EFRAG

European Financial Reporting Advisory Group

September 23, 2004

Kevin Stevenson
Chairman IFRIC
30 Cannon Street
London EC4M 6XH
UK

Dear Kevin,

Re: IFRIC Draft Interpretation D9 *Employee Benefit Plans with a Promised Return on Contributions or Notional Contributions*

On behalf of the European Financial Reporting Advisory Group (EFRAG) I am writing to comment on the draft Interpretation D9 *Employee Benefit Plans with a Promised Return on Contributions or Notional Contributions* (IFRIC D9). This letter is submitted in EFRAG's capacity of contributing to IASB's and IFRIC's due process and does not necessarily indicate the conclusions that would be reached in its capacity of advising the European Commission on endorsement of the definitive interpretation on this issue.

EFRAG basically agrees with (i) the conclusion that such plans are defined benefit plans under IAS 19 and (ii) the consensus of this draft interpretation that provides guidance on how to apply the IAS 19 requirements to employee benefit plans with a promised return on actual or notional contributions. We support the reasoning behind the defined benefit plan approach and agree that if benefits depend on future returns on assets, specified changes in the plan liability shall be treated as actuarial gains and losses according to the entity's accounting policy.
However, although conceptually right we believe that the practical implementation of this interpretation may give rise to problems particularly when a company has chosen to apply the corridor method for actuarial gains and losses. Since numerical examples are essential for a proper understanding and implementation of the consensus reached under a mixed scheme, we recommend IFRIC to provide an additional example explaining how to account for assets, liabilities and components of cost for plans with a promised return on contributions or notional contributions under the corridor approach.

In addition we suggest the following minor improvements:

- It would be helpful to clarify in paragraph 8 that the fair value of notional assets as well as actual assets is included.

- We regard the footnote to paragraph 13 as important guidance and therefore suggest inserting it as a separate paragraph after paragraph 13.
  "The limit on the amount that can be recognised as an asset in accordance with paragraph 58(b) of IAS 19 applies to the net defined benefit asset that arises from the combination of the fixed and variable components, not to the defined benefit asset that would arise from the fixed component alone."

If you would like further clarification of the points raised in this letter, Paul Rutteman or myself would be happy to discuss these further with you.

Yours sincerely

Stig Enevoldsen
EFRAG, Chairman