

STAFF PAPER

November 2015

IASB Meeting

Project	Research Project: Post-employment benefits		
Paper topic	Cover note—Project Update		
CONTACT(S)	Akemi Miura	amiura@ifrs.org	+44 (0)20 7246 6930

This paper has been prepared for discussion at a public meeting of the IASB and does not represent the views of the IASB or any individual member of the IASB. Comments on the application of IFRSs do not purport to set out acceptable or unacceptable application of IFRSs. Technical decisions are made in public and reported in *IASB Update*.

Introduction

1. When IAS 19 *Employee Benefits* was developed, it was mainly designed to cover traditional defined benefit (DB) plans (eg final salary plans) and simple defined contribution (DC) plans.
2. The use of hybrid plans that fall within the definition of DB plans in IAS 19 but under which employers and employees share risk is increasing in many jurisdictions. Such plans were not envisaged when IAS 19 was first developed.
3. As explained at [the September 2014 IASB meeting](#), the current IAS 19 does not always provide relevant information when the risks do not fall solely on an entity or solely on employees (eg when the benefits depend on the actual return on plan assets but the entity also guarantees a minimum return). This is because the present value of the defined benefit obligation (DBO) does not fully reflect the effect of the risks, whereas plan assets are measured at their fair values, which fully reflect the effect of the risks. Accordingly, the amounts presented in financial statements sometimes become less meaningful, because the fair value of plan assets is deducted from the amount of the mismatched DBO to determine the net defined benefit liability (asset) presented in the statement of financial position.

4. We think that this mismatch may mislead users of financial statements, because many users do not realise that this problem in measurement exists. This problem has also resulted in diversity in practice, as the Interpretations Committee observed.
5. As explained at the September 2014 IASB meeting, the purpose of this research is, given the changing nature of pension promises:
 - (a) to identify a conceptually sound and robust model for accounting for post-employment benefits; and
 - (b) to gather information about the trends in pension plans.
6. As planned at the September 2014 IASB meeting, we have continued our internal analysis and informal discussions as well as information-gathering from our stakeholders, including pension specialists. The specialists included international actuaries (eg members of the International Actuarial Association) and specialists at accounting firms. We also discussed this research project at [the December 2014 ASAF meeting](#).

Purpose and structure of the papers

7. This cover note explains the purpose and structure of the papers to be used at this IASB meeting. The purpose of the papers is to provide:
 - (a) information about global trends in pensions (Agenda Paper 15A);
 - (b) an indication of potential models that might address the issue of hybrid plans (Agenda Paper 15B); and
 - (c) information about the potential impact of the ongoing Agenda Consultation and other IASB projects (eg the *Conceptual Framework* project and the Insurance project) (Agenda Paper 15C).
8. We think that we need to consider the results of the ongoing Agenda Consultation and other IASB projects before we make recommendations to the IASB on what the IASB should do next, if anything. Consequently, we are not asking for any decisions in the staff papers, at this stage.

9. We will continue our internal analysis and information-gathering and will consider the future results of the ongoing Agenda Consultation and discussions in other IASB projects. We may have a session at ASAF and informal meetings with users of financial statements and pension specialists for our further analysis.

Question for the IASB

Do IASB members have any questions or comments about the research on post-employment benefits?