Project	**Post-employment benefits**
Topic	**Project status**

Objective

1. This paper:

   (a) provides a summary of tentative decisions to date and a comparison of the tentative decisions to date with the proposals in the exposure draft *Defined Benefit Plans* (the 2010 ED) and the exposure draft *Amendments to IAS 37* Provisions, Contingent Liabilities and Contingent Assets *and IAS 19* Employee Benefits (the 2005 ED, or referred to together as the EDs);

   (b) discusses the interaction between the tentative decisions resulting from the 2005 ED relating to termination benefits and from the 2010 ED relating to post-employment benefits; and

   (c) asks whether any Board members will be dissenting from the issue of the amendments to IAS 19, and whether the staff can proceed with preparing a pre-ballot draft.

Tentative decisions to date compared to proposals in the EDs

2. The comment period for the 2010 ED ended in September 2010. Since that date, the Board has discussed the all of the proposals in the 2010 ED except for transitional provisions (discussed in Agenda Paper 7D) and effective date (discussed in Agenda Paper 7C).

3. The following table compares the tentative decisions to date to the proposals in the EDs. The proposals are from the 2010 ED unless otherwise indicated. Further background to the tentative decisions for termination benefits is included in Appendix A.

Proposals in the EDs	Tentative decision
Recognition	
• An entity should recognise all changes in the net defined benefit liability (asset) when they occur. • An entity should recognise unvested past service cost when the related plan amendment occurs. (IAS 19 already requires a similar treatment for vested past service cost.)	Proposals confirmed (October 2010) [but see below for plan amendments that arise as part of a restructuring or are linked to termination benefits]
• An entity should recognise the service cost, finance cost and remeasurements components in the statement of comprehensive income, unless another standard requires or permits their inclusion in the cost of an asset.	Proposal confirmed (November 2010).
Disaggregation and presentation	
• An entity should disaggregate changes in the net defined benefit liability (asset) into service cost, finance cost and remeasurement components, and present: o service cost in profit or loss o finance cost in profit or loss together with other finance costs o the remeasurement component as an item of other comprehensive income. Those remeasurements shall be transferred immediately to retained earnings. They shall not be reclassified to profit or loss in a subsequent period. • The service cost component should include current and past service cost	Proposal confirmed (October, November and December 2010), however, the Board tentatively decided: • **not to specify** where in profit or loss an entity should present the service cost and finance cost components (November 2010), • **to permit an entity to present the remeasurements component either in profit or loss or in other comprehensive income** (not only in other comprehensive income, as the exposure draft had proposed) (November 2010). Although remeasurements should be presented in other comprehensive income, there were circumstances in which it would be appropriate to allow an entity to

<table>
<tr><th>Proposals in the EDs</th><th>Tentative decision</th></tr>
<tr><td>and exclude gains and losses arising from changes in the assumptions used to measure the service cost.
The finance cost component should comprise net interest on the net defined benefit liability (asset), determined by applying the rate used to measure the defined benefit obligation to the net defined benefit liability (asset).
The remeasurements component should comprise actuarial gains and losses on the defined benefit obligation, the return on plan assets and any changes in the effect of the asset ceiling, but exclude the amount included in finance cost..</td><td>elect to present remeasurements in profit or loss (primarily to address accounting mismatches) for a given plan. Accordingly, an entity could elect irrevocably to present remeasurements for a particular plan in profit or loss and would need to disclose why such presentation is more relevant to users. If an entity makes that election, amounts previously recognised in other comprehensive income would not be reclassified to profit or loss. The staff were asked to assess whether any other restrictions should be placed on such an election.
to permit, but not require, an entity to transfer within equity the cumulative amounts recognised in other comprehensive income (November 2010).
The Board also tentatively decided not to make any additional amendments regarding interim reporting however the Board will clarify the drafting of the requirements to ensure that full remeasurement of plan assets and defined benefit obligation is not always required in each interim period (December 2010).</td></tr>
<tr><td colspan="2">Disclosure</td></tr>
<tr><td>The standard should articulate objectives for disclosures about defined benefit plans focused on the matters most relevant to users of the employer’s financial statements, ie information that:
explains the characteristics of the defined benefit plans.
identifies and explains the amounts in the financial statements arising from the defined benefit plans.
describes how involvement in defined benefit plans affects the</td><td>Proposed disclosure objectives and requirements confirmed, except as noted below (November and December 2010),</td></tr>
</table>

