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Kevin Stevenson
Chairman of the
International Financial Reporting Interpretations Committee
30 Cannon Street

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Berlin, 20. September 2004

Dear Kevin

Draft Comment Letter on IFRIC Interpretation D9

We appreciate the opportunity to comment on IFRIC D9 *Employee Benefit Plans with a Promised Return on Contributions or Notional Contributions*. 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 employee benefit plans with a promised return on contributions or notional contributions.

However, as IAS 19 is currently subject to an amendment we recommend that the final consensus of D9 should be included in IAS 19 rather than being published as an interpretation. In addition, it could be addressed in the finalised IAS 19 how the amendments affect the accounting for employee benefits with a promised return on contributions or notional contributions.

Since many preparers have to deal with differences between IFRS and US GAAP a table summarising the currently remaining differences should be added to the Interpretation, for instance at the end of the Basis for Conclusion. In addition and especially important, IFRIC should consider the current discussion about the accounting for cash-balance plans in the United States and seek convergence between IFRS and US GAAP. This issue should be addressed in a specific section at the beginning of the Interpretation.

Although we are in agreement with the proposed approach, minor concerns have grown on the following issues that mostly relate to the preparers' ease of application of the guidance given in the Interpretation and the avoidance of misinterpretations.

In par 2 (b) the question is raised how the requirements of IAS 19 apply to a guarantee of a fixed return. Since this issue is explicitly addressed in IAS 19.26(b) and IAS 19.50 no further guidance is needed in this respect. It should be clearly stated in the Interpretation that par 4 represents just a reminder.

We understand that the corridor approach is applicable to employee benefit plans that are within the scope of IFRIC D9. Since most of the preparers are currently applying the corridor approach further guidance in this respect should be added.

We would like to emphasise the importance of the numerical example for the proper application of the Interpretation. The preparers' understanding of the example would however be facilitated, if the different assumptions (i.e. the immediate recognition of all actuarial gains and losses that is hidden in the footnote to IE8) would be clearly stated at the beginning of the example. The introduction to the example should also include a table that summarises the variations in the five years of expected service life, i.e. no actuarial gains/losses in year 1, an actuarial gain in year 2, a change of the discount rate at the end of year 3, etc. In addition, we strongly suggest the development of a second example dealing with the corridor approach.

Within the section "Illustrative Examples" we would like to point out a wording issue. In IE4 is stated that "the variable component is the contributions plus the actual return on plan assets" although the contributions are guaranteed and only the return on plan assets is variable.

Finally, a broader issue that should rather be addressed in an amendment to IAS 19, but that also relates to IFRIC D9 is that neither IAS 19 nor IFRIC D9 take the currently developed employee benefit plans into account: These plans are designed in a way that the contributions are variable (depending on the company's or employee's performance) and/or the minimum return is not fixed over the entire duration of the pension liability but rather will change every year in line with the return on specified corporate or government bonds. It is disputable whether a projection forward of the benefits in such a plan is appropriate due to the variability of the benefits.

If you would like further clarification of the issues set out in this comment letter, please do not hesitate to contact me.

With best regards

Liesel Knorr
Chairman