

Amendment to IAS 19 *Employee Benefits*

Multi-employer Plans

Paragraph 32A and the illustrative example are added and paragraph 35 is moved and renumbered 32B, as follows.

- 32A. There may be a contractual agreement between the multi-employer plan and its participants that determines how the surplus in the plan will be distributed to the participants (or the deficit funded). A participant in a multi-employer plan with such an agreement that accounts for the plan as a defined contribution plan in accordance with paragraph 30 shall recognise the asset or liability that arises from the contractual agreement and the resulting income or expense in profit or loss.

Example illustrating paragraph 32A

An entity participates in a multi-employer defined benefit plan that does not prepare plan valuations on an IAS 19 basis. It therefore accounts for the plan as if it were a defined contribution plan. A non-IAS 19 funding valuation shows a deficit of 100 million in the plan. The plan has agreed under contract a schedule of contributions with the participating employers in the plan that will eliminate the deficit over the next five years. The entity's total contributions under the contract are 8 million.

The entity recognises a liability for the contributions adjusted for the time value of money and an equal expense in profit or loss.

- 32B. IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* requires an entity to recognise, or disclose information about, certain

contingent liabilities. In the context of a multi-employer plan, a contingent liability may arise from, for example:

- (a) actuarial losses relating to other participating entities because each entity that participates in a multi-employer plan shares in the actuarial risks of every other participating entity; or
- (b) any responsibility under the terms of a plan to finance any shortfall in the plan if other entities cease to participate.

35. [Deleted]

Defined Benefit Plans that Share Risks between Various Entities under Common Control

Paragraph 34 is amended and paragraphs 34A and 34B are added, as follows.

- 34. Defined benefit plans that share risks between various entities under common control, for example, a parent and its subsidiaries, are not multi-employer plans.
- 34A. An entity participating in such a plan shall obtain information about the plan as a whole measured in accordance with IAS 19 on the basis of assumptions that apply to the plan as a whole. If there is a contractual agreement or stated policy for charging the net defined benefit cost for the plan as a whole measured in accordance with IAS 19 to individual group entities, the entity shall, in its separate or individual financial statements, recognise the net defined benefit cost so charged. If there is no such agreement or policy, the net defined benefit cost shall 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 shall, in their separate or individual financial statements, recognise a cost equal to their contribution payable for the period.

- 34B. Participation in such a plan is a related party transaction for each individual group entity. An entity shall therefore, in its separate or individual financial statements, make the following disclosures:
- (a) the contractual agreement or stated policy for charging the net defined benefit cost or the fact that there is no such policy.
 - (b) the policy for determining the contribution to be paid by the entity.
 - (c) if the entity accounts for an allocation of the net defined benefit cost in accordance with paragraph 34A, all the information about the plan as a whole in accordance with paragraphs 120-121.
 - (d) if the entity accounts for the contribution payable for the period in accordance with paragraph 34A, the information about the plan as a whole required in accordance with paragraphs 120A(b)-(e), (j), (n), (o), (q) and 121. The other disclosures required by paragraph 120A do not apply.

Recognition of the Components of the Defined Benefit Cost in Profit or Loss

The heading above paragraph 61 is amended and paragraph 61 is amended as follows.

Profit or Loss

61. *An entity shall recognise the net total of the following amounts in profit or loss, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:*
- (a) *current service cost (see paragraphs 63-91);*
 - (b) *interest cost (see paragraph 82);*
 - (c) *the expected return on any plan assets (see paragraphs 105-107) and on any reimbursement rights (see paragraph 104A);*
 - (d) *actuarial gains and losses, as required in accordance with the entity's accounting policy (see paragraphs 92 -93D);*

- (e) *past service cost (see paragraph 96);*
- (f) *the effect of any curtailments or settlements (see paragraphs 109 and 110); and*
- (g) *the effect of the limit in paragraph 58(b), unless it is recognised outside profit or loss in accordance with paragraph 93C.*

Actuarial Gains and Losses

Paragraphs 92, 93 and 95 are amended and paragraphs 93A-93D are added, as follows.