Proposals in the EDs	**Tentative decision**
amount, timing and uncertainty of the entity's future cash flows. • An entity should disclose the following, in addition to disclosures to IAS 19 currently requires:	
• actuarial gains and losses that relate to a re-estimate of service cost, separately from other actuarial gains and losses.	Proposal confirmed
• a narrative description of exposure to risk arising from the entity's involvement with the plan.	Confirmed but **amended to focus the narrative description on risks that are specific to the entity or unusual**, without requiring excessive detail about generic risks. **The Board directed the staff to seek feedback on this decision from the Employee Benefits Working Group.**
• the defined benefit obligation, excluding projected growth in salaries (sometimes referred to as the accumulated benefit obligation).	**Replaced** with a requirement to disaggregate the defined benefit obligation. **The Board directed the staff to seek feedback on this decision from the Employee Benefits Working Group.**
• quantitative disclosures, including sensitivity analyses, about actuarial assumptions used to determine the defined benefit obligation and service cost.	Proposal confirmed
• information about asset-liability matching strategies.	Proposal confirmed
• 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.	Proposal withdrawn
• a brief description of the process used to determine demographic actuarial assumptions.	Proposal withdrawn
• factors that could cause contributions over the next five years to differ significantly from current service cost over that period.	Proposal withdrawn and replaced by requirements to disclose: • a narrative description of any funding arrangements and funding policy. • the amount of expected contributions in the next year.

Proposals in the EDs	**Tentative decision**
	• information about the maturity profile of the benefit obligation. **The Board directed the staff to seek feedback on this decision from the Employee Benefits Working Group.**
• minimum categories for the disaggregation of plan assets would be required.	Replaced with example categories for the disaggregation of plan assets that could be disclosed to meet the principle of the disclosure (ie to distinguish based on liquidity and risk characteristics).
• an entity should use its judgement to determine which actuarial assumptions require disclosure.	Proposal confirmed
Curtailments and settlements	
That gains and losses for a curtailment should be recognised: • when the entity significantly reduces the number of employees covered by a plan or amends the terms of a defined benefit plan so that future service by current employees will no longer qualify for benefits, or will qualify only for reduced benefits; or • if the curtailment is linked with a restructuring, then at the same time as for the related restructuring.	Proposal confirmed (December 2010 and January 2011), however the Board tentatively decided: • **to amend** the definition of curtailment **to limit it** to a significant reduction in the number of employees covered by a plan. **The definition** of a curtailment **would no longer include** a reduction in benefits for future service. However, in some cases, past service cost arises if a change in benefits for future service results in a change in benefits attributed to past service. • **that if a curtailment or plan amendment arises as part of a restructuring plan or is linked to termination benefits,** the gain or loss should be recognised **at the earlier of**: o when the related restructuring costs or termination benefits are recognised; and o when the curtailment or plan amendment occurs. **Otherwise**, the gain or loss should be recognised when the curtailment or plan amendment occurs.
• Gains and losses for a settlement	Proposal confirmed (December 2010 and

Proposals in the EDs	Tentative decision
should be recognised when the entity enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan. • Use the term 'non-routine settlements' for disclosure purposes to distinguish these settlements from routine settlements.	January 2011), however the Board tentatively decided: • **to amend** the definition of settlements **to exclude plan amendments** that result in past service cost **and curtailments;** and • **to amend** the definition of non-routine settlements **to exclude benefit payments** in accordance with the terms of the plan.
• Retain similar disclosure to what IAS 19 currently requires about gains and losses that arise from curtailments and settlements, in particular: o a narrative description of any plan amendments, curtailments and non-routine settlements, and o the effect of such plan amendments, curtailments and non-routine settlements on the statement of comprehensive income	Proposal confirmed (December 2010), however the Board tentatively decided: • **to not require distinguishing** between these items if they occur together and are presented in the same component.
• Gains and losses on settlement should be treated in the same way as actuarial gains and losses and presented in the remeasurement component. • Curtailments should be treated in the same way as plan amendments, with gains and losses presented in profit or loss.	Proposal confirmed (December 2010), however the Board tentatively decided: • to require gains and losses on **non-routine settlements** to be presented in the **service cost component**; and • to require gains and losses on **routine settlements** to be presented in the **remeasurements component**.
Multi-employer plans	
• Retain the requirement in IAS 19 that an entity should account for its participation in a defined benefit multi-employer plan in the same way as for any other defined benefit plan unless insufficient information is available, in which case an entity should account for the plan as if it were a defined	Proposal confirmed (December 2010).

