
Project **Post-employment benefits**

Topic **Cover note**

Objective

1. At this meeting, the Board will continue its discussion of the comments received on the proposals in the exposure draft *Defined Benefit Plans* (the ED). The objective of this paper is:
 - (a) to display the structure of the agenda papers for the Board's discussion at this meeting (paragraph 2);
 - (b) to summarise the staff recommendations made in those agenda papers (paragraphs 3 – 5); and
 - (c) to provide an updated project timetable (Appendix A).

Summary of papers

2. At this meeting, the staff will be presenting the following topics on post-employment benefits:
 - (a) **Agenda Paper 11A Past service cost, curtailments and settlements** – This paper discusses the definitions and the presentation of past service cost, curtailments and settlements.
 - (b) **Agenda Paper 11B Multi-employer plans** – This paper discusses:
 - (i) the multi-employer plan exemption from defined benefit accounting; and
 - (ii) the multi-employer plan disclosures proposed in the ED.

This paper has been prepared by the technical staff of the IFRS Foundation 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 IFRS Interpretations Committee 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.

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- (c) **Agenda Paper 11C Tax and administration costs** - This paper discusses the clarifications to the accounting for plan taxes and administration costs proposed in the ED.
- (d) **Agenda Paper 11D Mortality assumptions** – This paper discusses the mortality assumptions amendments proposed in the ED.
- (e) **Agenda Paper 11E Incorporating IFRIC 14** – This paper discusses the incorporation of IFRIC 14 *IAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* in IAS 19 *Employee Benefits*.
- (f) **Agenda Paper 11F Identification of back end loaded DB plans** - This paper discusses the attribution requirements of IAS 19.
- (g) **Agenda Paper 11G Interim reporting** – This paper discusses the interim reporting concerns raised in the comment letters.
- (h) **Agenda Paper 11H State plan and group plan disclosures** – This paper discusses the disclosures for state plans and group plans.

Summary of staff recommendations

Past service cost, curtailments and settlements

3. The staff recommends that the Board:
 - (a) amends the definition of curtailments to retain part (a) (a significant reduction in the number of employees covered by a plan) and to remove part (b) (an amendment to benefits for future service) (Agenda Paper 11A)
 - (b) amends the definition of settlements to exclude curtailments and amendments that result in past service cost (Agenda Paper 11A)
 - (c) amends the definition of non-routine settlements to exclude benefits envisaged in the terms of the plan (Agenda Paper 11A)

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- (d) requires that past service cost and gains and losses on non-routine settlements and curtailments amendments are presented in the service cost component (Agenda Paper 11A)
- (e) requires routine settlements to be presented in the remeasurements component (Agenda Paper 11A)
- (f) confirms the disclosure requirement proposed in the ED for past service cost, curtailments and settlements but amended to not require distinguishing between these items if they occur together and are presented in the same component (Agenda Paper 11A)

Multi-employer plans

4. The staff recommends that the Board:
 - (a) retains the requirement in IAS 19 that an entity account for its shares of a defined benefit multi-employer plan in the same way as for any other defined benefit plan unless sufficient information is not available, in which case an entity accounts for the plan as if it were a defined contribution plan (Agenda Paper 11B)
 - (b) amends paragraph 32 of IAS 19 to reflect that the ability to account for multi-employer plans as defined benefit plans is not common (Agenda Paper 11B)
 - (c) confirms the disclosures proposed in the ED that apply to all multi-employer plans with an amendment to limit the disclosure of the withdrawal liability to qualitative information (Agenda Paper 11B)
 - (d) specifies that an entity should recognise and measure any withdrawal liability in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (Agenda Paper 11B)
 - (e) confirms the disclosures proposed in the ED that apply to multi-employer plans accounted for as if they were defined contribution plans with the following amendments (Agenda Paper 11B):

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- (i) reduce the period for the required disclosure of future contributions from 5 years to 1 year.
- (ii) require an indication of an entity's level of participation in a plan. Such a requirement could be met by disclosing the proportion of total members or the proportion of total contributions.

Other issues

5. The staff recommends that the Board:
- (a) retains the existing requirements in IAS 19 related to accounting for administration costs (Agenda Paper 11C)
 - (b) confirms the proposals in the ED for the accounting for taxes payable by the plan (Agenda Paper 11C).
 - (c) confirms the proposed clarification in the ED that mortality assumptions include current estimates of expected improvements in mortality (Agenda Paper 11D)
 - (d) withdraws the proposal to incorporate IFRIC 14 into IAS 19 (Agenda Paper 11E)
 - (e) confirms the proposal of the ED to consider expected future salary increases in determining whether a benefit formula allocates a materially higher level of benefit in later years (Agenda Paper 11F)
 - (f) does not make any additional amendments to address issues raised by respondents regarding interim reporting, because these are sufficiently addressed by IAS 34 *Interim Reporting*, the current IAS 19 or the amendments proposed in the ED (Agenda Paper 11G)

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Updated project timetable

6. The updated project timetable in Appendix A sets out the issues and expected timing of papers we propose to bring to the Board in order to finalise an amendment to IAS 19 by March 2011.

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Appendix A – Updated project timetable

