

STAFF PAPER

February 2015

IASB Meeting

Project	Narrow-scope amendments to IAS 19 <i>Employee Benefits</i> and IFRIC 14 <i>IAS19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>		
Paper topic	Summary of due process followed		
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This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IASB and does not represent the views of the IASB or any individual member of the IASB. Comments on the application of IFRSs do not purport to set out acceptable or unacceptable application of IFRSs. Technical decisions are made in public and reported in IASB *Update*.

Purpose of this paper

1. At its January 2015 meeting, the IASB tentatively decided to publish an Exposure Draft (narrow-scope amendments to IAS 19 *Employee Benefits* and IFRIC 14 *IAS19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*).
2. At the meeting, it was tentatively decided that the Exposure Draft should be a single package of narrow-scope amendments to IAS 19 and IFRIC 14 for following two projects:
 - (a) Availability of a refund of a surplus from a defined benefit plan when an independent trustee has unilateral powers; and
 - (b) Remeasurement at a plan amendment, curtailment or settlement.
3. The purpose of this paper is to:
 - (a) provide the IASB with a brief summary of the proposed amendments; and
 - (b) ask the IASB to confirm that it is satisfied that it has complied with the due process requirements to date.

Summary of the proposals¹

4. The issues originated from submissions to the IFRS Interpretations Committee, which recommended that the IASB should amend IAS 19 and IFRIC 14.

Availability of a refund of a surplus from a defined benefit plan when an independent trustee has unilateral powers

5. At its January 2015 meeting, the IASB discussed a recommendation from the Interpretations Committee to clarify whether a trustee's power to augment benefits or to wind up a plan affects the employer's unconditional right to a refund and thus, in accordance with IFRIC 14, restricts recognition of an asset.
6. The IASB tentatively agreed with the recommendation from the Interpretations Committee that IFRIC 14 should be amended to clarify that:
- (a) The amount of the surplus that an entity recognises as an asset on the basis of a future refund should not include amounts that another party (for example, the plan trustee) has the unilateral power to use for other purposes, (for example to enhance benefits for plan members).
 - (b) An entity should not assume a gradual settlement of a plan as described in paragraph 11(b) of IFRIC 14, if another party can unilaterally decide to wind up the plan and prevent a gradual settlement.
 - (c) Another party's unilateral power to buy annuities or make other investment decisions without changing the pension promise is a power to make investment decisions, and thus is different from the power to wind up a plan by settling plan liabilities, or the power to use a surplus to enhance benefits.
 - (d) When an entity determines the availability of a refund or a reduction in future contributions, the entity should take account of the statutory

¹ For further details of the past discussions and meetings, see our project pages:

<http://www.ifrs.org/Current-Projects/IASB-Projects/IAS-19-Remeasurement-amendment-curtailment/Pages/Home.aspx>

<http://www.ifrs.org/Current-Projects/IASB-Projects/IFRIC-14-IAS-19/Pages/Home.aspx>

requirements that are substantively enacted, as well as taking account of the terms and conditions that are contractually agreed and any constructive obligations.

7. The IASB tentatively agreed with the recommendation from the Interpretations Committee that IAS 19 should be amended to clarify that, when a plan amendment, curtailment or settlement occurs:
 - (a) a gain or loss on settlement or past service cost should be calculated and recognised in profit or loss in accordance with paragraphs 99–112 of IAS 19; and
 - (b) an entity should reassess the asset ceiling to be applied to the updated surplus and the adjustment to the asset ceiling should be recognised in other comprehensive income as required in paragraph 57(d)(iii) of IAS 19.

8. The IASB also tentatively agreed with the Interpretations Committee’s observation that, when an entity’s legal or constructive obligation to enhance benefits has arisen in accordance with paragraph 61 of IAS 19, the entity should reflect that obligation in the measurement of the defined benefit obligation, in accordance with paragraph 88 of IAS 19.

Remeasurement at a plan amendment, curtailment or settlement

9. Paragraph 99 of IAS 19 requires an entity to remeasure the net defined benefit liability (asset) when a plan amendment, curtailment or settlement occurs. At its 2015 January meeting, the IASB discussed a recommendation from the Interpretations Committee to clarify the calculation of current service cost and net interest in this circumstance.

10. At that meeting, the IASB tentatively agreed with the recommendation from the Interpretations Committee that IAS 19 should be amended to clarify that:
 - (a) When the net defined benefit liability (asset) is remeasured in accordance with paragraph 99 of IAS 19:

- (i) the current service cost and the net interest for the remaining period after the remeasurement should be determined using the assumptions applied to the remeasurement; and
 - (ii) an entity should calculate the net interest for the remaining period based on the remeasured net defined benefit liability (asset).
- (b) Service cost in the current reporting period before a plan amendment or curtailment is current service cost, and should not be affected by, or be included in, past service cost.
11. The IASB tentatively agreed with the Interpretations Committee's observation that the requirement to remeasure the net defined benefit liability (asset) should be determined on a plan-by-plan basis.

