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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 2009, London**

Project: **Post-employment Benefits**

Subject: **Presentation of the effects of settlements, curtailments and the asset ceiling (Agenda paper 8C)**

Purpose of this paper

1. At its January meeting, the Board decided that entities should disaggregate the changes in the defined benefit obligation and in plan assets into employment, financing and remeasurement components, and recognise the components in the income statement.
2. This paper asks the Board to decide whether the following items should be classified in the employment, financing or remeasurement components:
 - a. the effect of settlements
 - b. the effect of curtailments
 - c. the effect of the asset ceiling.

Summary of staff recommendations

3. The staff recommends that the Board classify:
 - a. the gain or loss on settlement in the remeasurement component (paragraph 5).
 - b. the gain or loss on curtailment in the employment component (paragraph 9)
 - c. the effect of the asset ceiling in the remeasurement component (paragraph 12).

Questions for the Board: Does the Board agree with these staff recommendations?

Settlements

4. A settlement occurs when an entity enters into a transaction that eliminates all future legal or constructive obligations for part or all of the benefits provided in a defined benefit plan. In the Discussion Paper, the Board argued that the gain or loss on settlement arises from the entity's decisions about when and/or how it settles its obligations for past service. Thus the gain or loss on settlement arises because the settled price differs from the amount of the obligation determined in accordance with IAS 19. Accordingly, the Board concluded that the gain or loss on settlement is a remeasurement. We have no reason to revise this conclusion.
5. **The staff recommends that the Board classify the gain or loss on settlement in the remeasurement component.**

Curtailments

6. A curtailment occurs when an entity takes an action that reduces the benefits of the plan, either by reducing the number of employees covered by the plan, or by amending the terms of the plan so that a significant element of future service by current employees qualifies for reduced or no benefits.
7. In the Discussion Paper, the Board argued that the change in the benefit obligation that occurs in a curtailment arises because action by the entity changes the estimated cost of the employee service for which remuneration has been deferred. Accordingly, the Board concluded that the gain or loss on a curtailment is a service cost. We have no reason to revise this conclusion.
8. Further, a curtailment is similar to a negative past service cost. At present, they are accounted for differently under IAS 19. In particular, a curtailment triggers the recognition of unrecognised gains and losses. However, the Board's preliminary view on recognition (to be confirmed at a future meeting) would mean there are no unrecognised gains and losses, so this difference would be eliminated. We think it would also be desirable for the presentation of curtailments and past service costs to be the same. This would be achieved by including curtailments in the employment component.
9. **The staff therefore recommends that the Board classify the gain or loss on curtailment in the employment component.**

Asset ceiling

10. IAS 19 limits the amount of a surplus that can be recognised as an asset ('the asset ceiling') to the present value of any economic benefits available to an entity in the form of refunds from the plan or reductions in future contributions to the plan.
11. Paragraph BC48BB of the Basis for Conclusions to IAS 19 notes that the effect of the limit arises from a remeasurement of the benefits available to an entity from a surplus in the plan. We have no reason to revise this conclusion.
12. **Accordingly, the staff recommends that the Board classify the effect of the asset ceiling in the remeasurement component.**