IAS 19 states that post-employment benefits are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan.
- Specify that an entity should consider all relevant facts in assessing the classification of a specific plan. These might include for example, how the discount is determined, how any contribution schedule is determined, any interaction between the discount and targeted benefits payable/future contributions, and any potential direct entitlement of the beneficiaries from the entity. This analysis should particularly consider the risks to the entity that the benefits will cost more than expected and not consider solely whether the entity can be required to make additional contributions to the fund.



- Be clear that individual features, in isolation, do not determine whether the plan is a defined contribution plan or defined benefit plan. The substance of the arrangement as a whole should be considered to determine the classification.

If you have any questions in relation to this letter please do not hesitate to contact Henry Daubeney, PwC Global Chief Accountant and Head of Reporting (+44(0)78 415 69635).

Yours sincerely,

PricewaterhouseCoopers

PricewaterhouseCoopers

IFRS Interpretations Committee
Columbus Building
7 Westferry Circus
Canary Wharf
London
E14 4HD

15 May 2019

Dear IFRS Interpretations Committee members,

Invitation to comment - Tentative Agenda Decision: Effect of a Potential Discount on Plan Classification (IAS 19)

Ernst & Young Global Limited, the central coordinating entity of the global EY organisation, welcomes the opportunity to offer its views on the above tentative agenda decision of the IFRS Interpretations Committee (the Committee), which was published in the March 2019 *IFRIC Update*.

The Committee received a request about the classification of a post-employment benefit plan applying IAS 19 *Employee Benefits*. The Committee concluded that the requirements in IAS 19 provide an adequate basis for an entity to determine the classification of a post-employment benefit plan as a defined contribution plan or a defined benefit plan and that, in the fact pattern described in the request, the existence of a potential discount would not in itself result in classifying the plan as a defined benefit plan applying IAS 19.

1 Summary

We do not support the tentative agenda decision as it is drafted.

Whilst the specific question raised with the Committee is not a commonplace arrangement, there is a likelihood that new plans will emerge which blur the traditional distinction between plan types. For this reason we think a full analysis is needed, having due regard to likely wider application which could include structuring opportunities.

Our principle reasons for not supporting the tentative agenda decision are twofold. First, read literally, it is ambiguous regarding the specific question put to the Committee. However, it does give a strong impression that the arrangement in the original question should be accounted for as a defined contribution plan. This is a misjudgement in our view. Second, we do not consider the technical analysis supporting the tentative agenda decision to be robust or complete. These two main points are discussed at 2 and 3 below.

Whilst we disagree with how the tentative agenda decision describes the issues involved (see 2 below), we do agree that 'the requirements in IAS 19 provide an adequate basis for an entity to determine the classification of a post-employment benefit plan'. In our view the agenda decision should not focus on whether one single provision of the plan is determinative. Rather, we urge the Committee to explore fully the matters we discuss below,

in particular the meaning of 'fixed contributions' and of 'downside risk' and to stress that judgement is needed in light of all of the circumstances, with the guiding principle being whether the reporting entity faces actuarial risk or investment risk or both.

2 The decision may be viewed as a definitive 'answer'

As one would expect, the tentative agenda decision does not attempt to set out a precise factual analysis and then move on to a definitive conclusion.

The conclusion it reaches is that 'the existence of the potential discount would not in itself result in classifying the plan as a defined benefit plan' [our emphasis].

The problem we see with this is that there is nothing else in the discussion which would suggest the plan is defined benefit in nature. This means most readers would conclude that the question submitted has been 'answered' and that the plan is a defined contribution plan. It is perhaps unnecessary to point out that a complete analysis would need to start with the precise terms that determine the amounts beneficiaries will receive and the rights and obligations of the employer. Only this analysis could elucidate how a surplus might arise, which would be a necessary precursor for any refund.

Our understanding is that, currently, plans like the one being discussed are accounted for as defined benefit plans and we do not think it would be an improvement, either to the accounting treatment or the required disclosures,¹ to change this.

3 Technical analysis

In our view the analysis falls short in a number of areas. In summary, the discussion:

- Reproduces the two-part definition of a defined contribution plan, but essentially leaves unexplored the first part, i.e., that contributions be 'fixed';
- Refers selectively to the discussion in paragraphs 28-30 of IAS 19 by focusing on an absence of downside risk. Furthermore, we think it fails to explore what is meant by 'downside' in this regard; and
- Draws on the basis for conclusions as a significant part of the analysis whilst not adequately dealing with the text of the standard itself.