92. *In measuring its defined benefit liability in accordance with paragraph 54, an entity shall, subject to paragraph 58A, recognise a portion (as specified in paragraph 93) of its actuarial gains and losses as income or expense if the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded the greater of:*
- (a) *10% of the present value of the defined benefit obligation at that date (before deducting plan assets); and*
 - (b) *10% of the fair value of any plan assets at that date.*
- These limits shall be calculated and applied separately for each defined benefit plan.*
93. *The portion of actuarial gains and losses to be recognised for each defined benefit plan is the excess determined in accordance with paragraph 92, divided by the expected average remaining working lives of the employees participating in that plan. However, an entity may adopt any systematic method that results in faster recognition of actuarial gains and losses, provided that the same basis is applied to both gains and losses and the basis is applied consistently from period to period. An entity may apply such systematic methods to actuarial gains and losses even if they are within the limits specified in paragraph 92.*

- 93A. *If, as permitted by paragraph 93, an entity adopts a policy of recognising actuarial gains and losses in the period in which they occur, it may recognise them outside profit or loss, in accordance with paragraphs 93B-93D, providing it does so for:*
- (a) all of its defined benefit plans; and*
 - (b) all of its actuarial gains and losses.*
- 93B. Actuarial gains and losses recognised outside profit or loss as permitted by paragraph 93A shall be presented in a statement of changes in equity titled 'statement of recognised income and expense' that comprises only the items specified in paragraph 96 of IAS 1 (as revised in 2003). The entity shall not present the actuarial gains and losses in a statement of changes in equity in the columnar format referred to in paragraph 101 of IAS 1 or any other format that includes the items specified in paragraph 97 of IAS 1.
- 93C. An entity that recognises actuarial gains and losses in accordance with paragraph 93A shall also recognise any adjustments arising from the limit in paragraph 58(b) outside profit or loss in the statement of recognised income and expense.
- 93D. Actuarial gains and losses and adjustments arising from the limit in paragraph 58(b) that have been recognised directly in the statement of recognised income and expense shall be recognised immediately in retained earnings. They shall not be recognised in profit or loss in a subsequent period.
95. In the long term, actuarial gains and losses may offset one another. Therefore, estimates of post-employment benefit obligations may be viewed as a range (or 'corridor') around the best estimate. An entity is permitted, but not required, to recognise actuarial gains and losses that fall within that range. ...

Disclosure

A new paragraph 120 is inserted, and paragraph 120 is renumbered 120A and, with paragraph 121, amended as follows.

- 120.** *An entity shall disclose information that enables users of financial statements to evaluate the nature of its defined benefit plans and the financial effects of changes in those plans during the period.*
- 120A.** *An entity shall disclose the following information about defined benefit plans:*
- (a) the entity's accounting policy for recognising actuarial gains and losses.*
 - (b) a general description of the type of plan.*
 - (c) a reconciliation of opening and closing balances of the present value of the defined benefit obligation showing separately, if applicable, the effects during the period attributable to each of the following:*
 - (i) current service cost,*
 - (ii) interest cost,*
 - (iii) contributions by plan participants,*
 - (iv) actuarial gains and losses,*
 - (v) foreign currency exchange rate changes on plans measured in a currency different from the entity's presentation currency,*
 - (vi) benefits paid,*
 - (vii) past service cost,*
 - (viii) business combinations,*
 - (ix) curtailments and*
 - (x) settlements.*