<table>
<tr><th>Proposals in the EDs</th><th>Tentative decision</th></tr>
<tr><td>contribution plan.</td><td></td></tr>
<tr><td>If an entity participates in a defined benefit multi-employer plan, it shall disclose:
a description of the funding arrangements, including the method used to determine the entity’s rate of contributions and any minimum funding requirements.
the extent to which the entity can be liable to the plan for other entities’ obligations under the terms and conditions of the multi-employer plan.
if the entity accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in accordance with paragraph 29A, all the information required by paragraphs 125A-125K for that proportionate share.</td><td>Proposal confirmed (December 2010)</td></tr>
<tr><td>details of any agreed deficit or surplus allocation on wind-up of the plan, or the amount that is required to be paid on withdrawal of the entity from the plan.</td><td>(December 2010) Proposal amended to limit the disclosure of the withdrawal liability to qualitative information and to specify that an entity should recognise and measure any withdrawal liability in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets</td></tr>
<tr><td>the total number of, and the entity’s proportion of, the number of active members, retired members, and former members entitled to benefits, if that information is available.</td><td>(December 2010) Proposal amended to replace the disclosure of the proportion of total members with a requirement to disclose 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.</td></tr>
<tr><td>if the entity accounts for the plan as if it were a defined contribution plan in accordance with paragraph 30:
the fact that the plan is a defined benefit plan.</td><td>Proposal confirmed (December 2010)</td></tr>
</table>

Proposals in the EDs	**Tentative decision**
o the reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan. o information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any, for the entity.	
o the expected contributions to the plan for the next five annual reporting periods, and a description of the contractual agreement or other basis used to determine the expected contributions.	(December 2010) Proposal amended **to reduce** the period for the required disclosure of future contributions **from 5 years to 1 year**.
Group and State plans	
Without reconsideration, update the disclosure requirements for entities that participate in state plans or defined benefit plans that share risks between various entities under common control. This is to maintain consistency with the disclosures in paragraphs 125A–125K.	Proposal confirmed (December 2010), however the Board tentatively decided: • for group plans to allow the information to be included by cross-reference to disclosures in the parent's financial statements if: o those financial statements separately identify and disclose the information required for the group plan, and o the parent's financial statements are available to users of the financial statements on the same terms as the financial statements of the entity and at the same time
Scope	
• Combine post-employment benefits and other long-term employee benefits	Proposal withdrawn (November 2010).

Proposals in the EDs	**Tentative decision**
into a single category: long-term employee benefits. As a consequence, the recognition, presentation and disclosure requirements proposed in the ED for defined benefit plans would also apply to benefits previously classified as 'other long-term employee benefits'.	
Other issues	
Definitions	
• Clarify that the distinction between short-term employee benefits and long-term employee benefits depends on the period between the date when the employee renders the service that gives rise to the benefit and the date when the entity expects the benefit to become due to be settled.	(November 2010) Clarify that: • the classification of employee benefits as short-term employee benefits should depend on when the **whole amounts** resulting from **that type of benefit** are **expected to be settled**. • an entity should **revisit** the classification of a short-term employee benefit if the benefit **no longer meets the definition of a short-term employee benefit**.
Admin costs	
• Remove the options in IAS 19 for entities to include plan administration costs either as a reduction in the return on plan assets or in the actuarial assumptions used to measure the defined benefit obligation. The return on plan assets should include plan administration costs only if those costs relate to the management of plan assets, other costs would be included in the defined benefit obligation.	(December 2010) Plan administration costs should be expensed as incurred. **The Board directed the staff to seek feedback on this decision from the Employee Benefits Working Group.**
Taxes	
• Clarify that: o the estimate of the defined benefit	Proposal confirmed (December 2010).