Transition and first-time adoption for the amendments

12. At its 2015 January meeting, the IASB also agreed that:
- (a) An entity should apply the amendments to IFRIC 14 and IAS 19 retrospectively, but that an exemption should be given from retrospective adjustment of the carrying amount of assets that include employee benefits costs, but that are outside the scope of IAS 19 (eg inventories).
 - (b) Early application of the amendments to IAS 19 should be permitted.
 - (c) An amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards* is not needed.

Intention to dissent

13. Paragraph 6.9 of the *Due Process Handbook* requires that we formally ask whether any members intend to dissent from the proposals in the Exposure Draft.

Proposed timetable for balloting and publication of the Exposure Draft

14. The balloting process of the Exposure draft will start in March 2015 and its publication is scheduled for May 2015.

Comment period

15. We suggest that the comment period for this Exposure Draft should be no less than 120 days, which is the normal comment period in accordance with paragraph 6.7 of the *Due Process Handbook*.

Confirmation of due process steps

16. In Appendix A, we have summarised the due process steps we have taken and that we will take in developing the proposed amendments.
17. We note that the required due process steps for the publication of the proposed amendments have been or will be completed, as presented in Appendix A.

Questions to the IASB—Compliance with due process

1. Do any IASB members intend to dissent from the proposed amendments?
2. Is the IASB satisfied with the due process steps required to date that relate to the publication of the proposed amendments?
3. Does the IASB agree with a comment period of no less than 120 days for the proposed amendments?
4. Do the staff have permission to ballot the Exposure Draft?

Appendix A: Confirmation of Due Process Steps in the development of the Exposure Draft (Narrow-Scope amendments to IAS 19 and IFRIC 14)

A1. The following table sets out the due process steps followed by the IASB in the development of the Exposure Draft:

<i>Step</i>	<i>Required/ Optional</i>	<i>Actions</i>
Board meetings held in public, with papers available for observers. All decisions are made in public session.	Required	<p>The issues were discussed on the basis of publicly available agenda papers at the IFRS Interpretations Committee (the Interpretations Committee) meetings. We created and updated two project pages for:</p> <ul style="list-style-type: none"> (a) Availability of a refund of a surplus from a defined benefit plan when an independent trustee has unilateral powers; and (b) Remeasurement at a plan amendment, curtailment or settlement. <p>The results of the discussions of the Interpretations Committee were summarised in the <i>IFRIC Update</i> for the meetings.</p> <p>The IASB discussed the issues at its January 2015 meeting and decided to propose narrow-scope amendments to IAS 19 and IFRIC 14.</p>
Consultation with the Trustees and the Advisory Council.	Required	<p>The proposed amendments are part of the IASB's and the Interpretations Committee's work on maintenance of IFRSs.</p> <p>Because the scope of the proposal is narrow, the IASB is not undertaking a separate consultation with the Advisory Council.</p>
Consultative groups used, if formed.	Optional	N/A
Fieldwork is undertaken to analyse proposals.	Optional	N/A
Outreach meetings with a broad range of stakeholders, with special effort to consult investors.	Optional	<p>The staff conducted outreach with the IFASS group and with specialists in pension accounting.</p> <p>The results of the outreaches were included in the papers presented to the Interpretations Committee.</p>
Webcasts and podcasts to provide interested parties with high-level updates or other useful information about specific projects.	Optional	N/A
Public discussions with representative groups.	Optional	N/A
Online survey to generate evidence in support of or against a particular approach.	Optional	N/A
The IASB hosts regional discussion forums, where possible, with national standard-setters.	Optional	N/A
Round-table meetings between external participants and members of the IASB.	Optional	N/A

<i>Step</i>	<i>Required/ Optional</i>	<i>Actions</i>
Analysis of the likely effects of the forthcoming Standard or major amendment, for example, initial costs or ongoing associated costs.	Required	The staff assessed the likely effects of the proposals as being limited, because the scope of the proposal is narrow.
Due process steps reviewed by the IASB.	Required	The IASB will review and discuss them at this meeting.
The ED has an appropriate comment period.	Required	We recommend that the comment period for this Exposure Draft should be no less than 120 days, which is the normal comment period in accordance with the <i>Due Process Handbook</i> . The IASB will discuss it at this meeting.
Drafting		
Drafting quality assurance steps are adequate.	Required	The Translation and the XBRL team will be asked to review the draft.
Drafting quality assurance steps are adequate.	Optional	The Editorial team will be asked to review the draft.
Publication		
ED published.	Required	ED is planned to be published during Q2 2015.
Press release to announce publication of ED.	Required	Press release will be published to announce publication of ED.
Snapshot document to explain the rationale and basic concepts included in the ED.	Optional	N/A