

11 March 2009

International Financial Reporting Standards



The future of IAS 19

Next steps

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Outline

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- Background
- Summary of proposals in discussion paper
- Overview of the feedback on discussion paper
- Redeliberations to date
- Next steps

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Background

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Background

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Reasons for project

- Accounting model broken
 - Delays in recognition of gains and losses
 - Inadequate measurement methodology

Response

- Discussion paper issued in March 2008
 - Limited scope project
 - Deliver improvements before MoU deadline 2011
 - Comment period closed 26 September 2008

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Summary of proposals

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Recognition and presentation

- All changes in value of plan assets and in PEB obligation recognised in period in which they occur

Presentation approaches

- Three approaches discussed

Contribution-based promises

- Introduced new category of promises measured at *fair value assuming the terms of the benefit promise do not change*

Disclosures

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Overview of the feedback on discussion paper



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Recognition

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Most support recognising all changes in defined benefit obligation and in plan assets in period they occur

✓ Necessary and sufficient improvement

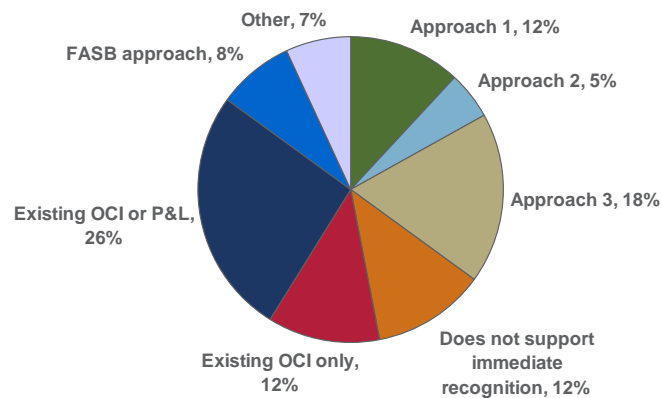
BUT

✗ Presentation best left till financial statement presentation completed



Presentation

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Presentation

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Main themes

- Need to separate operating from financing and remeasurements
- Need to achieve consistency between this project and the financial statement presentation project
- Pension assets and liabilities appear more risky than others because they are measured at current value
- Do not increase divergence with SFAS 158



Contribution based promises Definition and scope

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Too many plans reclassified as contribution based

Estimates in comment letters

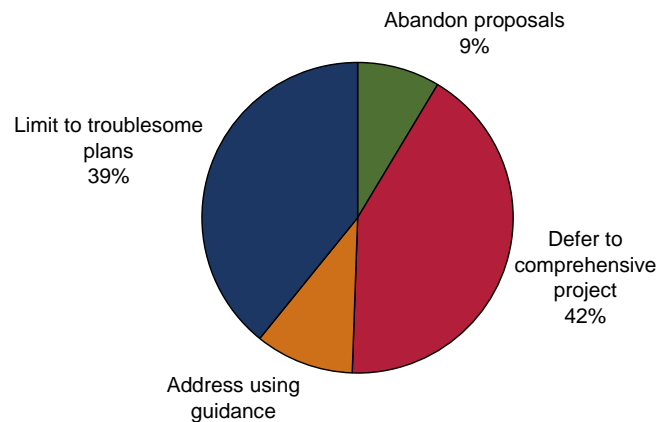
- Majority of German plans
- All cash balance plans in Switzerland and Belgium
- Most plans in Netherlands
- Career average and flat-dollar plans in Canada and US
- Nearly 10% of plans in UK



Contribution based promises Definition and scope

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Inclusion of career average and “non-troublesome” plans are a major stumbling block



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Contribution-based promises Measurement

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Little support for fair value assuming the terms of the benefit promise do not change

- ✗ Introduces fundamental change in measurement for many PEB plans
- ✗ Inconsistency with defined benefit plan for very similar career average plans
- ✗ Credit risk introduced in measurement of PEB liability

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Disclosures

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Respondents support review of disclosures

- ✗ Do not merely add to already onerous requirements
- ✓ Principles-based approach
- ✓ More sensitivity analysis
- ✓ Look to best practice
 - US FAS 158
 - UK ASB Reporting Statement
 - PAAinE discussion paper

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Redeliberations to date

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Tentative decisions of IASB

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- Disaggregate changes in the defined benefit obligation & in plan assets
 - Employment
 - Financing
 - Remeasurement
- Disclose the employment and financing components either in the income statement or in the notes



Tentative decisions of IASB

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- Remeasurement component:
 - Presented in income statement
 - Excludes service cost and interest cost
 - Includes total return on plan assets and actuarial gains and losses on defined benefit obligation



Other issues for ED

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- Additional guidance on the discount rate
- Multi-employer exemption
- Attribution to periods of service when benefits are back end loaded
- Accounting for plans with risk sharing or conditional indexation features
- Definition of short and long term employee benefits
- Tax relating to pension costs



Decisions yet to take

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- How remeasurements are presented in income statement
 - Can entities present remeasurements net of tax effects
 - Should entities present the remeasurement component as a single line item
- Confirm all changes in the defined benefit obligation and in plan assets recognised in the income statement
 - Determine how components of pension cost would be presented before asking for final decision on recognition





Next steps

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Two separate exposure drafts

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Part 1

- Recognition & presentation of changes in the defined benefit obligation and in plan assets
- Disclosures
- Other issues raised that can be addressed expeditiously

ED expected Q3 2009

Part 2

- Contribution-based promises
 - potentially as part of a comprehensive review of pension accounting.

Not intended for completion by 2011

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Expected timetable

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Date	Milestone
28 April 2009	EBWG meeting
July 2009	Last Board discussion
Q3 2009	Publish Exposure Draft
H1 2011	Publish final standard



Questions or comments?

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