

REMEASUREMENT ON A PLAN AMENDMENT, CURTAILMENT OR SETTLEMENT/AVAILABILITY OF A REFUND FROM A DEFINED BENEFIT PLAN (PROPOSED AMENDMENTS TO IAS 19 AND IFRIC 14) INTERNATIONAL FINANCIAL REPORTING BULLETIN 2015/09



Summary

The International Accounting Standards Board (IASB) has published Exposure Draft ED/2015/5 *Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan* (Proposed amendments to IAS 19 and IFRIC 14).

The proposed narrow-scope amendments are published in respect of two issues:

– Remeasurement on a plan amendment, curtailment or settlement

- Current service cost and net interest:
Would be determined based on the assumptions used for the remeasurement
- Net interest for remaining period:
Would be determined based on the remeasured net defined benefit obligation/asset.

Current service cost and net interest in the current period are not affected, and are not included in the past service cost or the gain/loss on settlement.

– Availability of a refund from a defined benefit plan

Guidance on whether the power of other parties (e.g. pension trustees) to enhance benefits or wind-up a plan affect the availability of a refund for the entity.

The deadline for comments on ED/2015/5 *Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan* (Proposed amendments to IAS 19 and IFRIC 14) is 19 October 2015.

Background

The proposed narrow-scope amendments are published in respect of two submissions to the IFRS Interpretations Committee.

The first is in relation to a request to address the accounting treatment in IAS 19 for a remeasurement of a net defined benefit obligation (asset) in the event of a plan amendment, curtailment or settlement. The existing IAS 19 guidance implies that an entity should not revise any assumptions for the calculation of the current service cost, and the net interest during the period, even if an entity remeasures the net defined benefit obligation (asset) as required by IAS 19.99.

With regard to the availability of a refund for an entity, the IASB observed that the amount of the surplus that the entity recognises as an asset on the basis of a future refund should not include amounts that other parties can use for other purposes that change the benefits for plan members.

STATUS

Exposure Draft

EFFECTIVE DATE

To be confirmed

ACCOUNTING IMPACT

May affect the calculation of current service cost and net interest from remeasurements as well as the recognition of net defined benefit assets.

Proposed changes to IAS 19 and IFRIC 14

Remeasurement on a plan amendment, curtailment or settlement

The proposed amendments clarify the accounting for defined benefit plans that are remeasured due to a plan amendment, curtailment or settlement.

An entity is required to update its assumptions for the calculation of its current service cost and the net interest for the period after the change. This includes the remainder of the current period when the remeasurement takes place during a reporting period. This is consistent with IAS 19.99 which requires an entity to remeasure its defined benefit liability (asset) upon a plan amendment, curtailment or settlement.

Availability of a refund from a defined benefit plan

Additional guidance was added to IFRIC 14 *IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements* in order to assess how the powers of other parties (e.g. trustees) affect an entity's right to a refund of a surplus from the plan and therefore the recognition of a net defined benefit asset.

Under the proposals, an entity does not have an unconditional right to a refund of a surplus by assuming a gradual settlement if other parties are able to wind up the plan without the entity's consent. The power of a third party to buy annuities or plan assets, or to make other investment decisions relates to the future amount of plan assets but does not relate to the right to a refund of a surplus.

Accordingly, the IASB proposes that such power to buy plan assets or make other investment decisions, on its own, would not prevent the entity from recognising a surplus as an asset. Furthermore, the power of others does not affect the availability of a refund if the power is dependent on uncertain future events that are not wholly within the other parties' control.

The proposals would also clarify that if a surplus can be used by other parties (e.g. trustees) to affect (or enhance) benefits for plan members without the entity's consent, then the related surplus (or part of the surplus) cannot be recognised by the entity as an asset. Again it is noted that the amount of surplus that can be recognised by an entity is not affected if the power of other parties to affect (or enhance) benefits for plan members is dependent on uncertain events that are not wholly within the other parties' control.


Overall the proposed amendments are intended to address investors' information needs and resolve existing diversity in practice.

Effective Date and Transition

An effective date for the amendments has not yet been proposed.

Retrospective application of the changes has been proposed in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, an entity is not required to adjust the carrying amount of assets that are outside the scope of IAS 19 *Employee Benefits* for changes in employee benefit costs that were included in the carrying amount of those assets before the beginning of the earliest period presented.

The deadline for comments on ED/2015/5 *Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan* is 19 October 2015.



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