Proposals in the EDs	**Tentative decision**
obligation includes the present value of taxes payable by the plan if they relate to service before the reporting date or are imposed on benefits resulting from that service, and o if this is the case, those taxes should not be included as a reduction in the return on plan assets. Because service cost includes the present value of those taxes when employees render the related service, it would be double-counting to recognise those taxes for a second time when they are subsequently incurred.	
Risk sharing	
• Clarify that risk-sharing and conditional indexation features should be incorporated in the determination of the best estimate of the defined benefit obligation. • Clarify the treatment of employee contributions based on the question rejected by the IFRIC in November 2007 – Treatment of employee contributions.	Proposals confirmed (January 2011), however the Board tentatively decided to: • clarify that the benefit to be attributed in accordance with paragraph 67 of IAS 19 is the benefit net of the effect of the employee contributions; • withdraw the proposal that the effect of employee contributions should always be presented as a reduction in service cost; • clarify that the conditional indexation should be reflected in the measurement of the defined benefit obligation, regardless of whether the indexation or changes in benefits are automatic or are subject to a decision by the employer, by the employee, or by a third party such as trustees or administrators of the plan; and • clarify that the calculation of the defined benefit obligation should include the effect of any limits on the legal and constructive obligation to pay additional contributions.

Proposals in the EDs	**Tentative decision**
Mortality assumptions	
• The standard would make explicit in paragraph 73(a)(i) that the mortality assumptions used to determine the defined benefit obligation are current estimates of the expected mortality rates of plan members, both during and after employment.	Proposal confirmed (December 2010).
Attribution	
• Expected future salary increases should be included in determining whether a benefit formula expressed in terms of current salary allocates a materially higher level of benefit in later years.	Proposal withdrawn (December 2010).
IFRIC 14	
• Incorporate, without substantive change, the requirements of IFRIC 14 *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, as amended in November 2009 • Clarify that a minimum funding requirement is any enforceable requirement for the entity to make contributions to fund a post-employment or other long-term defined benefit plan.	Proposal withdrawn (December 2010).
Transition	
• Entities should apply the proposed amendments to IAS 19 retrospectively, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.	To be discussed by the Board at this meeting (Agenda Paper X). The staff recommendation is to confirm the proposals in the ED, with exceptions for non-IAS 19 assets and liabilities (such as inventory).
Termination benefits (2005 ED, for further background refer Appendix A)	

<table>
<tr><th>Proposals in the EDs</th><th>Tentative decision</th></tr>
<tr><td>Introduce a distinction between two categories of termination benefits:
Define voluntary termination benefits as benefits offered for a short period in exchange for an employee’s decision to accept voluntary termination of employment.
Define involuntary termination benefits as benefits provided as a result of an entity’s decision to terminate an employee’s employment before the normal retirement date.</td><td>Proposal withdrawn (January 2010).</td></tr>
<tr><td>An entity should recognise voluntary termination benefits when employees accept the entity’s offer of those benefits.
An entity should recognise involuntary termination benefits:
over the future service period if the involuntary termination benefits are provided in exchange for employees’ future services (ie in substance they are a ‘stay bonus’).
in all other cases, when the entity has communicated its plan of termination to the affected employees and the plan meets specified criteria.</td><td>(January 2011) The IASB tentatively decided:
that if a termination benefit arises as part of a restructuring plan, the termination benefit should be recognised at the earlier of:
when the related restructuring costs are recognised; and
when the entity can no longer withdraw an offer of the termination benefits.
Otherwise, termination benefits should be recognised when the entity can no longer withdraw an offer of the benefits.</td></tr>
<tr><td></td><td>(January 2010) The IASB tentatively decided:
to clarify that termination benefits that are provided as part of an employee benefit plan are measured in accordance with the measurement requirements for that plan.</td></tr>
<tr><td>Entities should apply the proposed amendments from the beginning of the first annual period commencing on or after the effective date. Comparative information shall not be restated.</td><td>To be discussed by the Board in this meeting (Agenda Paper X). The staff recommendation is to apply the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.</td></tr>
</table>

Proposals in the EDs	Tentative decision

Permission to begin drafting

4. The Board has completed its deliberations (subject to discussions at this meeting) and the staff are ready to begin the balloting process. The staff would like to determine if any Board members intend to dissent.

Questions
Do any Board members intend to dissent from the amendments to IAS 19? Does the Board give the staff permission to begin drafting?

Appendix A – Further background to the 2005 ED

1. In 2005, the Board published the exposure draft *Amendments to IAS 37* Provisions, Contingent Liabilities and Contingent Assets *and IAS 19* Employee Benefits (the 2005 ED) that proposed:

   (a) withdrawal of the current requirements in IAS 37 relating to restructuring provisions;

   (b) amendments to the requirements in IAS 19 relating to termination benefits; and

   (c) consequential amendments to the requirements in IAS 19 relating to curtailments to reflect the changes in (a) and (b) above.