In our view a more robust discussion would need also to cover the following:

- The meaning of 'downside risk' which plays an important part in the discussion. The analysis equates downside risk with the possibility of paying more cash in the future and thereby fails to recognise and discuss a certain 'tension' in the language of the standard. Whilst paragraph 29(a) of IAS 19 uses the words 'provide further contributions', in paragraph 30(b) this risk is described in relation to *expectations*, thus: 'benefits will cost more than expected'. In our view, the failure to receive a return of contributions which has been 'expected' is indeed an example of benefits costing more than expected and, hence, indicative of a defined benefit arrangement, as discussed in paragraph 30(b) of IAS 19;

¹ For example, when classified as a defined contribution plan, it is unclear when an 'overfunded' arrangement of the type discussed would constitute an asset. In addition, IAS 19 requires an entity to disclose only the amount recognised as an expense for defined contribution plans.

- The requirement in the definition that contributions must be ‘fixed’. The natural meaning of that word does not obviously extend to an initial payment which may, in some circumstances, be partially returned in the future;
- Paragraph 28 of IAS 19 states that in a defined contribution plan the benefits received by an employee are determined by amounts contributed plus investment returns. Much may turn on one’s reading of ‘determined by’, but we think there is a likelihood that the presence of a benefit formula which enables a surplus to arise would not meet that requirement; and
- The basis for conclusions does not, strictly speaking, form part of IFRS as that term is defined in IAS 1 *Presentation of Financial Statements*; nor is it mentioned in the ‘hierarchy’ set out in paragraphs 11 and 12 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Whilst, in general, we would consider the basis for conclusions to be a relevant and persuasive ‘accompaniment’ to IFRS, it seems to us that the tentative agenda decision places too much reliance on it in this instance, to the detriment of the requirements in the standard itself – particularly in light of the points above.

Should you wish to discuss the contents of this letter with us, please contact Leo van der Tas at the above address or on +44 [0]20 7951 3152.

Yours faithfully

Ernst + Young Global Limited

10th May, 2019

Ms Sue Lloyd,
Chair, IFRS Interpretations committee,
IFRS Foundation,
London, UK

Dear Ms Sue,

Subject: Tentative Agenda Decision (TAD) March, 2019 – Public Comments by May 15th, 2019

The Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India (the ICAI) welcomes the following four tentative agenda decisions of IFRS Interpretations Committee published in March 2019:

1. Costs to Fulfil a Contract (IFRS 15)
2. Holdings of Cryptocurrencies
3. Effect of a Potential Discount on Plan Classification (IAS 19)
4. Subsurface Rights (IFRS 16)

We agree with the above mentioned clarifications.

With kind regards

CA. M.P Vijay Kumar

Chairman
Accounting Standards Board
Institute of Chartered Accountants of India

15 May 2019

Ms. Sue Lloyd
Chair
IFRS Interpretations Committee
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Ms. Lloyd

Tentative Agenda Decisions

The Malaysian Accounting Standards Board (MASB) welcomes the opportunity to provide comments on the following Tentative Agenda Decisions:

- (1) Tentative Agenda Decision – Subsurface Rights (IFRS 16 *Leases*).
- (2) Tentative Agenda Decision – Effect of a Potential Discount on Plan Classification (IAS 19 *Employee Benefits*).
- (3) Tentative Agenda Decision – Holdings of Cryptocurrencies.

We agree with the Interpretations Committee's reasons set out in the respective Tentative Agenda Decisions for not adding these items onto its agenda.

If you need further clarification, please contact the undersigned by email at beeleng@masb.org.my or at +603 2273 3100.

Thank you.

Yours sincerely,



TAN BEE LENG
Executive Director



ASCG • Zimmerstr. 30 • 10969 Berlin

Sue Lloyd
Chair of the IFRS Interpretations Committee
7 Westferry Circus, Canary Wharf
London E14 4HD

United Kingdom

IFRS Technical Committee

Phone: +49 (0)30 206412-12

E-Mail: info@drsc.de

Berlin, 15 May 2019

Dear Sue,

RE: The IFRS IC's tentative agenda decisions in its March 2019 meeting

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on the tentative agenda decisions taken by the IFRS Interpretations Committee (IFRS IC) and published in the March 2019 IFRIC Update.

