

D5 Accounting standards development



May 2011 Changes to IAS 19

Martin Lowes - Aon Hewitt

Future review of IAS 19

Manuel Kapsis - IASB

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Changes to IAS 19 May 2011

- Discussion Paper March 2008
- Exposure Draft April 2010
- Final Amendment May 2011
- Mandatory for years commencing on or after 1 Jan 2013
- Limited Scope
 - Recognition
 - Presentation
 - Disclosure
 - Not measurement

Main changes

- Immediate recognition of gains/losses and unvested past service cost
- Interest on net balance sheet asset/liability to replace interest on liability, expected return on assets
- Service cost and net interest in P&L; remeasurements in OCI
- Extended disclosures

Presentation

- Profit & Loss (P&L)
 - Service cost
 - Current service cost
 - Past service cost
 - Curtailment gain/loss
 - Non-routine settlements
 - Net interest
- Other Comprehensive Income (OCI)
 - Gains/losses
 - Restriction on surplus
- Changes from ED
 - Non-routine settlements
 - No requirement for operating/finance split

Gains/losses

- Immediate recognition
- Ie removal of corridor option
- Already applied by most UK companies
- Will affect more companies in other countries
- Most analysts already restate accounts this way
- As US GAAP (but US GAAP recycles to P&L)
- Not a big impact?

Net interest on net balance sheet

Discount rate

X

[Liabilities

- assets

+ restriction of assets]

- Change in attitude toward return seeking investments?
- Or balance sheet volatility more important?

Administration costs and taxes

- Investment expenses with investment return
- Other admin expenses recognised as incurred
- NOT capitalised as in ED

- BUT value of taxes payable on contributions or benefits for past service to be included in DBO

Disclosure

- Objectives of disclosure as ED but detail changed/relaxed
- Information about characteristics of DB Plans
 - Nature of benefits
 - Effect of regulatory framework
 - Impact of governing documents
 - Determination of restriction on asset
- Description of risks/concentrations
- Disaggregation of asset value
- Disaggregation of DBO
- Description of changes (PSC, settlement, curtailment)

Other long term employee benefits

- Other long term employee benefits to remain distinct
 - Recognition of all items (incl gains/losses) through P&L
 - Disclosures

“Back-loading” of accrual

- No clarification of whether salary increases to be allowed for in determining whether accrual materially “back-loaded”
- Omitted due to limited scope – excluding measurement

IFRIC 14

- IAS 19 will not incorporate IFRIC 14 as was proposed in the ED

Future review of IAS 19

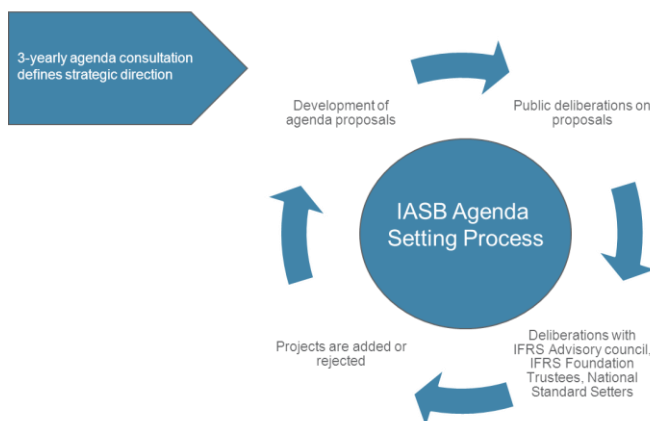
- Agenda consultation
 - The IASB's agenda setting process
 - Timeline of consultation
 - Agenda setting criteria
- Possible scope of future project
 - Contribution based promises
 - Measurement
- Other projects

Agenda consultation

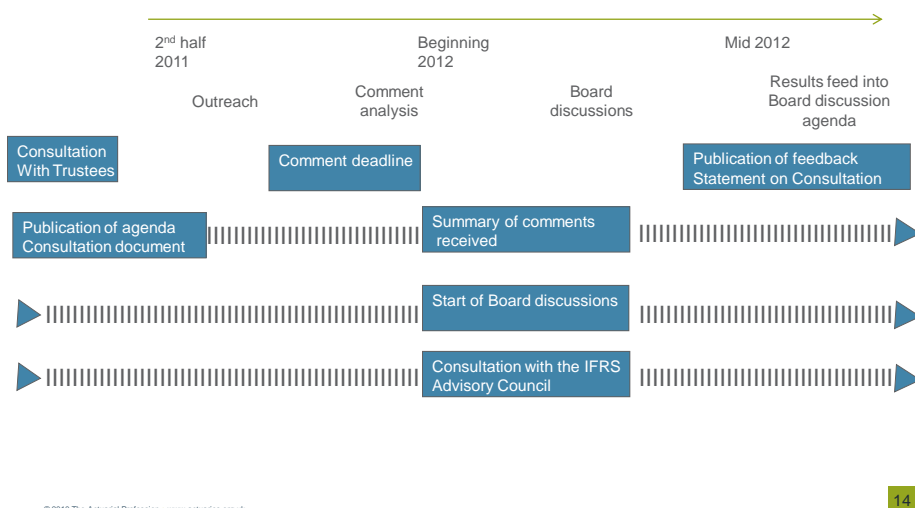
- MoU with FASB concludes in 2011
- Large number of IFRS adopters
- Changing environment
- Three-yearly agenda review now part of constitution
- Request input on:
 - the strategic balance and direction of the agenda
 - identification of areas of improvement
 - balancing period of stability vs need for improvement

The IASB's agenda setting process

The IASB's agenda setting process is an ongoing process that considers economic developments, urgent issues, comments from national standard-setters and others, and changes to conceptual framework. The Agenda Consultation will provide important input when the Board considers the individual agenda items.



Timeline of consultation



Agenda setting criteria

- The relevance to users of the information involved and the reliability of information that could be provided
- Existing guidance available
- The possibility of increasing convergence
- The quality of the IFRSs to be developed
- Resource constraints

Scope of future project

- Short-term improvements or fundamental review
- Matters discussed but deferred:
 - Contribution based promises
 - Discount rate
- Other matters:
 - Classification
 - Measurement
 - Presentation on balance sheet

Contribution-based promises

- Preliminary views in 2008 Discussion Paper
- Respondents concerned about scope and measurement
 - Classification of CBP too broad
- Board decided to defer and focus on elimination of corridor
- Potential limited scope project to address these benefits

Measurement

- Different aspects to measurement:
 - Cash flows – include vs exclude future salary
 - Attribution to periods of service
 - Discount rate – currently two discount rates
- ED on discount rates in 2009 proposed eliminating govt bond rate – however decision was deferred

Other projects

- Other projects competing for time on Board's agenda:
 - Common control
 - Emission trading schemes
 - Extractive activities
 - Foreign currency
 - Financial statement presentation
 - Disclosure framework
 - and many others...