International Accounting Standards Board®

Press Release

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IASB issues amendments to pension cost standard

The International Accounting Standards Board (IASB) today issued an amendment to IAS 19 *Employee Benefits.* The IASB has decided to allow the option of recognising actuarial gains and losses in full in the period in which they occur, outside profit or loss, in a statement of recognised income and expense. This option is similar to the requirements of the UK standard, FRS 17 *Retirement Benefits.*

Until now IAS 19 has required actuarial gains and losses (ie unexpected changes in value of the benefit plan) to be recognised in profit or loss, either in the period in which they occur or spread over the service lives of the employees. Many entities choose to spread the gains and losses. Under the amendment, entities that at present spread the gains and losses are not required to change their approach, but are now free to choose to do so. In particular, the amendment allows companies that are already showing the surplus or deficit in full under FRS 17 to continue with their present policy.

The amendment also (a) specifies how group entities should account for defined benefit group plans in their separate or individual financial statements and (b) requires entities to give additional disclosures.

The IASB has previously signalled its intention to undertake a comprehensive project on post-employment benefits, looking at fundamental aspects of measurement and recognition.

Introducing the amendment, Sir David Tweedie, IASB Chairman, said:

> Pension costs are one of the most complex and obscure areas of accounting. The amendment issued today allows entities to choose a simpler, more transparent method of accounting than is commonly adopted at present. I hope that many entities will take the opportunity of improving their financial reporting in this way.

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The primary means of publishing Standards and amendments to Standards is by electronic format through the IASB's subscriber Website. Subscribers to the IASB's Comprehensive Subscription Service are able to access the amendment published today through the secure online services area of the IASB's Website (www.iasb.org). Those wishing to subscribe should contact:

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Printed copies of Amendment to IAS 19 *Employee Benefits—Actuarial Gains and Losses, Group Plans and Disclosures* (ISBN 1-904230-77-6) will be available shortly at £15 each including postage, from IASCF Publications Department (order copies online through the IASCF shop www.iasb.org).

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NOTES TO EDITORS

About the Amendment

1. IAS 19 *Employee Benefits* is the international accounting standard on post-employment benefits, including pension costs. Its requirements for defined benefit pension plans are similar to those in Canadian, Japanese and US standards in that some gains and losses in the plan (actuarial gains and losses) do not have to be recognised in the period in which they occur but can be spread forward over the service lives of the employees.

2. In contrast, the UK standard FRS 17 *Retirement Benefits* requires actuarial gains and losses to be recognised immediately outside profit or loss in a statement of total recognised gains and losses.

3. Pending further work on post-employment benefits and on reporting comprehensive income, the IASB believes that the approach in FRS 17 should be available as an option to preparers of financial statements using international standards.

4. The amendment also requires a group entity that participates in a defined benefit plan that shares risks between entities under common control (ie a parent and subsidiaries) to obtain information about the plan as a whole measured in accordance with IAS 19 using assumptions applicable to the plan as a whole. If there is a contractual agreement or stated policy for charging the cost for the plan as a whole measured in accordance with IAS 19 to individual group entities, the group entity, in its separate or individual financial statements, will recognise the cost so charged. If there is no such agreement or policy, the cost will be recognised in the separate or individual financial statements of the group entity that is legally the sponsoring employer for the plan. The other group entities will, in their separate or individual financial statements, recognise a cost equal to their contribution payable for the period.

5. Lastly, the amendment requires additional disclosures that:

   (a) provide information about trends in the assets and liabilities in a defined benefit plan and the assumptions underlying the components of the defined benefit cost; and

   (b) bring the disclosures in IAS 19 closer to those required by the US standard SFAS 132 *Employers' Disclosures about Pensions and Other Postretirement Benefits*, which was revised in December 2003.

About the IASB

6. 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) are drawn from 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 co-operates with national accounting standard-setters to achieve convergence in accounting standards around the world.

7. A Deloitte & Touche study indicates that 92 countries will either require or permit the use of IFRSs for publicly traded companies beginning in 2005. The 92 countries include Australia, the member states of the European Union, and Russia. 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 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. Recently, the IASB and the Accounting Standards Board of Japan agreed to initiate discussions to eliminate differences between IFRSs and Japanese standards.

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