Generally speaking, we do not have significant reservations regarding the tentative agenda decisions, absent overarching concerns – in particular as regards the applicability of an agenda decision to slightly different fact patterns, the possible need to change one's accounting policy, and the potentially limited understandability of an agenda decision and its reasoning without concurrently taking note of the more substantial analysis in the background agenda papers.

Notwithstanding our general content with the decisions taken, we would like to share additional thoughts on the tentative agenda decisions on IAS 19 as well as on cryptocurrencies.

Please find our detailed comments in the appendix to this letter. If you would like to discuss our views further, please do not hesitate to contact Jan-Velten Große (grosse@drsc.de) or me.

Yours sincerely,

Andreas Barckow

President

Contact:

Zimmerstr. 30 D-10969 Berlin
(via Markgrafenstr.19a)
Phone: +49 (0)30 206412-0
Fax: +49 (0)30 206412-15
E-Mail: info@drsc.de

Bank Details:

Deutsche Bank Berlin
IBAN-Nr.
DE26 1007 0000 0070 0781 00
BIC (Swift-Code)
DEUTDE33XXX

Register of Associations:

District Court Berlin-Charlottenburg, VR 18526 Nz
President:
Prof. Dr. Andreas Barckow
Executive Director:
Prof. Dr. Sven Morich

Appendix – Detailed Comments

IAS 19 – Effect of a potential discount on plan classification

Whilst we agree with the IFRS IC's general finding that a plan with an obligation to pay fixed annual contributions along with only an "upside potential" (i.e. plan assets exceed contributions or the ratio between the two exceed a set level) would not prevent the plan from being classified as a DC plan, we feel that the agenda decision provided seems to focus on one element only, being the possible maximum payment of the employer (as per the details provided).

In our view, an assessment of a plan's substance should be based on the entire facts and circumstances pertaining to a plan, particularly on the connection between the benefit scheme and the contribution scheme (i.e. the benefit formula). We believe that if a discount was an inherent feature of the plan and if, in addition, an entity had an initial expectation of achieving a discount – such plans would be more akin to a DB plan. In contrast, if the discount was rather incidental and unexpected, such plans could qualify cet. par. as DC plans. In particular, if the discount was granted only in case a plan terminates with any surplus being passed on to the employer, such plans would even be more likely to qualify as DC plans.

Considering the very complex plans that exist, we fear that constituents may be misled by the simplicity of the wording used in the agenda decision when describing the judgment involved. We therefore suggest that the wording of the conclusion be looked at again. Specifically, we suggest adding a statement at the beginning saying that any decision on a pension plan's classification as DB or DC requires an assessment of the entire facts and circumstances and should not be based on solely one feature. Provided that there were no other facts and circumstances that would require classification as DB and DC, an assessment of the effect of a potential discount on a plan's classification would then be as follows...

[...]

May 8, 2019

Ms. Sue Lloyd, Chair
International Financial Reporting Standards Interpretations Committee
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Ms. Lloyd,

Tentative Agenda Decision—Effect of a Potential Discount on Plan Classification (IAS 19)

The Financial Accounting Issues Task Force of the Taiwan Financial Reporting Standards Committee (TFRSC) of Accounting Research and Development Foundation in Taiwan appreciates the opportunity to respond to the above tentative agenda decision.

The attachments (Attachment 1) are our comments to this tentative agenda decision. The comments are those of the Financial Accounting Issues Task Force and do not necessarily represent official opinions of the TFRSC.

If you have any question about our comments, please contact me (via my email: ccliu@management.ntu.edu.tw) or Ms. Margaret Tsui (via her email: margaret@ardf.org.tw).

Sincerely Yours,



Chi-Chun Liu, Ph.D.
Chairman,
Taiwan Financial Reporting Standards Committee,
Accounting Research and Development Foundation, Taiwan



Attachment 1

Comments from ARDF Taiwan on Tentative Agenda Decision—Effect of a Potential Discount on Plan Classification (IAS 19)

**Tentative Agenda Decision—Effect of a Potential Discount
on Plan Classification (IAS 19)**

Tentative Agenda Decision

The Committee received a request about the classification of a post-employment benefit plan applying IAS 19. In the fact pattern described in the request, an entity sponsors a post-employment benefit plan (the plan) that is administered by a third party. The relevant terms and conditions of the plan are as follows:

the entity has an obligation to pay fixed annual contributions to the plan. The entity has determined that it will have no legal or constructive obligation to pay further contributions if the plan does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

the entity is entitled to a potential discount on its annual contributions. The discount arises if the ratio of plan assets to plan liabilities exceeds a set level. Thus, any discount might be affected by actuarial assumptions and the return on plan assets.

