

IAS 19 *Employee Benefits* (November 2007)

Changes to a plan caused by government

The IFRIC was asked to provide guidance on accounting for the effects of a change to a defined benefit plan resulting from action by a government.

The IFRIC noted that IAS 19 already provides guidance on whether the identity of the originator of the change affects the accounting. Paragraph 55 of the basis for conclusions on IAS 19 explains the IASC Board's decision to reject the proposal that 'past service cost should not be recognised immediately if the past service cost results from legislative changes (such as a new requirement to equalise retirement ages for men and women) or from decisions by trustees who are not controlled, or influenced, by the entity's management'. In other words, the IASC did not believe that the source of the change should affect the accounting. Therefore, the accounting for changes caused by government should be the same as for changes made by an employer.

The IFRIC acknowledged that, in some circumstances, it might be difficult to determine whether the change affects either actuarial assumptions or benefits payable and noted that judgement is required. The IFRIC also noted that any guidance beyond that given in IAS 19 would be more in the nature of application guidance than an Interpretation.

For this reason, the IFRIC decided not to add this item to the agenda.