International Accounting Standards Board®

Questions & Answers

IFRIC 14

IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

These Q & As provide a simple introduction to IFRIC 14 to give a general idea of its scope and effect. Whether and how IFRIC 14 applies to a specific entity will depend on the exact terms of the pension plan and the regulatory requirements in the relevant jurisdiction, and should be determined by reference to IFRIC 14 itself, not these Q & As.

1. **Q: I run a defined benefit pension plan in a jurisdiction that has no minimum funding requirements and the plan does not have a surplus on an IAS 19 basis. Does IFRIC 14 apply?**

   A: No—IFRIC 14 applies only if there is a minimum funding requirement or the plan is in surplus.

2. **Q: I run a defined benefit pension plan in a jurisdiction that has no minimum funding requirements and the plan has a surplus on an IAS 19 basis. Does IFRIC 14 apply?**

   A: Yes. IFRIC 14 gives general guidance on how to assess the limit in IAS 19 on the amount of the surplus that can be recognised as an asset, as well as covering the effect of a minimum funding requirement.

3. **Q: I run a defined benefit pension plan in a jurisdiction that has a minimum funding requirement and the plan is in deficit on an IAS 19 basis. Does IFRIC 14 apply?**

   A: Yes. IFRIC 14 clarifies that a minimum funding requirement may be an onerous obligation, in which case an entity shall recognise a liability in addition to that based on the IAS 19 deficit.

4. **Q: I run a defined benefit pension plan in a jurisdiction with a very prudent minimum funding requirement. The liability on the minimum funding requirement basis is bigger than the IAS 19 liability. Would IFRIC 14 require the recognition of the bigger liability for IAS 19 purposes?**

   A: No. IFRIC 14 requires an entity to recognise an additional liability under IAS 19 only if the minimum funding requirement creates an onerous obligation. That means only if there is a statutory or contractual obligation to pay additional contributions to the plan, which will not be returned to the employer as a refund or contribution reduction.

5. **Q: What does IFRIC 14 require me to do?**

   A: If your pension plan is in surplus, IFRIC 14 clarifies how you assess how much of the surplus you can recognise as an asset.

   If there is a minimum funding requirement, IFRIC 14 explains when that minimum funding requirement creates an onerous obligation for which you must recognise a liability.

6. **Q: Which jurisdictions are most likely to be affected by IFRIC 14?**

   A: Examples of jurisdictions where IFRIC 14 is likely to have an effect are Belgium, the Netherlands and Switzerland.