STAFF PAPER

September 2014

IASB Meeting

Project	**Research Project: Post-employment benefits**		
Paper topic	Research Project: Accounting for new pension plan designs		
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Purpose of this paper

1. The purpose of this paper is to provide information about the background to a research project on post-employment benefits and the staff's suggestions for a preliminary scope and approach.

Summary of the staff plan in this paper

2. We have not yet decided whether we should publish a Discussion Paper. At this stage, we are planning to publish a Research Paper during 2015:

   (a) to discuss what is a conceptually sound and robust measurement model for pension plans; and

   (b) to provide information about the trend among pension plans, to assess costs and benefits for such a model.

3. If we identify enough evidences to consider a fundamental amendment to IAS 19 *Employee Benefits*, we may propose to publish a Discussion Paper.

4. If we identify issues that are important but not related to the scope of this research, they could be considered in a Post-implementation Review (PIR). However, although a PIR of the 2011 revisions to IAS 19 needs to be considered in about 2016, we should also consider whether we would get a significant amount of benefit in undertaking such a review. It might be that a targeted Request for

Information (RFI) as part of this research project is a more effective way to get input on IAS 19.[1] We plan to integrate appropriate findings from the review into a future phase of the research project, after the publication of the Research Paper.

Structure of the paper

5. The paper is structured as follows.
   - (a) Background;
     - (i) Priority of this research project for the IASB;
     - (ii) Issues on contribution-based promises (CBPs)[2] and new pension plan designs;
       1. History of consideration of issues with CBPs;
       2. Expected difficulties relating to this research project;
   - (b) Preliminary scope;
   - (c) Approach;
   - (d) Questions to the IASB members;
   - (e) Appendix A: Issues discussed by the Board but beyond the scope of the 2011 amendments;
   - (f) Appendix B: Typical 'CBP'
   - (g) Appendix C: List of IAS 19-related items in the Interpretations Committee; and
   - (h) Appendix D: Examples of comments received during the Agenda Consultation in 2011.

[1] The Due Process requirements cover such a situation. The IASB must initiate a review but has the ability to decide to defer it or to take some other steps if those other steps are more appropriate.

[2] In this paper, CBP means post-employment benefit promises under which the amount of benefits to be received by the employee depends on the contributions plus a promised return.

Background

Priority of this project for the IASB

6. On 16 June 2011, the IASB issued amendments to IAS 19 *Employee Benefits*. When the IASB completed the revisions to IAS 19, it indicated that there were matters that needed to be considered as part of a more fundamental review of pensions and related benefits. These were broader matters including the issues relating to CBPs. (For more detail, see Appendix A.)

7. As a result of the Agenda Consultation 2011-2012, the IASB identified the project as one that, because of its nature and complexity, covers matters for which the IASB does not plan to issue a discussion or research document within the next three years.

8. The Interpretations Committee had attempted to develop a solution to address accounting for plans including CBP. However, the Interpretations Committee finally decided to remove the project from its agenda in May 2014.

9. The Interpretations Committee notes the importance of this issue because of the increasing use of these plans. In its view, developing accounting requirements for these plans would be better addressed by a broader consideration of accounting for employee benefits, potentially through the research agenda of the IASB.

10. Consequently, the Interpretations Committee would welcome progress on the IASB's research project on post-employment benefits, although this project is classified as one of the longer-term projects.

Issues with CBPs and new pension plan designs

11. An entity classifies post-employment benefits as defined contribution (DC) plans or defined benefit (DB) plans in accordance with paragraphs 26-31 of IAS 19. A definition of a DC plan is a post-employment plan under which an entity pays specified contributions into a separate entity (a fund) and will have no obligation to pay further contributions if the fund does not hold sufficient assets to pay all benefits relating to service in the current and prior period.

12. If a post-employment plan is not a DC plan, it is a DB plan and an entity must use 'the projected unit credit method' to estimate the ultimate cost to the entity in return for the employees' service in the current and prior periods, attributing benefits to periods of service. Using the actuarial technique with this method, an entity calculates the present value of defined benefit obligation (DBO), discounted by bond rates in accordance with paragraphs 83-86 of IAS 19.

13. An entity determines the deficit or surplus as the difference between the present value of DBO and the fair value of its related plan assets. (The amount of the deficit or surplus is recognised as a net defined benefit liability (asset) in the statement of financial position, subject to the effect of the asset ceiling.)

14. This measurement in IAS 19 does not properly reflect differences of risks among plans, because the present value of the DBO does not fully reflect the value of risk relating to future cash flows from the DBO.[3] In contrast, the fair value of the plan assets reflects the value of risk relating to future cash flows from the plan assets, as market prices.

15. In traditional DB plans, we expect actuarial risk and investment risk to fall on the entity (refer to paragraph 30 of IAS 19). The accounting in IAS 19 has provided useful information for these traditional DB plans. However, the accounting problem noted above often results in counterintuitive measurement for hybrid plans that are classified as DB plans but whose risks are of a different nature from traditional DB plans.

