



Project	<b>Post-employment benefits</b>
Topic	<b>Cover note to agenda papers 8A-8D</b>

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## Purpose of this paper

1. This paper:
  - (a) provides the context for the following agenda papers:
    - (i) Agenda paper 8A: Comment letter analysis on proposed amendments to IFRIC 14 *Prepayment of a minimum funding requirement*
    - (ii) Agenda paper 8B: Comment letter analysis on proposed amendments to IAS 19 *Discount Rate for Employee Benefits*
    - (iii) Agenda paper 8C: Further considerations on proposed amendments to IAS 19 *Discount Rate for Employee Benefits*
    - (iv) Agenda paper 8D: Next steps for the proposed amendments to IAS 19 relating to termination benefits.
  - (b) proposes effective date and early adoption requirements for any amendments to IAS 19 and IFRIC 14.

## Context

### ***Current activities on post-employment benefits***

2. In March 2008 the Board published a discussion paper (DP) on the accounting for post-employment benefits. The Board is addressing the issues raised in response to the DP in three parts:
  - (a) Discount Rate for Employee Benefits (published in August 2009).

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This paper has been prepared by the technical staff of the IASCF for discussion at a public meeting of the IASB. The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRIC or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in IASB *Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

- (b) 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 ('IAS 19 improvement project').
  - (c) Contribution-based promises, potentially as part of a comprehensive review.
3. In accordance with the *Due Process Handbook*, the forthcoming ED for the IAS 19 improvement project will propose that IFRIC 14 is incorporated into IAS 19.
4. The Board is also working towards amendments arising from the following exposure drafts:
- (a) Prepayment of a Minimum Funding Requirement (Amendments to IFRIC 14), published in April 2009.
  - (b) Amendments to IAS 19 (Termination benefits), published in June 2005 together with proposed amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

### **Timing**

5. The Board will discuss in October the presentation of other comprehensive income (OCI). At its September meeting, the Board decided it would discuss in November any implications of its conclusions on OCI for the presentation of the remeasurement component of the post-employment benefit obligation. This means that an exposure draft for the IAS 19 improvement project is not expected until the first quarter of 2010.
6. The proposals in the two EDs *Discount Rate for Employee Benefits* and *Prepayments of a Minimum Funding Requirement* responded to short-term, urgent issues. In the case of *Discount Rate for Employee Benefits*, the purpose of the amendments is to address expeditiously a matter that has become urgent as a result of the global financial crisis. In the case of *Prepayments of a Minimum Funding Requirement*, the purpose of the amendments is to remove an unintended consequence in IFRIC 14. Because of their urgency, the Board has

stated its intention of finalising any amendments from these two exposure drafts in time for early adoption by entities in the December 2009 year-end financial statements. We expect to complete the deliberations on the comments received on these exposure drafts at this meeting, and if appropriate, proceed immediately to drafting and balloting.

7. The proposals relating to termination benefits were exposed for public comment in June 2005 together with proposed amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The Board concluded deliberations in May 2008, but the amendments have not been finalised pending deliberations on IAS 37. In agenda paper 8D, we discuss whether it would be appropriate to publish the amendments arising from that exposure draft in advance of the related amendments to IAS 37. We will consider the timing of publication of any such amendments after the October meeting.
8. We have not yet considered the scope of further work on pensions, including whether the work on contributions-based promises should form part of a comprehensive review. We do not expect to consider this until 2010.
9. The expected timing of publication is thus:

Discount Rate for Employee Benefits	December 2009
Prepayments of a Minimum Funding Requirement	December 2009
Termination Benefits	To be determined (possibly December 2009)
IAS 19 improvement project	Q1 2010
Contributions-based promises, potentially part of a comprehensive review	To be determined

## Effective dates

10. The Board has not yet debated the effective date for any of the proposed amendments to IAS 19 or IFRIC 14. However:
  - (a) in the ED *Discount Rate for Employee Benefits*, the Board stated its intention to set the same effective date for the amendments proposed in that ED as for the IAS 19 improvement project.
  - (b) we think that it would reduce complexity to require the same effective date for all amendments to IAS 19. Constituents have informed us that piecemeal change is disruptive. Setting one effective date for all amendments to IAS 19 will provide the opportunity for entities to apply all the proposed changes to IAS 19 at the same time.
  - (c) the forthcoming ED for the IAS 19 improvement project will propose that IFRIC 14 is incorporated into IAS 19 (see paragraph 3). We do not think it would be difficult for entities to implement the proposed amendments for *Prepayments of a Minimum Funding Requirement*. However, we think that the Board could minimize the risk caused by successive changes to the accounting governed by IFRIC 14 if it sets the same effective date for those amendments and any amendments arising from the IAS 19 improvement project.
11. We do not expect to publish the exposure draft for the IAS 19 improvement project until early 2010 (see paragraph 5). To allow time for redeliberations, we would expect to finalise any amendments arising from that exposure draft during 2011. The Board normally sets an effective date of between six and eighteen months after issuing amendments. Therefore, we propose that the effective date for any such amendments would be for annual periods beginning on or after 1 January 2013.
12. If the Board decides to publish the amendments to IAS 19 relating to termination benefits in advance of the related amendments to IAS 37, this effective date also has the advantage that mandatory application of the

termination benefit amendments could potentially be applied at the same time as the related IAS 37 amendments.

**Question 1: Effective date**

Does the Board agree that entities should be required to apply any amendments arising from the following exposure drafts for annual periods beginning on or after 1 January 2013:

- (a) Prepayments of a Minimum Funding Requirement
- (b) Discount Rate for Employee Benefits
- (c) Amendments to IAS 19 (Termination Benefits)
- (d) Amendments to IAS 19 (recognition, presentation, disclosures and other issues that can be addressed expeditiously)?

## Early adoption

13. The Board has previously stated its intention that any amendments arising from *Prepayments of a Minimum Funding Requirement* and *Discount Rate for Employee Benefits* would be available for early adoption in December 2009 year end financial statements. We note that these amendments were proposed with the intent that entities that wanted to eliminate the unintended consequence in IFRIC 14 or the effects of global financial crisis should be able to do so in their December 2009 year-end financial statements.
14. The exposure draft proposing the amendments to termination benefits also proposed permitting early adoption, and there is no reason to revise that conclusion.
15. We note that the amendments under consideration do not interact with each other in any way. We intend to finalise each amendment as if it were a standalone amendment. Accordingly, an entity would not be required to adopt all the amendments we publish in December 2009 at the same time. However, as a convenience to constituents, we would publish them in one booklet.
16. We will consider whether early adoption should be permitted for the IAS improvement project amendments when we finalise those amendments.

**Question 2: Early adoption**

Does the Board agree that entities should be permitted to apply any amendments arising from the following exposure drafts early:

- (a) Prepayments of a Minimum Funding Requirement
- (b) Discount Rate for Employee Benefits
- (c) Amendments to IAS 19 (Termination Benefits)?