



# Press Release

For immediate release

29 April 2004

## **IASB PUBLISHES PROPOSALS ON PENSION COST ACCOUNTING**

The International Accounting Standards Board (IASB) today published an Exposure Draft of proposals on aspects of pension cost accounting, in particular giving entities an option to show, in full, pension deficits and available surpluses. This proposal is similar to the requirements of the UK standard, *FRS 17 Retirement Benefits*. Approval of this proposed option would enable companies that already show the surplus or deficit in full under *FRS 17* and are adopting International Financial Reporting Standards (IFRSs) to continue with their present policy.

Entities choosing the proposed option would recognise in the balance sheet the surplus or deficit in the plan at the balance sheet date and would show the best estimate for gains and costs of the plan in the income statement. The exposure draft also includes proposals

- to extend the application of multi-employer plan accounting to entities within a consolidated group that meet specified criteria and
- for additional disclosures.

The IASB is also considering undertaking a comprehensive project on post-employment benefits, looking at fundamental aspects of measurement and recognition. Until the outcome of such a broader review of the accounting for post-employment benefits, the IASB would continue to permit the option under *IAS 19 Employee Benefits* to recognise actuarial gains and losses (ie unexpected changes in value of the plan) in profit or loss, either in the period in which they occur or spread over the service lives of the employees. Almost all entities currently using *IAS 19* choose to spread actuarial gains and losses.

Announcing these proposals, Sir David Tweedie, IASB Chairman, said:

Pension costs are one of the most complex and obscure areas of accounting, and the IASB recognises the need for improvement in existing accounting practices throughout the world. A comprehensive review of current pension accounting will take time. This specific proposal is meant to reduce implementation costs for companies adopting international standards and to enable companies to continue with what many consider to be a more transparent approach to pension accounting.

Comments are requested by 31 July 2004.

The primary means of publishing proposed International Financial Reporting Standards and amendments to Standards is by electronic format through the IASB's subscriber Website. Subscribers are able to access the amendment published today through "online services". Those wishing to subscribe should contact:

IASCF Publications Department, 30 Cannon Street, London EC4M 6XH,  
United Kingdom. Tel: +44 (0)20 7332 2730, Fax: +44 (0)20 7332 2749,  
email: [publications@iasb.org](mailto:publications@iasb.org) Web: [www.iasb.org](http://www.iasb.org).

Printed copies of Proposed Amendments to IAS 19 *Employee Benefits—Actuarial Gains and Losses, Group Plans and Disclosures* (ISBN 1-904230-61-X) will be available shortly, at £10 each including postage, from IASCF Publications Department.

From 10 May, the text of the Exposure Draft will be available freely from the IASB's Website.

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## NOTES TO EDITORS

### About the ED

1. IAS 19 *Employee Benefits* is the IFRS that covers post-employment benefits, including pension costs. Its requirements for defined benefit pension plans are similar to those in US, Canadian and Japanese GAAP 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 Board believes that the approach in FRS 17 should be available as an option to IFRS preparers.
4. The Exposure Draft also proposes an extension of the provisions in IAS 19 relating to multi-employer plans for use in the separate or individual financial statements of entities within a consolidated group that meet specified criteria.
5. 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. However, if the participants in a plan are under common control, for example a parent and its subsidiaries, the plan cannot be considered a multi-employer plan and the exemption from defined benefit accounting is not available.
6. Some argue that entities participating in a group defined benefit plan should, in their separate or individual financial statements, either have an unqualified exemption from defined benefit accounting, or at least be able to treat the plan as a multi-employer plan.
7. The ED proposes that some group entities should be able to treat such plans as multi-employer plans. Other group entities must apply defined benefit accounting.

8. Finally, the ED proposes 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**

9. 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.
10. 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 international standards on or before 1 January 2005. In September 2002, the IASB and the US standard-setter, the Financial Accounting Standards Board (FASB), 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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