



International Accounting Standards Board®

# Press Release

**FOR IMMEDIATE RELEASE**

6 May 2004

## **IFRIC publishes proposed guidance on multi-employer plans**

The International Financial Reporting Interpretations Committee (IFRIC)\* today released for public comment a draft Interpretation giving guidance on employee benefit plans that have more than one participating employer (multi-employer plans).

International Accounting Standard 19 *Employee Benefits* (IAS 19) allows participants in defined benefit multi-employer plans to use defined contribution accounting and provide additional disclosures if the information necessary for defined benefit accounting is not available.

The draft Interpretation, D6 *Multi-employer plans*, proposes guidance on when a plan meets the definition of a multi-employer plan, how defined benefit accounting should be applied to such plans and, in the light of that guidance, when the necessary information might not be available.

The proposals are open for public comment until 9 July 2004.

Introducing the proposals, the Chairman of the IFRIC, Kevin Stevenson, said:

The proposals address a concern that the paragraphs in IAS 19 on multi-employer plans may sometimes have been interpreted to allow all participating entities in multi-employer plans an automatic exemption from defined benefit accounting. This is not the case. The proposals will also resolve uncertainty over when the definition of multi-employer plans is met and how defined benefit accounting should be applied to such plans.

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\* The IFRIC is the interpretative arm of the International Accounting Standards Board (IASB).

Subscribers to the IASB's Comprehensive Subscription Service can view the draft Interpretation from the secure online services area of the IASB's Website ([www.iasb.org](http://www.iasb.org)). From 7 May the complete text of the draft Interpretation will be freely available from the Website.

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**NOTES TO EDITORS**

**About the draft Interpretation**

1. D6 notes that multi-employer plans involve sharing between the participants in the plan of the actuarial risks associated with their current and former employees. In other words, participation in a multi-employer plans creates different assets and liabilities for the participating employers from those that would arise for those employers if they had single entity plans.
2. D6 proposes a requirement that, if possible, a multi-employer plan is to be measured on the basis of assumptions appropriate for the plan as a whole, rather than for a specific participating entity. The plan is then allocated, if possible, across the participants so that a participating entity recognises an asset or liability that reflects the extent to which the surplus or deficit in the plan will affect its future contributions.

3. D6 requires an entity to make every practicable\* effort to apply defined benefit accounting to multi-employer plans in which it participates.

### **About the IFRIC**

4. The IFRIC first met in February 2002. It comprises 12 voting members (all part-time) drawn from a variety of countries and professional backgrounds, and it meets about every two months under a non-voting chairman. The IFRIC's principal role is to consider, on a timely basis within the context of International Financial Reporting Standards and the IASB *Framework*, accounting issues that are likely to receive divergent or unacceptable treatment in the absence of authoritative guidance, with a view to reaching consensus on the appropriate accounting treatment. In developing Interpretations, the IFRIC works closely with similar national interpretation committees.

### **About the IASB**

5. The IASB, based in London, began operations in 2001. It is funded by contributions collected by its Trustees, the IASC Foundation, from the major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations. The 14 IASB members (12 of whom are full-time) reside in nine countries and have a variety of professional backgrounds. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. In pursuit of this objective, the IASB cooperates with national accounting standard-setters to achieve convergence in accounting standards around the world.
6. At present, some 35 countries require the use of international standards for all domestic listed companies, six other countries require the use of international standards for some companies, and many countries base their national practices on international standards. In 2002, several jurisdictions, including Australia, the European Union, and Russia, announced that they would require the application of international standards on or before 1 January 2005. In September 2002, the IASB and the US standard-setter, the Financial Accounting Standards Board, reached an agreement to work towards the convergence of existing US and international practices and the joint development of future standards.

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\* Paragraph 5 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* states that 'applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so'.