



Exposure draft *Defined benefit plans*

Feedback summary

Global Preparers' Forum meeting, November 2010
Agenda paper 4

The views expressed in this presentation are those of the presenter,
not necessarily those of the IASB or IFRS Foundation.

- ED *Defined Benefit Plans*
- Feedback and tentative decisions
- Next steps

Why is the IASB amending IAS 19?

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- Options for recognising gains and losses
- Options for presenting profit and loss amounts in different ways
- Defined benefit obligation measurement
- Net presentation of defined benefit liability (asset)
- Disclosures are voluminous, contain limited information about risks

Objectives of the ED

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- Improve **understandability** and **transparency** of reported changes in net defined benefit liability (asset)
- Improve **comparability** by eliminating options for presenting items
- Improve **disclosure** about risks arising from defined benefit plans
- Reduce diverse practices in some areas

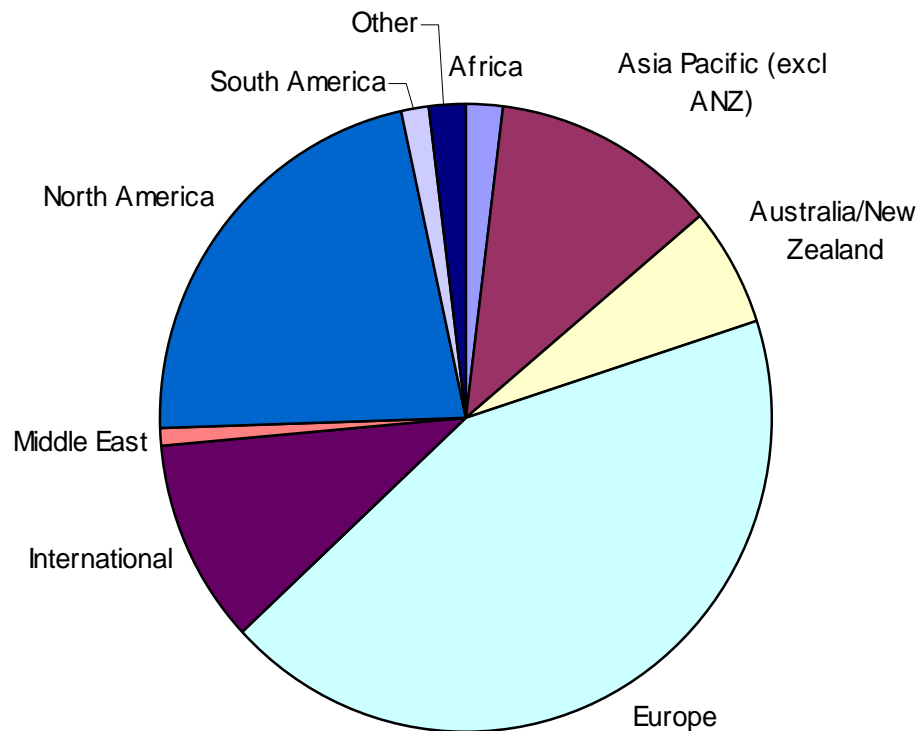
We are not changing the measurement model for pension assets or liabilities or their net presentation in the balance sheet

- Recognition
- Disaggregation and presentation
- Disclosures
- Other amendments, including:
 - Clarification of administration costs, taxes, risk-sharing, long-term and short-term classification.
 - Incorporating IFRIC 14
 - Combining other long-term employee benefits and post-employment benefits

