
Project **Post-employment benefits**

Topic **Cover note**

Objective

1. At this meeting, the Board will continue its discussion of 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 (paragraphs 2 - 7);
 - (b) to summarise the staff recommendations made in those agenda papers (paragraphs 8 - 10); 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) Presentation (paragraph 3)
 - (b) Disclosure (paragraphs 4 - 6)
 - (c) Classification (paragraph 7)

Presentation (Agenda Papers 11B – 11D)

3. The staff will present three papers on the presentation of post-employment benefits:

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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- (a) **Agenda Paper 11B Presentation: Background and overview of responses to the ED** - This paper is for information only and provides an overview:
 - (i) of the proposals in the ED relating to the presentation of the service cost, finance cost and remeasurement components in profit or loss and other comprehensive income.
 - (ii) of responses to the ED on those proposals.
- (b) **Agenda Paper 11C Presentation: Presenting the components** – This paper provides a staff analysis and recommendation for the presentation of the service cost, finance cost and remeasurements components.
- (c) **Agenda Paper 11D Presentation: Other issues** – This paper provides a staff analysis and recommendation for:
 - (i) Components to be included in the cost of an asset.
 - (ii) Subsequent reclassification of amounts presented in other comprehensive income.
 - (iii) Transfer of amounts in other comprehensive income to retained earnings.

Disclosures (Agenda Papers 11E – 11G)

- 4. The staff will present three papers on the disclosure of post-employment benefits:
 - (a) **Agenda Paper 11E Disclosure: Approach and Objectives** - This paper provides:
 - (i) an overview of the responses in the comment letters to the Board's approach to disclosures together with staff analysis; and
 - (ii) an overview of the responses to the proposals in the ED together with staff analysis and a staff recommendation for the disclosure objectives.

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- (b) **Agenda Paper 11F Disclosure: New disclosures** – This paper provides an overview of the responses together with staff analysis and a staff recommendation for the new disclosure requirements that were proposed in the ED.
 - (c) **Agenda Paper 11G Disclosure: Other disclosures** – This paper provides an overview of the responses to the proposals in the ED together with staff analysis and a staff recommendation for:
 - (i) disclosures proposed in the ED for which there was no specific question in the invitation to comment; and
 - (ii) disclosures that respondents suggested should be added to the requirements.
5. These papers do not address disclosures for multi-employer plans and disclosures for plans that share risk between entities under common control, which will be discussed at the next Board meeting.
6. The staff will continue to monitor feedback on the disclosure proposals of other current Board projects in drafting the final amendment to ensure that the requirements are as consistent as possible.

Classification (Agenda Paper 11H)

7. **Agenda Paper 11H** – This paper discusses the proposals in the ED to:
- (i) combine the categories ‘other long-term employee benefits’ and ‘post-employment benefits’; and
 - (ii) clarify the distinction between the categories ‘short-term employee benefits’ and ‘other long-term employee benefits’.

Summary of staff recommendations

Presentation

8. The staff recommends that the Board:

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- (a) confirms the proposals in the ED that an entity should present:
 - (i) the service cost and finance cost components in profit or loss (Agenda Paper 11C).
 - (ii) the remeasurements component in other comprehensive income (Agenda Paper 11C).
- (b) does not specify where in profit or loss an entity should present the service cost and finance cost components (Agenda Paper 11C).
- (c) permits an entity to include only the service cost component in the cost of an asset when another standard so requires (Agenda Paper 11D).
- (d) prohibits subsequent reclassification of the remeasurements component from other comprehensive income to profit or loss (Agenda Paper 11D).
- (e) permits but does not require transfer of cumulative amounts recognised in other comprehensive income within equity (Agenda Paper 11D).

Disclosure

- 9. The staff recommends that the Board:
 - (a) confirm the disclosure objectives proposed in the ED (Agenda Paper 11E);
 - (b) limit a narrative description of the extent of the risks to which the plan exposes the entity to the risks that are specific to the entity or unusual (Agenda Paper 11F);
 - (c) confirm the proposal in the ED to disclose how the effect of a change to each significant actuarial assumption that is reasonably possible at the end of the reporting period would have affected the defined benefit obligation; (Agenda Paper 11F);
 - (d) remove the proposal in the ED to disclose how the effect of a change to each significant actuarial assumption that was reasonably possible at the beginning of the reporting period would have affected current service cost (Agenda Paper 11F);
 - (e) remove the proposal in the ED to disclose a brief description of the process used to determine demographic actuarial assumptions (Agenda Paper 11F);

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- (f) replace the proposal in the ED to disclose the present value of the defined benefit obligation (adjusted to exclude the effect of projected growth in salaries) with the disclosure of a disaggregation of the defined benefit obligation into the vested benefits, accrued but unvested benefits, future salary increases and other conditional liabilities (Agenda Paper 11F);
- (g) confirm the proposal in the ED to disclose details of any asset-liability matching strategies used by the plan (Agenda Paper 11F);
- (h) replace the proposal in the ED to disclose a narrative discussion of factors that could cause contributions over the next five years to differ significantly from current service cost over that period with the disclosure of:
 - (i) a narrative description of any funding arrangement and funding policy, and
 - (ii) the amount of expected benefit payments over the next five years and the amount of expected contribution in the next year (Agenda Paper 11F);
- (i) additionally require:
 - (i) disclosure of the duration of the defined benefit obligation; and
 - (ii) a 'stand-back' requirement to disclose whatever additional information is necessary to meet objectives (Agenda Paper 11G); and
- (j) not make the proposed list of asset categories for plan assets a minimum requirement but an example for the entity to adapt its disclosure from, with the proposed disaggregation into government debt instruments and other debt instruments replaced with the example of disaggregation into high quality debt instruments and other debt instruments (Agenda Paper 11G).

Classification

10. The staff recommends that the Board:

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- (a) retains the existing classification of post-employment and other long-term employee benefits (Agenda Paper 11H);
- (b) require the classification of employee benefits as short-term employee benefits on the basis of when the whole of the amounts resulting from that type of benefit are expected to be settled (Agenda Paper 11H); and
- (c) clarifies that the classification should be revisited if the benefit no longer meets the definition of a short-term employee benefit (Agenda Paper 11H).

Updated project timetable

11. 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

