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Paris, 24th July 2009

Le Président

JFL/PhS

N°46

The Project Manager IFRIC 14
IASB
30 Cannon Street
London EC4M 6XH
UNITED KINGDOM

Exposure Draft ED/2009/04 Prepayments of a Minimum Funding requirement

Dear Sir/Madam,

I am writing on behalf of the CNC to give you our comments on the above-mentioned Exposure Draft (ED).

The stated objective of the ED is to correct the unintended consequences of the current requirements of IFRIC 14 under which entities are not permitted to recognize as an asset certain prepayments for minimum funding contributions.

The ED proposes that an entity shall recognize as assets prepayments of minimum funding contributions in respect of future service cost and the amount of any economic benefit available as a reduction in future contributions. This principle replaces the current requirements of IFRIC 14 which stipulate that future minimum funding contributions that exceed the amount of future IAS 19 service cost in any given year shall be treated as an expense.

The core principle set out in BC8 and 9 of the ED is that the above contributions represent an economic resource because they reduce future contributions by the entity and that they should therefore be recognized as an asset. In effect, where payments of minimum funding contributions correspond to future obligations they are to be recognized as assets. We agree with this core principle.

However, we are concerned by the current drafting of the ED. Firstly, it appears to have been designed to deal with certain specific cases rather than to develop general application principles. A clarification, including further guidance and illustrative examples, is required to illustrate how the proposals are intended to apply.

We note, for example, that those minimum funding contributions that an entity has paid before “being required to do so” qualify as an asset under the proposals (see para.20 (a)).This would suggest that the interpretation applies only to voluntary prepayments. This would seem to be intended to deal with the situation in certain jurisdictions where it is common to make voluntary prepayments into a separate fund. However, in our view, it should be made clear that the above core principle should also apply to non-voluntary contributions.

Moreover, it is not clear whether the said prepayments form part of “plan assets” which may be offset against plan obligations or whether they are only recognized as an asset if the plan is in surplus. If a distinction is intended between prepayments and plan assets this should be clarified and explained.

Furthermore, we find the proposed requirements for determining the amount of any economic benefit available as a reduction in future contributions unclear and in particular paragraph 20(b)ii. It is not clear, for example, whether the amount available as a contribution reduction is determined on a projected total cumulative basis or on a progressive cumulative basis. We also believe that the example in IE 17 should be developed to show the consequences of the opposite pattern of amounts available as contribution reductions.

We note that paragraph 22 of the current version of IFRIC 14 has been eliminated. However, we believe that the effect of this elimination should be explained in the ED.

We hope you find these comments useful and would be pleased to provide any further information you might require.

Yours sincerely,

Jean-François Lepetit