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Project	<b>Post-employment benefits</b>
Topic	<b>Due process considerations</b>

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## Purpose of this paper

1. This paper reviews whether the Board has complied with due process steps, as required in the *IASB Due Process Handbook*, for the post-employment benefits project.

## Due process

2. The *IASB Due Process Handbook* includes mandatory and non-mandatory due process steps required to be undertaken before the publication of an exposure draft or the issue of a new IFRS or amendments to existing IFRSs. The Board is required to explain why it has not undertaken any of the non-mandatory steps (ie the ‘Comply or explain’ approach).

### ***Mandatory steps***

3. Paragraph 110 of *IASB Due Process Handbook* sets out the mandatory due process steps as follows:

The following due process steps are mandatory:

- developing and pursuing the IASB’s technical agenda
- preparing and issuing standards and exposure drafts, each of which is to include any dissenting opinions

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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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- establishing procedures for reviewing comments made within a reasonable period on documents published for comment
  - consulting the SAC on major projects, agenda decisions and work priorities
  - publishing bases for conclusions with standards and exposure drafts.
4. The staff think that the Board has complied with all mandatory steps as listed in paragraph 110 of the Handbook in the post-employment benefits project subject to the completion of a final amendment to IAS 19 *Employee benefits*.

**Non-mandatory steps**

5. Paragraphs 111-112 of *IASB Due Process Handbook* sets out the the non-mandatory due process steps and includes guidance on the ‘Comply or explain’ as follows:

111 Other steps specified in the Constitution are not mandatory. They include:

- publishing a discussion document (eg a discussion paper)
- establishing working groups or other types of specialist advisory groups
- holding public hearings
- undertaking field tests (both in developed countries and in emerging markets).

112 If the IASB decides not to undertake those non-mandatory steps defined by the Constitution, it will, as required by the Constitution, state its reasons. Explanations are normally made at IASB meetings, and are published in the decision summaries and in the basis for conclusions with the exposure draft or standard in question.

6. Non-mandatory steps that the Board has undertaken include:
- (a) publishing a discussion paper *Preliminary Views on Amendments to IAS 19* (the DP) in May 2008; and

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- (b) establishing the Employee Benefits Working Group to assist the Board in the development of proposals and the review of feedback received on those proposals. The working group has held 5 formal meetings. The last working group meeting was held in September 2010. In addition to the formal meetings, the staff have sought informal input from working group members on a number of issues.
7. Because of the limited scope of this project, the Board has not considered it necessary to undertake public hearings and to undertake field tests. The staff thinks that it is not necessary for the Board to undertake these non-mandatory steps because sufficient input has been received through the following channels:
- (a) Formal feedback through the comment letters on the DP, 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).
  - (b) To complement the formal feedback provided by comment letters, the staff and some Board members undertook an extensive program of outreach activities during the exposure period. Activities included live webcasts (conducted by the IASB and in partnership with other organisations), Q&A sessions, meetings, talks, conference presentations, conference calls, articles and email correspondence with a wide range of preparers, users, actuaries, auditors and other pensions professionals from a wide variety of geographic backgrounds.
  - (c) The formal and informal input received from the working group.

**Summary**

8. The staff note that this project has complied with all mandatory steps as listed in paragraph 110 of the Handbook thus far.

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9. The staff note that, for the reasons stated in paragraph 7, the Board has not considered it necessary to hold public hearings or to conduct field tests. The Basis for Conclusions will note this.

**Question 1**

Is the Board satisfied that the Board:

- (a) has performed all mandatory due process steps?
- (b) has performed sufficient non-mandatory due process steps?

**Re-exposure**

10. Paragraph 47 of the *IASB Due Process Handbook* sets out the following guidance on determining whether re-exposure is necessary:

In considering the need for re-exposure, the IASB

- identifies substantial issues that emerged during the comment period on the exposure draft that it had not previously considered
  - assesses the evidence that it has considered
  - evaluates whether it has sufficiently understood the issues and actively sought the views of constituents
  - considers whether the various viewpoints were aired in the exposure draft and adequately discussed and reviewed in the basis for conclusions on the exposure draft.
11. The Board is required to decide whether to expose its revised proposals for another round of public comments.
12. Agenda Paper 7A sets out a summary of the Board's tentative decisions to date and compares them with the proposals set in the 2010 ED and the 2005 ED, highlighting any areas where the tentative decisions add to or amend the proposals.

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13. The main proposals in the 2010 ED included:
  - (a) elimination of the option to defer recognition of defined benefit cost;
  - (b) presentation of defined benefit cost in the statement of comprehensive income;
  - (c) amendments to the disclosure for defined benefit plans; and
  - (d) other issues raised in the comment letters to the DP that the Board considered could be addressed in a short period of time.
14. The main deviations from the proposals in the 2010 ED in the tentative decisions to date include:
  - (a) permitting entities to present remeasurements in profit or loss (the 2010 ED required presentation of remeasurements in other comprehensive income);
  - (b) the withdrawal or relaxing of some of the disclosure proposals. (however the overall disclosure package is similar to the proposals in the exposure draft).
  - (c) the withdrawal or relaxing of some of the proposals addressing the other issues.
15. For termination benefits, the main changes are:
  - (a) the amendment to the timing of recognition of termination benefits to when an entity can no longer withdraw an offer of those benefits, unless the termination benefits arise as part of a restructuring plan, in which case the termination benefits should be recognised at the earlier of when the restructuring costs are recognised and when the entity can no longer withdraw an offer of the benefits; and
  - (b) clarification of the measurement of termination benefits provided as part of an ongoing benefit plan.
16. The amendments to termination benefits were part of the 2005 ED that focused on amendments to IAS 37. In October 2009, the Board tentatively decided to

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publish the termination benefits amendments without waiting for the completion of the revised IAS 37.

**Question 2**

Does the Board think that any of the amendments require re-exposure?