



**International
Accounting Standards
Board**

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This document is provided as a convenience to observers at the Global Preparers Forum meeting, to assist them in following the discussions. It does not represent an official position of the IASB. Board positions are set out in Standards.

Note: These notes are based on the staff papers prepared for the GPF meeting. Paragraph numbers correspond to paragraph numbers used in the GPF agenda paper.

INFORMATION FOR OBSERVERS

GPF Meeting: March 2009, London

***Project: Post-employment benefits - Overview and project
summary
(Agenda Paper 5)***

Objective

1. The objective of the project is to issue, by 2011, a standard that would significantly improve pension accounting, pending a fundamental review of all aspects of post-employment benefit accounting.

Next steps

2. The Board is working towards two separate exposure drafts as follows:
 - a. Part 1: Recognition and presentation of changes in the defined benefit obligation and in plan assets, disclosures, and other issues raised in the comment letters that can be addressed expeditiously.
 - b. Part 2: Contribution-based promises, potentially as part of a comprehensive review of pension accounting.
3. If there are no unexpected delays, the staff estimates that the redeliberations on Part 1 will be completed by the end of the second quarter of 2009 and an Exposure Draft of the Board's proposals will be published at the end of the third quarter of 2009.

Background

4. In July 2006, the IASB added a project on post-employment benefits to its agenda. The project would involve a fundamental review of all aspects of post-employment benefit accounting. However, the Board decided to start by working towards an interim standard that would significantly improve pension accounting by 2011. The Board is assisted by its Employee Benefits Working Group, which provides a variety of expert perspectives on accounting for post-employment benefits. The Working Group last met on 26 January 2009.

Due process documents issued

5. In March 2008, the Board published a discussion paper *Preliminary Views on Amendments to IAS 19 Employee Benefits*. The comment period ended on 26 September 2008. The paper sets out the IASB's preliminary views on how the accounting for some post-employment benefits, including pensions, could be improved.
6. The discussion paper addresses the main concerns expressed by a wide range of interested parties that the accounting model set out in IAS 19 is inadequate and should be reviewed. Constituents have pointed out that:
 - a. the deferral of the recognition of gains and losses leads to misleading figures in the statement of financial position;
 - b. the multiple options for deferring recognition lead to poor comparability across companies;
 - c. the lack of clarity in the definitions of benefit promises lead to inconsistencies and poor comparability for those benefit promises that include a promised return on contributions linked to an asset or an index;
 - d. the required measurement method is inadequate for those benefit promises that include a promised return on contributions linked to an asset or an index.
7. The IASB's preliminary views on how to address those main issues are:
 - a. to remove the options for deferred recognition of gains and losses in defined benefit plans

- b. to introduce a new classification of benefit promises into contribution-based promises and defined benefit promises, with a new measurement attribute for contribution-based promises
- 8. The discussion paper is available from the IASB website.

Tentative decisions to date

- 9. In November 2008, the Board started to redeliberate issues in response to comments received on the discussion paper. The Board's tentative decisions are summarised below:
 - a. Entities should
 - i. disaggregate changes in the defined benefit obligation and in plan assets into employment, financing and remeasurement components, and recognise the components in the income statement.
 - ii. disclose the employment and financing components either in the income statement or in the notes, and present the remeasurement component in the income statement.
 - b. The remeasurement component should:
 - i. exclude service cost and interest cost
 - ii. include the total return on plan assets and actuarial gains and losses on the defined benefit obligation.

Discussions in March

- 10. At the March Board meeting, the staff intend to discuss with the Board:
 - a. Presenting the measurement component and how it might look under the FSP proposals
 - b. Classification of the effects of settlements, curtailments and the effect of the asset ceiling, and
 - c. Additional issues raised by comment letters including
 - i. Additional guidance on the discount rate
 - ii. Multi-employer plans
 - iii. Attribution where benefits are back end loaded

- iv. Accounting for plans with risk sharing or conditional indexation features
- v. Definition of short and long term employee benefits
- vi. Tax relating to pension costs.

11. We will present an oral update of the Board discussions at the meeting.