- (d) *an analysis of the defined benefit obligation into amounts arising from plans that are wholly unfunded and amounts arising from plans that are wholly or partly funded.*
- (e) *a reconciliation of the opening and closing balances of the fair value of plan assets and of the opening and closing balances of any reimbursement right recognised as an asset in accordance with paragraph 104A showing separately, if applicable, the effects during the period attributable to each of the following:*
 - (i) *expected return on plan assets,*
 - (ii) *actuarial gains and losses,*
 - (iii) *foreign currency exchange rate changes on plans measured in a currency different from the entity's presentation currency,*
 - (iv) *contributions by the employer,*
 - (v) *contributions by plan participants,*
 - (vi) *benefits paid,*
 - (vii) *business combinations and*
 - (viii) *settlements.*
- (f) *a reconciliation of the present value of the defined benefit obligation in (c) and the fair value of the plan assets in (e) to the assets and liabilities recognised in the balance sheet, showing at least:*
 - (i) *the net actuarial gains or losses not recognised in the balance sheet (see paragraph 92);*
 - (ii) *the past service cost not recognised in the balance sheet (see paragraph 96);*
 - (iii) *any amount not recognised as an asset, because of the limit in paragraph 58(b);*
 - (iv) *the fair value at the balance sheet date of any reimbursement right recognised as an asset in accordance with paragraph 104A (with a brief description of the link between the reimbursement right and the related obligation); and*
 - (v) *the other amounts recognised in the balance sheet.*

- (g) *the total expense recognised in profit or loss for each of the following, and the line item(s) in which they are included:*
- (i) *current service cost;*
 - (ii) *interest cost;*
 - (iii) *expected return on plan assets;*
 - (iv) *expected return on any reimbursement right recognised as an asset in accordance with paragraph 104A;*
 - (v) *actuarial gains and losses;*
 - (vi) *past service cost; ~~and~~*
 - (vii) *the effect of any curtailment or settlement; and*
 - (viii) *the effect of the limit in paragraph 58(b).*
- (h) *the total amount recognised in the statement of recognised income and expense for each of the following:*
- (i) *actuarial gains and losses; and*
 - (ii) *the effect of the limit in paragraph 58(b).*
- (i) *for entities that recognise actuarial gains and losses in the statement of recognised income and expense in accordance with paragraph 93A, the cumulative amount of actuarial gains and losses recognised in the statement of recognised income and expense.*
- (j) *for each major category of plan assets, which shall include, but is not limited to, equity instruments, debt instruments, property, and all other assets, the percentage or amount that each major category constitutes of the fair value of the total plan assets.*
- (k) *the amounts included in the fair value of plan assets for:*
- (i) *each category of the entity's own financial instruments; and*
 - (ii) *any property occupied by, or other assets used by, the entity.*
- (l) *a narrative description of the basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets.*

- (m) *the actual return on plan assets, as well as the actual return on any reimbursement right recognised as an asset in accordance with paragraph 104A.*
- (n) *the principal actuarial assumptions used as at the balance sheet date, including, when applicable:*
 - (i) *the discount rates;*
 - (ii) *the expected rates of return on any plan assets for the periods presented in the financial statements;*
 - (iii) *the expected rates of return for the periods presented in the financial statements on any reimbursement right recognised as an asset in accordance with paragraph 104A;*
 - (iv) *the expected rates of salary increases (and of changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases);*
 - (v) *medical cost trend rates; and*
 - (vi) *any other material actuarial assumptions used.*

An entity shall disclose each actuarial assumption in absolute terms (for example, as an absolute percentage) and not just as a margin between different percentages or other variables.

- (o) *the effect of an increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical cost trend rates on:*
 - (i) *the aggregate of the current service cost and interest cost components of net periodic post-employment medical costs; and*
 - (ii) *the accumulated post-employment benefit obligation for medical costs.*

For the purposes of this disclosure, all other assumptions shall be held constant. For plans operating in a high inflation environment, the disclosure shall be the effect of a percentage increase or decrease in the assumed medical cost trend rate of a significance similar to one percentage point in a low inflation environment.