2. In October 2009, the Board had tentatively decided to publish the termination benefits amendments without waiting for the completion of the revised IAS 37. However, because of competing priorities, the staff were unable to complete the work on those amendments in the first half of 2010, and so have held them back for finalisation together with the amendments that will result from the 2010 ED.

Restructuring provisions

3. Current IAS 37 states that an entity has a constructive obligation for restructuring costs if it: (a) has a detailed formal plan for restructuring; and (b) has raised a valid expectation in those affected that it will carry out the restructuring. At that time, it recognises a provision for the direct expenditures arising from the restructuring.

4. The 2005 ED proposed:

   (a) revising the application guidance for restructuring provisions to specify that a liability for a cost associated with a restructuring is recognised only when the definition of a liability has been satisfied for that cost. Accordingly, a cost associated with a restructuring would be recognised as a liability on the same basis as if that cost arose independently of a restructuring.

(b) specific guidance for accounting for costs that are often associated with a restructuring. The guidance included a proposal, that the cost of employee termination benefits should be recognised in accordance with IAS 19.

5. In April 2008 the Board tentatively confirmed the proposals in the 2005 ED relating to restructuring. However the IAS 37 project has since been delayed.

Termination benefits

6. Current IAS 19 states that termination benefits should be recognised when the entity is demonstrably committed either to terminating the employment of employees before the normal retirement date or to providing termination benefits as a result of an offer made in order to encourage voluntary redundancy. The words ‘demonstrably committed’ were used in IAS 19 because, at the time the IASC was finalising IAS 19, the words were also used in exposure draft E59 *Provisions, Contingent Liabilities and Contingent Assets* for the recognition of provisions for restructuring. However the IASC changed these words when it finalised IAS 37. At the time, no consequential amendments were made to IAS 19.

7. The 2005 ED was intended to improve IAS 37 and converge with US GAAP requirements now in US Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) topic 420 *Exit or Disposal Cost Obligations*[1] (FASB ASC Topic 420), relating to ‘one-time termination benefits’ and FASB ASC Topic 712 *Compensation—Nonretirement Postemployment Benefits*[2], relating to ‘special termination benefits’. The Board acknowledged in the 2005 ED that differences with US GAAP would remain

[1] The requirements in FASB ASC Topic 420 were introduced into US GAAP by SFAS 146 *Accounting for Costs Associated with Exit or Disposal Activities.*

[2] The requirements in FASB ASC Subtopic 715-30 were introduced into US GAAP by SFAS 88 *Employers’ Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits.*

following the introduction of these amendments. Nonetheless, the Board believed that the proposed amendments would converge with some US GAAP requirements as well as improve the accounting for termination benefits.

8. The 2005 ED proposed that:

   (a) voluntary termination benefits (benefits offered for a short period in exchange for an employee's decision to accept voluntary termination of employment – ie the employee has a choice) should be recognised when employees accept the entity's offer of those benefits.

   (b) involuntary termination benefits (benefits provided as a result of an entity's decision to terminate an employee's employment before the normal retirement date – ie the employee has no choice) should be recognised:

      (i) over the future service period if the involuntary termination benefits are provided in exchange for employees' future services (ie in substance they are a 'stay bonus').

      (ii) in all other cases, when the entity has communicated its plan of termination to the affected employees and the plan meets specified criteria.

9. In May 2008 the Board considered the comments received on those proposals and made the following tentative decisions:

   (a) In the proposed definition of voluntary termination benefits, the term 'short period' refers to a period between the offer for voluntary termination and the actual termination of the employment, rather than to the period between the offer and the expiry of the offer.

   (b) Because the definition of voluntary termination benefits refers to a short period, voluntary termination benefits do not relate to future services.

(c) If an entity offers voluntary termination benefits and cannot withdraw that offer, the entity should recognise a liability in the same way as for involuntary termination benefits.

(d) Before an obligation exists for involuntary termination benefits, employees need to know whether they are in the class of employees whose employment will be terminated.

10. In January and April 2010 the staff identified some ways to simplify the drafting and requirements and as a consequence the Board tentatively decided:

(a) to amend the definition of termination benefits to include only benefits provided in exchange for termination of employment and exclude benefits provided in exchange for employee service. FASB ASC Topic 420 regards some involuntary termination benefits as being provided in exchange for employees' future services (or, expressed another way, a 'stay bonus'). In such cases under US GAAP, an entity recognises the cost of those benefits over the period of the employees' service, consistently with the accounting for other employee benefits. Treating benefits provided in exchange for employee service as post-employment or other employee benefits, rather than termination benefits, results in the same recognition as is required under FASB ASC Topic 420. It is just the label that is different. But calling such benefits post-employment or other employee benefits makes the section in IAS 19 on termination benefits much easier to understand.

