

31 October 2006

Robert Garnett  
Chairman  
International Financial Reporting Interpretations Committee  
30 Cannon Street  
London EC4M 6XH

commentletters@iasb.org

Dear Bob,

***IFRIC Draft Interpretation D19 IAS 19 – The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements***

Deloitte Touche Tohmatsu is pleased to comment on the International Financial Reporting Interpretations Committee's (IFRIC) Draft Interpretation D19 - *IAS 19 – The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements* (referred to as D 19 or the draft Interpretation).

We believe that the draft Interpretation provides useful clarifications and support its issue. However, we do have the following substantive comments.

The title of D19 might suggest that the draft Interpretation applies only when an IAS 19 pension asset has been recognised. We believe that D19 not only addresses the application of the asset ceiling but also requires, in some circumstances, the recognition of a minimum funding liability. We suggest that the title be changed to "Minimum funding requirements, the IAS 19 asset ceiling and associated liabilities" or similar.

We do not support the approach in paragraph 9 of D19 that the amount of the economic benefit should be determined on the basis that is most advantageous to the entity. In our opinion the economic benefit should be measured on a basis consistent with the measurement basis applied for the corresponding employee benefit obligation under IAS 19 *Employee Benefits*. For example, if a pension liability is measured on the presumption that the plan will continue in existence, then the economic benefit should be measured using the same presumption.

We find paragraph 11 of the draft Interpretation confusing and suggest its deletion. It appears to be stated that any surplus should not be discounted because all of the inputs into that surplus are already discounted, i.e. it simply includes a requirement not to double-discount, hence does not appear to add anything.

Paragraph 14 sets out that no allowance should be made for expected changes in the terms and conditions of the minimum funding requirement that are not substantively enacted at the balance sheet date. The term "substantively enacted" is normally



associated with statutory obligations. We suggest that paragraph 14 be extended to contractual minimum funding requirements.

We support the consequences of application of paragraph 18 of the draft Interpretation. However, it is not clear to us whether paragraph 18 establishes a requirement to recognise a liability, rather than interpreting an existing requirement of IAS 19. IAS 19 does not provide guidance in respect of funding employee benefit plans; it addresses only the recognition and measurement of the obligation for amounts to be paid to employees according to the features of the plan. In our view, it is not clear that the contracted or statutory obligation to pay additional contributions into the plan is an obligation arising under IAS 19. Some might argue that such funding obligations are more appropriately addressed by IAS 37. We ask the IFRIC to justify their conclusions that the funding requirement arises under IAS 19.

BC 18 indicates that it is assumed that future minimum funding requirements always contain a schedule distinguishing between minimum funding requirements relating to past services and minimum funding requirements relating to future services. We believe that this is not the case in some jurisdictions. To clarify this issue, we suggest IFRIC makes it clear in the Basis for Conclusions that an estimate should be made by the entity in cases where a detailed schedule does not exist. The estimate also needs to be made on a consistent basis from year to year and this basis disclosed in the footnotes. IFRIC should consider whether additional guidance needs to be given in D19 with regard to the estimate.

We are concerned that the IFRIC does not propose any illustrative examples with unrecognised amounts. We believe that the computations may be complicated and could possibly pose additional questions relating to the principle in IAS 19 that the asset ceiling should not lead to the acceleration of the recognition of deferred amounts. The IFRIC should consider enhancing the examples accordingly in order to illustrate how the various requirements in IAS 19 regarding the asset ceiling interact with minimum funding requirements.

If you have any questions concerning our comments, we would be pleased to discuss them.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Ken Wild', written over a horizontal line.

**Ken Wild**  
**Global IFRS Leader**