Project	**Post-employment benefits**
Topic	**Effective date**

Introduction

1. This paper discusses the effective date for the forthcoming amendments to IAS 19 *Employee Benefits*. This paper does not address the transition requirements, the transition requirements will be considered in Agenda Paper 7D.

2. The current project status is summarised in Agenda Paper 7A.

3. The exposure draft *Defined Benefit Plans* (the ED) did not propose an effective date for the amendments.

4. On 19 October 2010, the Board published a Request for Views to gather views from interested parties about the time and effort that will be involved in adapting to the several new IFRSs the IASB expects to issue in 2011 and about when those IFRSs should become effective. The comment period for the Request for Views ended on 31 January 2011.

5. The staff analysis and recommendation below considers the effective date for this project in isolation, and therefore the Board should note that it still has the opportunity to review the effective date as part of its broader consideration of the feedback received from the request for views on effective dates and transition consultation.

6. In summary, the staff recommends that the Board:

   (a) require an effective date of no earlier than 1 January 2013 for the amendments to IAS 19;

(b) permit early application of the amendments to IAS 19, but only if all the amendments are applied early; and

(c) require an entity to disclose the fact that it has applied the amendments to IAS 19 early, if that is the case.

Staff analysis and recommendation

Effective date

7. Although the ED did not propose an effective date, some comment letters suggested that, in selecting the effective date, the Board should consider the following:

   (a) The time necessary for translation and the inclusion into legislation for some jurisdictions.

   (b) The time necessary for regulators to modify any regulatory requirements.

   (c) The time necessary for entities to modify any debt covenants or other contracts that use information from financial statements.

   (d) The number of countries that are adopting IFRS in the next few years, and the need to avoid them having to make two changes in a short period of time.

   (e) The time and effort that will be involved in adapting to the new requirements, bearing in mind that these new requirements are finalised during a period of regulatory change and continuing economic uncertainty for many entities.

   (f) The Board usually sets an effective date between six and eighteen months after issuing an IFRS.

Staff recommendations—effective date

8. Because of the interaction between the amendment to eliminate the option to defer recognition of defined benefit cost and the other amendments, we recommend that the same effective date should be set for all amendments (including termination benefits). This would be the simplest approach. The staff is not aware of any reasons why the effective dates of the amendments should not be the same.

9. The staff thinks that a lead time of 2 years provides an appropriate lead time between publication of the final standards and the effective date and would allow enough time for entities to implement the amendments, for governments to make the necessary changes to legislation and for regulators to modify regulatory requirements. The staff have not identified any of the amendments to IAS 19 that would require a longer lead time for implementation, however the elimination of the option to defer recognition will change the amounts recognised on the balance sheet, sometimes significantly, and entities may need to prepare for this change.

10. The amendments to IAS 19 are currently planned to be issued by 31 March 2011. The staff recommends an effective date of no earlier than 1 January 2013 subject to the Board's review of feedback received on the Request for Views on effective dates and transition.

Early application

11. The ED on proposed to permit entities to apply the new requirements early. The EDs also proposed that entities that choose to apply the standards early should disclose that fact. The amendments to IAS 19 are expected to be finalised in the first Quarter of 2011.

Staff recommendation—early application

12. The amendments to IAS 19 will improve the accounting and, in particular, the disclosures provided by a reporting entity in relation to its participation in defined benefit plans. In addition, some of the amendments address existing

problems in applying IAS 19 in practice. Accordingly, we do not believe entities should be prevented from applying the new requirements early should they choose to do so. In addition, early application will address the concerns expressed by those who will adopt IFRSs for the first time in 2011 or 2012—if first-time adopters were prevented from applying the amendments to IAS 19 early, those entities might be forced to make two changes to their accounting with respect to defined benefit plans within a short time period. Therefore, we recommend permitting early application of the amendments to IAS 19 and requiring entities that apply the IFRSs early to disclose that fact.

13. Because of the interaction between the amendment to eliminate the option to defer recognition of defined benefit cost and the other amendments, we recommend that if an entity elects to apply the new requirements early, the entity must apply all of the amendments to IAS 19 early. The staff notes that some of the amendments address issues that have arisen in practice, and therefore entities might want to apply some of these amendments earlier than the other amendments to IAS 19. However, the staff thinks that allowing entities to apply some of the requirements earlier than the others will introduce complexity that would require further consideration of the transitional requirements due to the existence of the option to defer recognition of defined benefit cost.

Questions for the Board
Does the Board agree, subject to its broader consideration of effective dates and transition, with the staff recommendations to: (a) require an effective date of no earlier than 1 January 2013 for the amendments to IAS 19? (b) permit early application of the amendments to IAS 19, but only if all the amendments are applied early? (c) require an entity to disclose the fact that it has applied the amendments to IAS 19 early, if that is the case? If not, why and what does the Board propose?