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Dear Kevin

Draft Comment letter on IFRIC Interpretation D6

We appreciate the opportunity to comment on IFRIC D6 *Multi employer plans*.
We fully endorse IFRIC´s aim to support the IASB in establishing and improving International Financial Reporting Standards. In this respect we support IFRIC´s objective to clarify the accounting for multi-employer plans. However, as IAS 19 is currently subject to an amendment we recommend that the final consensus of D6 should be included in IAS 19 rather than being published as an interpretation.

<u>Question 1</u>

In your experience, are participants in defined benefit multi-employer plans able to obtain the information necessary to apply defined benefit accounting? If not, what causes the information not to be available? How do such entities monitor and manage the risks involved in their participation in the plan?

We understand from discussions with management of multi-employer plans that participants of those plans generally are able to obtain information necessary to apply defined benefit accounting in accordance with IAS 19.

<u>Question 2</u>

Does application of defined benefit accounting by participants in multi-employer plans provide useful information compared with the disclosure of substantial information about the plan as required by paragraphs 30(b) and (c) of IAS 19?

We regard the recognition of assets and liabilities superior compared with mere disclosure requirements. Thus if reliable and consistent information are available, defined benefit accounting should be applied as it provides useful information.

<u>Question 3</u>

The consensus requires a participant in a multi-employer plan to apply defined benefit accounting by, if possible:

(a) measuring the plan in accordance with IAS 19 using assumptions that apply to the plan as a whole and

(b) allocating the plan so that the entity recognises an asset or liability that reflects the extent to which the surplus or deficit in the plan will affect its future contributions.

Do you agree that this is an appropriate way for a participant in a multi-employer plan to apply defined benefit accounting? If not, how should defined benefit accounting be applied?

Ad a)
We understand that multi-employer plans are usually measured as a whole based on assumptions that apply to the plan as a whole. However, we learned that plan management provides a valuation that in many cases is not consistent with IAS 19. An issue may arise when defined benefit accounting for those plans is required. As not all participants in multi-employer plans are applying IFRSs but rather use different accounting regimes for preparation of their consolidated financial statements, i.e. national GAAP or US-GAAP it may be cost consuming for participants to obtain information in accordance with IAS 19. Another issue that may arise in this respect is whether the treatment of actuarial gains and losses is subject to the individual accounting policies of each participator in a plan or whether it can only be determined by the plan as a whole.

According to paragraph 16 participants shall estimate information by using roll forward techniques if sufficient information is not available. We recommend that the IFRIC emphasizes that those information must be reliable and hence roll forwards for a longer period of time bear the risk that information become less reliable.

Ad b)
The draft interpretation requires that the amounts allocated to the entity shall be recognised in accordance with IAS 19.11. However the allocation of the share of the plans shall be based on expectations how the surplus or deficit in the plan will affect its future contributions.
We regard the allocation as the vital issue with respect to the application of the final interpretation. In this respect the current draft interpretation lacks clarity and guidance. We therefore recommend to the IFRIC providing more guidance on the issue and clarifying the allocation procedure.

Furthermore we understand that according to paragraph 18 the allocation may be based “on an amount reflecting any penalty for withdrawing from the plan”. From the current Draft Interpretation we do not see the rationale behind this. Clarification on this issue would be helpful.

Question 4

The appendix to the draft Interpretation sets out a proposed amendment to IAS 19, narrowing the scope of the definition of state plans and requiring them to be accounted for as defined contribution plans. Plans that are excluded from the definition of state plans will be multi-employer plans.
Do you agree with the narrowed scope of the definition of state plans?
Do you agree that state plans defined as proposed should be accounted for as defined contribution plans?

We agree with the proposal to account for state plans as defined contribution plans. However, we are of the opinion that state plans need an explicit definition to clearly distinct those plans from multi employer plans.
Last but not least important concern has grown with regard to the question whether it is appropriate to amend a standard with an interpretation. We are in strong favour of a process of developing interpretations within a short period of time. Hence, if an interpretation proposes a change in a standard it appears more efficient to directly include the proposed change in the interpretation rather than starting a separate due process for the amendment of the standard. However, this procedure bears the risk that the general due process as set out in the IASB´s preface is undermined. Thus we are wondering whether the IFRIC´s proposal in D6 to change IAS 19 is an exceptional circumstance. The issue may also gain importance with respect to D1 as we understand that the outcome of the current due process is likely to lead to proposals to change IAS 38. We therefore recommend to the IFRIC emphasizing the rationale for proposals in interpretations to change a standard.

With best regards

Liesel Knorr
Chairman