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International
Accounting Standards
Board

This observer note is provided as a convenience to observers at IFRIC meetings, to assist them in following the IFRIC's discussion. Views expressed in this document are identified by the staff as a basis for the discussion at the IFRIC meeting. This document does not represent an official position of the IFRIC. Decisions of the IFRIC are determined only after extensive deliberation and due process. IFRIC positions are set out in Interpretations.

Note: The observer note is based on the staff paper prepared for the IFRIC. Paragraph numbers correspond to paragraph numbers used in the IFRIC paper. However, because the observer note is less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

IFRIC meeting: November 2007, London

Project: Review of tentative agenda decision published in September
IFRIC Update: IAS 19 *Employee Benefits* – Changes to a plan caused by government (Agenda Paper 6B)

Tentative agenda decision published in September 2007 IFRIC Update

The IFRIC was asked to provide guidance on accounting for the effects of a change to a defined benefit plan resulting from action by a government.

The IFRIC noted that IAS 19 already provides guidance on accounting for the effects of changes:

- Paragraph 73 of IAS 19 states that ‘actuarial assumptions are an entity's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits’ (emphasis added);
- Paragraph 97 of IAS 19 states that ‘past service cost arises when an entity introduces a defined benefit plan or changes the benefits payable under an existing defined benefit plan’ (emphasis added);
- BC 55 of IAS 19 explains the Board’s decision to reject the proposal that ‘past service cost should not be recognised immediately if the past service cost results

from legislative changes (such as a new requirement to equalise retirement ages for men and women) or from decisions by trustees who are not controlled, or influenced, by the entity's management'. That is, the Board did not believe that the source of the change should affect the accounting.

The IFRIC noted that IAS 19 therefore indicated that:

- When a change in a plan caused by a government affects actuarial assumptions, this change should be accounted for as an actuarial gain or loss;
- When a change in a plan caused by a government affects benefits for service before the change, this change should be accounted for as past service cost.

The IFRIC acknowledged that, in some circumstances, it might be difficult to determine whether the change affects either actuarial assumptions or benefits payable and noted that judgement is required. However, the IFRIC noted that although a change in benefits will always require changes in actuarial assumptions, changes in actuarial assumptions relating to the cost of providing benefits do not necessarily imply that the benefits have changed. The IFRIC also noted that any guidance beyond that given in IAS 19 would be more in the nature of implementation guidance than an Interpretation.

For this reason, the IFRIC [decided] not to add this item to the agenda.