- (p) *the amounts for the current annual period and previous four annual periods of:*
 - (i) *the present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan; and*
 - (ii) *the experience adjustments arising on:*
 - (A) *the plan liabilities expressed either as (1) an amount or (2) a percentage of the plan liabilities at the balance sheet date and*
 - (B) *the plan assets expressed either as (1) an amount or (2) a percentage of the plan assets at the balance sheet date.*
- (q) *the employer's best estimate, as soon as it can reasonably be determined, of contributions expected to be paid to the plan during the annual period beginning after the balance sheet date.*

121. Paragraph 120A(b) requires a general description of the type of plan. Such a description distinguishes, for example, flat salary pension plans from final salary pension plans and from post-employment medical plans. The description of the plan shall include informal practices that give rise to constructive obligations included in the measurement of the defined benefit obligation in accordance with paragraph 52. Further detail is not required.

Effective Date

Paragraphs 159B and 159C are added and paragraph 160 is amended, as follows.
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- 159B.** *An entity shall apply the amendments in paragraphs 32A, 34-34B, 61 and 120-121 for annual periods beginning on or after 1 January 2006. Earlier application is encouraged. If an entity applies these amendments for a period beginning before 1 January 2006, it shall disclose that fact.*

159C. *The option in paragraphs 93A-93D may be used for annual periods ending on or after 16 December 2004. An entity using the option for annual periods beginning before 1 January 2006 shall also apply the amendments in paragraphs 32A, 34-34B, 61 and 120-121.*

160. IAS 8 applies when an entity changes its accounting policies to reflect the changes specified in paragraphs 159-159C. In applying those changes retrospectively, as required by IAS 8, the entity treats those changes as if they had been applied at the same time as the rest of this Standard, except that an entity may disclose the amounts required by paragraph 120A(p) as the amounts are determined for each annual period prospectively from the first annual period presented in the financial statements in which the entity first applies the amendments in paragraph 120A.

Other Amendments to the Standard

As a consequence of the amendments above, the following cross-references are amended.

In paragraph 29(b), '*paragraph 120*' is amended to '*paragraph 120A*'.

In paragraph 60, 'Paragraph 120(c)(vi)' is amended to 'Paragraph 120A(f)(iii)'.

In the example illustrating paragraph 60, '*paragraph 120(c)(vi)*' is amended to '*paragraph 120A(f)(iii)*'.

In paragraph 104C, 'paragraph 120(c)(vii)' is amended to 'paragraph 120A(f)(iv)'.

In paragraph 159(b),

'paragraphs 120(c)(vii), 120(f)(iv), 120(g) and 120(h)(iii)'
is amended to

'paragraphs 120A(iv), 120A(g)(iv), 120A(m) and 120A(n)(iii)'.

Appendix F is inserted as follows.

Appendix F: Amendments to other Standards

The amendments in this appendix shall be applied for annual periods beginning on or after 1 January 2006. If an entity applies the amendments to IAS 19 for an earlier period, these amendments shall be applied for that earlier period.

- A1. IAS 1 *Presentation of Financial Statements* (as revised in 2003) is amended as described below.

Paragraph 96 is amended to read as follows:

96. An entity shall present a statement of changes in equity showing on the face of the statement:

(a) ...

(d) ...

A statement of changes in equity that comprises only these items shall be titled a statement of recognised income and expense.

In the Implementation Guidance, the following line is added to the illustrative statement of recognised income and expense after the line 'Exchange differences on translation of foreign operations':

Actuarial gains (losses) on defined benefit plans	X	(X)
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- A2. In IAS 24 *Related Party Disclosures* (as revised in 2003), paragraph 20 is amended to read as follows:

20. The following are examples of transactions that are disclosed if they are with a related party:

(a) ...

(i) ...

AMENDMENT TO IAS 19

Participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities is a transaction between related parties (see paragraph 34B of IAS 19).

A3. In IFRS 1 *First-time Adoption of International Financial Reporting Standards*, paragraph 20A is added as follows:

20A An entity may disclose the amounts required by paragraph 120A(p) as the amounts are determined for each accounting period prospectively from the transition date.