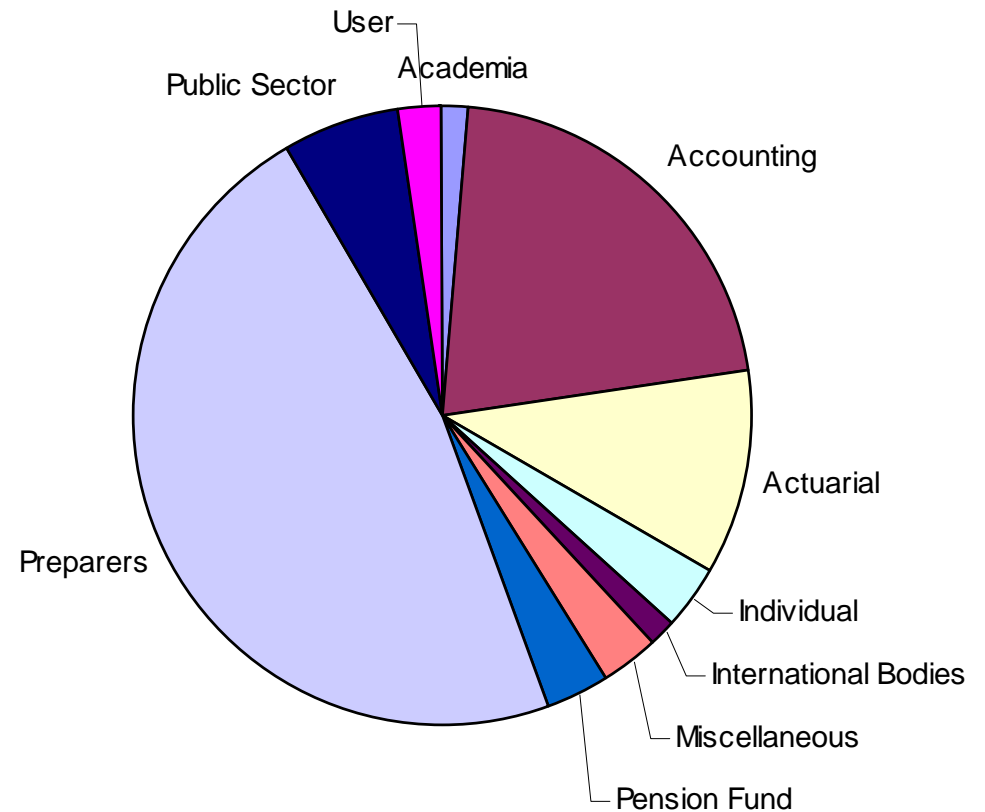
Comment letters received

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By geographic region



By type of respondent



- Various outreach activities including:
 - live webcasts (conducted by the IASB and in partnership with other organisations),
 - Q&A sessions
 - conference presentations
 - articles
 - meetings, talks, conference calls etc
- Employee Benefit Working Group (27 September)
 - Focus on presentation and disclosure

Proposal	Feedback	Tentative decision
Recognise gains and losses in the period they occur (remove corridor).	Majority support, but some do not support because: <ul style="list-style-type: none">• Measurement model is broken	Board confirmed proposals in the ED
Recognise unvested past service cost in period of plan amendment	Majority support, but some do not support because: <ul style="list-style-type: none">• Future economic benefit• Consistency with IFRS 2	Board confirmed proposals in the ED

Disaggregation

Proposal	Feedback	Tentative decision
<p>Disaggregate cost into three components:</p> <ul style="list-style-type: none">•Service cost•Finance cost•Remeasurements	<p>Majority support, but some do not support because:</p> <ul style="list-style-type: none">•Interaction with FSP•Consider cost in aggregate to be labour cost	<p>Board confirmed proposals in the ED</p>

Disaggregation – finance cost

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Proposal	Feedback	Tentative decision
Finance cost is determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation	<p>Views split</p> <p>Supporters of net interest approach:</p> <ul style="list-style-type: none">• Consistent with presentation• Reflects time value of money <p>Supporters of expected return approach:</p> <ul style="list-style-type: none">• Consistent with measurement• Reflects underlying plan assets	Board confirmed proposals in the ED

Proposal	Feedback	Tentative decision
<p>Present:</p> <ul style="list-style-type: none">• Service cost in profit or loss• Finance cost in profit or loss together with other finance costs• Remeasurements in OCI	<p>Majority support, however:</p> <ul style="list-style-type: none">• Lack of conceptual basis for OCI• No recycling of amounts in OCI• Whether finance cost should be with other finance costs	<p>Board will discuss presentation in November</p>

Disclosure – objectives

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Proposal	Feedback	Tentative decision
<ul style="list-style-type: none">• Explain characteristics of an entity's defined benefit plans• Identify and explain amounts in financial statements resulting from defined benefit plans• Describe how defined benefit plans affects the amount, timing and variability of future cash flows.	<p>Many support objectives and principle-based disclosure, but have concerns about:</p> <ul style="list-style-type: none">• One-size fits all approach to disclosure• Long lists of mandatory requirements• Lack of guidance on materiality• How the disclosures will be applied in practice	<p>Board will discuss Disclosure in November</p>

Disclosure – new requirements

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Proposal	Feedback	Tentative decision
Risk and asset-liability matching	Many support but concerned it may end up being boiler-plate	Board will discuss Disclosure in November
Sensitivity analysis	Mixed views – supporters prefer limiting to discount rate	
Process to determine assumptions	Little support – how will this be used?	
PBO less salary increases	Little support – will only be relevant in limited circumstances	
Future cash effect	Many believe is needed however concerns about intention of proposals	

Other proposals

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Proposal	Feedback	Tentative decision
Long-term and short-term	Continuing confusion about classification	Board will discuss in November
Combining other long-term and post employment	No support	Board will discuss in November
Administration costs	Little support, concerns about concept and implementation	Board will discuss in December
Risk-sharing	Majority support, however concerns about implementation	Board will discuss in December

