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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: March 2008, London

**Project: IAS 19 *Employee Benefits*
Definition of contribution-based promises**

Definition of contribution-based promises

1. Earlier this month, the Board voted unanimously to publish the Discussion Paper on Preliminary Views on Amendments to IAS 19 *Employee Benefits*. As part of the review of the Discussion Paper, one sweep issue arose regarding the definition of contribution-based promises that the staff thinks the Board should discuss as a whole.
2. One Board member noted that the definition of contribution-based promises is incomplete. The definition requires the contribution for any period of service to be known at the end of the reporting period to which the contribution relates, assuming the contribution vests ie the definition is independent of vesting.
3. However a key feature of a contribution-based promise is that the definition is also independent of longevity risk. This is discussed in paragraph 151 of the Discussion Paper, as set out below.

Definition independent of longevity risk

4. The Board considered whether longevity risk should affect the classification of a benefit promise. However, the main reason for amending

IAS 19 to address the accounting for contribution-based promises was to resolve problems with the application of the projected unit credit method in IAS 19 to promises that included a promised return on contributions. If longevity risk were to preclude classification as contribution-based of a benefit promise, then the problems in accounting for promises that included a promised return on contributions *and* longevity risk would not be resolved. Accordingly, the Board decided that longevity risk should not affect the classification of a benefit promise.

5. The staff agrees that the role of longevity risk should be clarified in the definition and proposes the following revision (shown as marked-up from the ballot draft).

A contribution-based promise is a post-employment benefit promise in which, during the accumulation phase, the benefit, ~~assuming it vests,~~ can be expressed as:

- (a) the accumulation of actual or notional contributions that, for any reporting period, would be are-known, but for the effect of any vesting or demographic risks, at the end of the reporting period to which they relates; and
- (b) any promised return on the actual or notional contributions is linked to the return from an asset, group of assets or an index. A contribution-based promise need not include a promised return.

6. The staff notes that the new definition clarifies, rather than changes, the Board's intentions.

Does the Board agree the revised definition of contribution-based promises?

Next steps

7. After the Board discussion, the staff intends to circulate a post- ballot draft that will reflect the Board's decisions and the other comments received on the ballot draft and hopes to meet the following timetable:

	Date
Circulate post- ballot draft	17 March
Publish Discussion Paper	26 March