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**International
Accounting Standards
Board**

This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.

These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

Board Meeting: 18 July 2007, London
Project: Annual Improvements
Subject: Plan administration costs (Agenda paper 5F)

1. The staff has identified that the following issue would be most appropriately resolved via the annual improvements process.

Issue: Should the definition of the term *return on plan assets* included in IAS 19 *Employee Benefits* be amended to address an inconsistency with the way in which the standard applies the term?

Staff recommendation

2. The staff recommends that the Board:
 - should add this issue to the annual improvements project; and
 - should amend IAS 19 as proposed in paragraph 9 of this paper.

Background

3. The staff has been notified of an apparent inconsistency between the definition of return on plan assets in IAS 19 and the way in which that term is applied in the standard.

4. Paragraph 7 of IAS 19 defines the term return on plan assets as follows:

‘The *return on plan assets* is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan and less any tax payable by the plan itself.’

5. However, paragraph 107 of IAS 19 explains that the expected administration costs of the plan are only included in calculating the return on plan assets to the extent that they have not been included in the actuarial assumptions used to measure the obligation:

‘In determining the expected and actual return on plan assets, an entity deducts expected administration costs, **other than those included in the actuarial assumptions used to measure the obligation.**’ [Emphasis added]

6. The staff believes that this inconsistency between paragraphs 7 and 107 of IAS 19 relating to the treatment of the plan administration costs should be addressed by aligning the definition in paragraph 7 with the guidance in paragraph 107.

Staff recommendation

7. The staff recommends that IAS 19 is amended as proposed in paragraph 9 of this paper to align the definition of return on plan assets with the guidance in paragraph 107.

8. **Does the Board agree?**

Drafting

9. The staff recommends that IAS 19 should be amended as follows:

Definitions

- 7 The following terms are used in this Standard with the meanings specified:

...

The *return on plan assets* is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

...

Basis for Conclusions on Proposed Amendments to IAS 19 Employee Benefits

This Basis for Conclusions accompanies, but is not part of, the draft amendments.

Definitions

- BC1 The Board identified an inconsistency between the definition of return on plan assets in IAS 19 and the way in which that term is applied in the standard.
- BC2 The Board believes that the plan administration costs should only be deducted in the calculation of the return on plan assets to the extent that these costs have not already been included in the actuarial assumptions used to measure the defined benefit obligation. Failure to exclude such costs would result in double counting them.
- BC3 The Board decided to address this inconsistency by amending the definition of return on plan assets to require the deduction of plan administration costs only to the extent that such costs have not been reflected in the measurement of the defined benefit obligation.