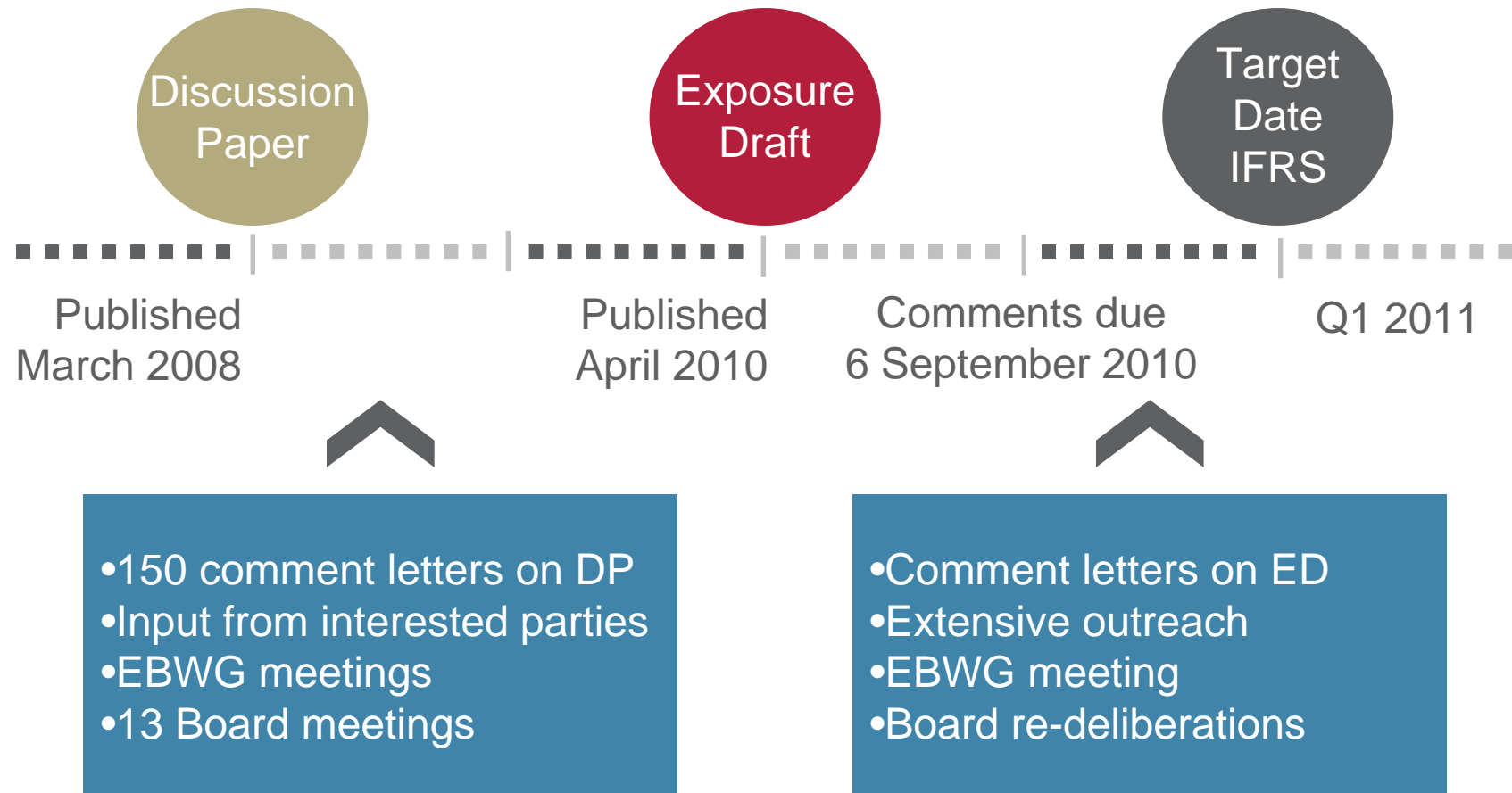
Other proposals - continued

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Proposal	Feedback	Tentative decision
Attribution	Majority support – some concerns about contribution based promises	Board will discuss in November
Taxes	Majority support – some concerns about implementation	Board will discuss in November
Multi-employer plans	Majority support disclosures, however concerns about withdrawal liability	Board will discuss in December
IFRIC 14	Majority support – some concerns about current IFRIC 14 requirements in some countries	Board will discuss in December

Where are we?

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A future comprehensive review?

- Will not commence before mid-2011
- Subject to agenda setting process
- Possibly in conjunction with FASB

Where to get more information

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- ED *Defined Benefit Plans* available on <http://go.iasb.org/pensions>
- Sign up to our email alert <http://www.iasb.org/IASB+Registration.htm>
- Project staff:
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Questions or comments?

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Expressions of individual views by members of the IASB and its staff are encouraged. The views expressed in this presentation are those of the presenter. Official positions of the IASB on accounting matters are determined only after extensive due process and deliberation.