(b) to require an entity to recognise termination benefits when it no longer has the ability to withdraw an offer of those benefits.

(c) to eliminate voluntary and involuntary as separate categories of termination benefits. Since the recognition requirements are the same (ie when an entity can no longer withdraw an offer of termination benefits) removing these categories reduces the complexity of the requirements.

(d) to clarify the requirements for initial measurement and subsequent recognition and measurement for termination benefits provided as part of an ongoing benefit plan.

11. Because of the interaction between the recognition requirements for restructuring costs in IAS 37 and termination benefits in IAS 19, and the delay in finalising the restructuring cost proposals in IAS 37, in January 2011 the Board tentatively decided that if a termination benefit arises as part of a restructuring plan, the termination benefit should be recognised at the earlier of:

    (a) when the related restructuring costs are recognised; and

    (b) when the entity can no longer withdraw an offer of the termination benefits.

    Otherwise, termination benefits should be recognised when the entity can no longer withdraw an offer of the benefits.

Interaction between the tentative decisions for termination benefits (resulting from the 2005 ED) and post-employment benefits (2010 ED)

Classification of termination benefits and past service cost

12. The Board discussed the interaction of its tentative decision on the immediate recognition of past service cost and its decisions made on termination benefits at its October 2010 meeting (Agenda Paper 4B of that meeting) and the following paragraphs summarise that interaction. In January 2010 the Board tentatively decided to amend the definition of termination benefits proposed in the 2005 ED to include only benefits provided in exchange for termination of employment and not include benefits provided in exchange for employee service. This decision would change the classification of a 'stay bonus' from a termination benefit (as per the 2005 ED proposals) to an employee benefit.

13. US GAAP addresses benefits provided by an entity if employees stay for a period before termination (a stay bonus) in US Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) topic 420 *Exit or*

Disposal Cost Obligations (FASB ASC Topic 420). Topic 420 requires these benefits to be recognised over the future service period. The January 2010 decision on termination benefits would result in the same recognition under existing IAS 19. However IAS 19 would label these benefits as post-employment benefits, whereas Topic 420 labels them as termination benefits.

14. As a result of the Board's tentative decision to confirm the proposal to recognise unvested past service cost immediately, a stay bonus would be recognised over the future service period if it is provided by amending an existing plan and the benefit formula attributes those benefits to future service. However, if the benefit formula attributes benefits to prior service, then those benefits would be recognised as past service cost. This is inconsistent with their recognition under Topic 420, however their recognition will be consistent the recognition of other post-employment benefits in IAS 19.

15. At its October 2010 meeting, the Board reconfirmed the January 2010 tentative decision on termination benefits in the light of its tentative decision on the immediate recognition of unvested past service cost.

Timing of recognition of related transactions

16. The Board discussed the interaction between the timing of recognition for termination benefits and the timing of recognition for curtailments, plan amendments, settlements and restructuring costs at its January 2011 meeting (see Agenda Paper 9C for that meeting). At that meeting the Board tentatively decided to align the timing of recognition for related plan amendments, curtailments, termination benefits and restructuring costs.

Transition and effective date

17. The amendments to the requirements for termination benefits may also result in the reclassification of benefits from termination benefits to another one of the employee benefit categories when the amendments are first applied. This could have implications for the recognition of these benefits, and could result in the recognition of past service cost in the case of a benefit that was reclassified to

one of the employee benefit categories from termination benefits. However the staff notes that the tentative decisions by the Board regarding the definition of termination benefits result in a closer match to the current definition than the definition in the 2005 ED (ie, termination benefits are provided in exchange for termination of employment, employee benefits are provided in exchange for service). The staff discusses this transition issue further in Agenda Paper 7D.

18. Other interactions could result if the amendments to the termination benefit requirements are published, or are effective, on different dates to the other amendments to IAS 19 resulting from the 2010 ED. If the amendments for termination benefits are published on, and are effective from, the same date as the other amendments to IAS 19 then the effect of multiple versions of IAS 19 would not have to be considered (for example transition, measurement and recognition issues relating to the deferred recognition requirements in current IAS 19). The staff discusses this effective date issue further in Agenda Paper 7C.