

30 June 2016

Ms Nobuhle Makuni
The Department of Trade and Industry
File Reference – FRSC Proposed Financial Reporting Pronouncement
Private Bag X84
Pretoria
0001
Email: frsc@thedti.gov.za

Dear Ms Makuni

SAICA SUBMISSION ON THE FINANCIAL REPORTING STANDARDS COUNCIL'S (FRSC) PROPOSED FINANCIAL REPORTING PRONOUNCEMENT (FRP) ON *THE LIMIT ON A DEFINED BENEFIT ASSET, MINIMUM FUNDING REQUIREMENTS AND THEIR INTERACTION UNDER IFRS IN THE SOUTH AFRICAN PENSION FUND ENVIRONMENT*

In response to your request for comments on the FRSC's Proposed FRP X – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction under IFRS in the South African Pension Fund Environment*, attached is the comment letter prepared by the South African Institute of Chartered Accountants (SAICA).

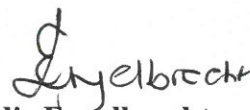
We thank you for the opportunity to provide comments on this document.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours sincerely,



Bongeka Nodada
Project Director – Financial Reporting Standards



Lindie Engelbrecht
Executive Director:
Members and Global Alliances

SAICA SUBMISSION ON THE FINANCIAL REPORTING STANDARDS COUNCIL'S (FRSC) PROPOSED FINANCIAL REPORTING PRONOUNCEMENT (FRP) ON *THE LIMIT ON A DEFINED BENEFIT ASSET, MINIMUM FUNDING REQUIREMENTS AND THEIR INTERACTION UNDER IFRS IN THE SOUTH AFRICAN PENSION FUND ENVIRONMENT*

COMMENTS

Overall

The Financial Reporting Standards Council (FRSC) is a body established in terms of the Companies Act No.71 of 2008 (Companies Act) and thus has the mandate to advise the Minister of Trade and Industry on matters relating to financial reporting standards applicable to companies in South Africa. We note that the Proposed FRP X – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction under IFRS in the South African Pension Fund Environment* refers to 'entity' in several paragraphs and we recommend that these references be amended to 'company', to make it clear that this FRP X is applicable to companies as envisaged in the Companies Act.

In June 2015, the International Accounting Standards Board (IASB) published *Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan* – Proposed amendments to IAS 19 and IFRIC 14 for public comment. Whilst the IASB has yet to decide on the direction to take with regards to this project, we suggest that the FRSC monitor this project closely and determine the impact that these proposed amendments might have on the Proposed FRP X – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction under IFRS in the South African Pension Fund Environment*.

Preface

The last paragraph of the Preface in page 4 states that "*This FRP has the same authority of IFRS*". We suggest that this sentence should be revised as follows (words struck through have been deleted and those underlined are to be added):

"This FRP has the same authority as ~~of~~ IFRS".

References

We recommend that IAS 8 – *Accounting Policies, Changes in Estimates and Errors* be incorporated in the list of References in page 5 in light of it being referred to in paragraph 38 of the Proposed FRP X – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction under IFRS in the South African Pension Fund Environment*.

SAICA SUBMISSION ON THE FINANCIAL REPORTING STANDARDS COUNCIL'S (FRSC) PROPOSED FINANCIAL REPORTING PRONOUNCEMENT (FRP) ON THE LIMIT ON A DEFINED BENEFIT ASSET, MINIMUM FUNDING REQUIREMENTS AND THEIR INTERACTION UNDER IFRS IN THE SOUTH AFRICAN PENSION FUND ENVIRONMENT

Consensus

We propose the following with regards to paragraph 28 of this Proposed FRP X:

- The second sub-paragraph refers to a 'Rand amount' being the IAS 19 service cost as well as a 'rate' being the contribution rate recommended by the valuator. In order to determine the difference between these amounts, both should be 'Rand amounts'. Hence, "contribution rate" should be changed to "contributions".
- The second sub-paragraph refers to 'in that year'. This could be confusing as it needs to refer to contributions required over the expected future working lifetime. Given that the first sub-paragraph refers to "in each period", we suggest replacing the words "in that year" in the second sub-paragraph with "in those periods".

Effective date

We agree with the proposed transitional provisions.

#565907