The request asked whether the existence of the potential discount would result in a defined benefit plan classification applying IAS 19.

Paragraph 8 of IAS 19 defines defined contribution plans as ‘post-employment benefit plans under which an entity pays fixed contributions into a separate entity (fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.’ Defined benefit plans are ‘post-employment benefit plans other than defined contribution plans.’

Paragraphs 27–30 of IAS 19 specify requirements relating to the classification of post-employment benefit plans as either defined contribution plans or defined benefit plans.

The Committee observed that the definition of defined contribution plans requires that an entity will have no legal or constructive obligation to pay further contributions if the fund



Attachment 1

Comments from ARDF Taiwan on Tentative Agenda Decision—Effect of a Potential Discount on Plan Classification (IAS 19)

does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. To meet the definition of a defined contribution plan, the entity must therefore (a) have an obligation to pay fixed contributions; and (b) not be obliged to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current or prior periods. For example, there should be no possibility that future contributions could be set to cover shortfalls in funding employee benefits relating to employee service in the current and prior periods.

The Committee also observed that paragraphs 28 and 30 of IAS 19 specify that, under defined contribution plans, actuarial risk and investment risk fall in substance on the employee whereas, under defined benefit plans, those risks fall in substance on the entity. Paragraphs 28 and 30 describe (a) actuarial risk as the risk that benefits will cost the entity more than expected or will be less than expected for the employee; and (b) investment risk as the risk that assets invested will be insufficient to meet expected benefits. Paragraph 28 of IAS 19 states that ‘under defined contribution plans the entity’s legal or constructive obligation is limited to the amount that it agrees to contribute to the fund.’ Paragraph BC29 of IAS 19 explains that the definition of defined contribution plans focuses on the downside risk that the cost to the entity may increase; the definition does not exclude the upside potential that the cost to the entity may be less than expected.

Consequently, the Committee concluded that, in the fact pattern described in the request, the existence of the potential discount would not in itself result in classifying the plan as a defined benefit plan applying IAS 19.

The Committee noted that, applying paragraph 122 of IAS 1 Presentation of Financial Statements, an entity would disclose judgements that its management has made regarding the classification of post-employment benefit plans if those are part of the judgements that had the most significant effect on the amounts recognised in the financial statements.

The Committee concluded that the requirements in IAS 19 provide an adequate basis for an entity to determine the classification of a post-employment benefit plan as a defined

Attachment 1

Comments from ARDF Taiwan on Tentative Agenda Decision—Effect of a Potential Discount on Plan Classification (IAS 19)

contribution plan or a defined benefit plan. Consequently, the Committee [decided] not to add this matter to its standard-setting agenda.

Response to the above Tentative Agenda Decision:

According to our observations in Taiwan, the entity has established a defined contribution pension plan under the Labor Pension Act. For defined contribution plan in Taiwan, when the entity pays fixed contributions to the employees' individual pension accounts at the Bureau of Labor Insurance, the entity has no further legal or constructive obligations. As mentioned above, we don't have further discussion on "potential discount" in Taiwan.

Paragraph 8 of IAS 19 Employee benefits sets out the definitions relating to classification of plans. The criteria for a classification as defined contribution plan is that the entity (i) pays a fixed contribution into a fund and (ii) will have no legal or constructive obligation to pay further contributions. In addition, paragraph BC29 contains the following text: "The definition of defined contribution plans does not exclude the upside potential that the cost to the entity may be less than expected." We agree with the existence of the potential discount would not result in classifying the defined contribution plan as defined benefit plan applying IAS 19.



IKATAN AKUNTAN INDONESIA
(INSTITUTE OF INDONESIA CHARTERED ACCOUNTANTS)

Nomor : 0637/DSAK/IAI/V/2019

Jakarta, 8 May 2019

International Financial Reporting Standards Interpretations Committee
Columbus Building, 7 Westferry Circus
Canary Wharf, London
E14 4HD

Invitation to comment – Tentative Agenda Decision (TAD): Effect of a potential discount on plan classification (IAS 19 Employee Benefits) - Agenda Paper 6 (IFRIC Update March 2019)


Dear IFRS Interpretations Committee members,

Dewan Standar Akuntansi Keuangan (DSAK) - The Indonesian Financial Accounting Standards Board, as part of Ikatan Akuntan Indonesia (IAI) - the Institute of Indonesia Chartered Accountants, is the national accounting standard-setter in Indonesia.

On behalf of DSAK IAI, I am writing to respond regarding on the TAD: Effect of a potential discount on plan classification (IAS 19 Employee Benefits). DSAK IAI welcomes the opportunity to offer its views on the above TAD of the IFRS Interpretations Committee (IFRIC) published in the March 2019 *IFRIC Update*. We agree with the IFRIC's conclusion that based on the fact pattern described in the request, the existence of the potential discount would not in itself result in classifying the plan as a defined benefit applying IAS 19. We also agree that the requirements in IFRS standards provide an adequate basis for an entity to determine the classification of a post-employment benefit plan as a defined contribution plan or a defined benefit plan.

We hope that our responses could contribute to the IFRIC's future deliberations. Should you have further concerns regarding our responses, please do not hesitate to contact us at dsak@iaiglobal.or.id.

Yours sincerely,


IKATAN AKUNTAN INDONESIA
(Institute of Indonesia Chartered Accountants)

Djohan Pinnarwan

Chairman

The Indonesian Financial Accounting Standards Board
Institute of Indonesia Chartered Accountants

GRHA AKUNTAN, Jalan Sindanglaya No. 1, Menteng, Jakarta 10310 - INDONESIA

Telp.: (62-21) 3190 4232 Hunting, Fax.: (62-21) 315 2076, E-mail: iai-info@iaiglobal.or.id, Home Page: <http://www.iaiglobal.or.id>

(NBAA)



THE NATIONAL BOARD OF ACCOUNTANTS AND AUDITORS
TANZANIA

TEL NOS: +255 26 2963318-9
E-MAIL: info@nbaa.go.tz
WEBSITE: www.nbaa.go.tz

NATIONAL AUDIT OFFICE "AUDIT HOUSE",
8TH FLOOR, 4 UKAGUZI ROAD,
P. O. BOX 1271,
41104 TAMBUKARELI,
DODOMA, TANZANIA

Date: 15th May, 2019

Chief Executive Officer,
IFRS Foundation
Columbus Building
7 West ferry Circus
Canary Wharf
London E14 4HD

Dear Sir/Madam

**RE: COMMENTS ON THE TENTATIVE AGENDA – EFFECT OF A POTENTIAL
DISCOUNT ON PLAN CLASSIFICATION (IAS 19)**

Refer to the heading above.

NBAA as the PAO responsible for the professional training, development and regulation of the accountancy profession in Tanzania and as the member board of the International Federation of Accountants welcomes the opportunity to provide you with our comments on the Exposure Draft for onerous contract – cost of fulfilling a contract.

In principle, we are supportive of the decision that has been made by the IFRS Interpretation Committee that the requirements in IAS 19 provide an adequate basis for an entity to determine the classification of a post-employment benefit plan as a defined contribution plan or a defined benefit plan and not the presence of a potential discount in itself

If you require any clarification on our comments, please contact the undersigned.

Thank you in advance for your cooperation.

Yours sincerely,

CPA Angyelile V. Tende
For: EXECUTIVE DIRECTOR

Rio de Janeiro, May 15 , 2019

CONTRIB 0031/2019

Ms Lloyd
International Accounting Standards Board
Columbus Building
7 Westferry Circus
Canary Wharf
London
E14 4HD, UK.

Subject: Tentative agenda decision

Reference: Effect of a Potential Discount on Plan Classification

Dear Ms Lloyd,

Petróleo Brasileiro S.A. - Petrobras welcomes the opportunity to comment on the IFRS Interpretations Committee's tentative agenda decision - Effect of a Potential Discount on Plan Classification. We believe this is an important opportunity for all parties interested in the future of IFRS and we hope to contribute to the progress of the Board's activities.

We generally agree with the Interpretations Committee's conclusion and we support the decision not to add this item to its agenda.

If you you have any questions in relation to the content of this letter, please do not hesitate to contact us (contrib@petrobras.com.br).

Respectfully,

/s/ Luis Eduardo Queiroz Castelo

By Rodrigo Araujo Alves

Chief Accounting and Tax Officer