16. For example, the typical problem for accounting for CBPs has been identified as follows.

17. To calculate the obligation for some CBP plans, an entity projects the benefit on the basis of an assumption of future performance of the plan's assets, which is generally higher than bond rates. However, the discount rate to calculate the

[3] Paragraph 115 of IAS 19 provides a limited exemption from measurement in IAS 19. The paragraph states that where plan assets include qualifying insurance policies that exactly match the amount and timing of some or all of the benefits payable under the plan, the fair value of those insurance policies is deemed to be the present value of the related obligations (subject to any reduction required if the amounts receivable under the insurance policies are not recoverable in full).

present value of DBO is generally a high quality corporate bond rate as required in IAS 19. The plan assets are measured at fair value as at the end of each period.

18. In CBPs, investment risk on plan assets does not fall entirely on the entity. If the assets perform less well than expected, the benefits for the employees will generally also be reduced in some manner. However, this is not currently reflected in the accounting and, hence, an entity could show an excessive plan deficit (ie the present value of DBO is much higher than the fair value of the plan assets), as a consequence of the projected higher return on plan assets compared to the discount rate.

19. In some jurisdictions, the number of hybrid plans that are classified as DB plans, but that are different from traditional typical DB plans, has increased, because entities want to reduce their exposure to pension risks. Nevertheless, it is not easy for them to switch to simple DC plans because of pension regulations or for retention of employees.

20. This issue is typically common in some European jurisdictions. (eg Germany, Netherlands, Belgium and Switzerland).

21. In addition, plans described as cash-balance plans are common in the US, Japan and the UK. Cash-balance plans with benefits that are based on bond rates are not so problematic, because bond rates are close to discount rates in IAS 19. However, for example, cash-balance plans with benefits based on an equity index are equally problematic as European CBPs. (See Appendix B for typical types of CBP plans including cash-balance plans.)

22. The FASB had been considering the issue of measurement of cash-balance plans including the issue of attribution of benefits to periods of service.[4] On 13 August 2014, the FASB decided not to undertake a project on accounting for cash-balance

[4] For further detail, see the FASB websites below.

http://www.fasb.org/cs/ContentServer?c=FASBContent_C&pagename=FASB%2FFASBContent_C%2FProjectUpdatePage&cid=1176164287126

http://www.fasb.org/cs/ContentServer?c=FASBContent_C&pagename=FASB%2FFASBContent_C%2FActionAlertPage&cid=1176164295645

plans, mainly because they had not identified a technically feasible, cost-effective alternative that would narrowly address the measurement of cash-balance plans.

23. Not are only such hybrid plans developing, but so are buy-in policies (buying annuities), longevity swaps and other various ways to manage pension risk. [5]

24. This trend among pension plans will increase the frequency of problems arising under IAS 19 if we do not revise the Standard.

History of consideration of the issue on CBPs

25. In 2004, the Interpretations Committee issued IFRIC Draft Interpretation D9 *Employee Benefit Plans with a Promised Return on Contributions or Notional Contributions*, to address issues on CBPs. In November 2006, it referred the issue to the IASB to be included in the IASB's project on post-employment benefits.

26. The IASB initially included this issue in its project on post-employment benefits. Its proposals on the accounting for these promises were included in the 2008 Discussion Paper *Preliminary Views on Amendments to IAS 19* Employee Benefits.

27. However, the IASB decided to defer consideration of CBPs to a future broad-scope project on post-employment benefits. As a consequence, this issue was not addressed by the amendments to IAS 19 in 2011.

28. In 2012, the Interpretations Committee received a request seeking clarification on the accounting for CBPs in accordance with IAS 19 (2011). The Interpretations Committee decided to reconsider the work it had done when it issued Draft Interpretation D9.

29. The Interpretations Committee discussed possible approaches and scopes. Possible approaches included the following various measurement models[6]:

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[5] For example, see the article in the UK: "Current trends in the defined benefit and defined contribution market", July/August 2012.

http://www.pensionsage.com/pa/current-trends-in-the-defined-benefit-and-defined-contribution-market

[6] For further detail, see the agenda paper 4 for September 2013 Interpretations Committee.

(a) D9 (or similar) approach, which would require entities to measure benefits with a variable return at the fair value of the underlying reference assets and those with a fixed return using the projected unit credit method. (Entities would measure benefits that promised the higher of more than one benefit at the intrinsic value);

(b) Fair value approach, which is consistent with the 2008 Discussion Paper and would require entities to measure all benefit promises at fair value excluding own credit risk;

(c) Mirroring approach, which would extend the requirement of paragraph 115 of IAS 19[7] ; and

(d) Insurance contract approach, which is consistent with the IASB's recent Exposure Draft Insurance Contracts and would require the benefit promise to be measured using an expected value approach that would be consistent with observable market information. (This would also require an entity to use a discount rate that reflects the dependence of estimated future cash flows on returns on underlying items.)

It also discussed other approaches such as the deconstruction approaches which would require an entity to split a defined benefit plan into a component accounted for as a defined contribution plan and a component accounted for as a defined benefit plan. [8]

30. However, the Interpretations Committee finally decided to remove the project from its agenda in May 2014, because it was difficult for the Interpretations Committee to find an appropriate scope for any exemptions from the current measurement in IAS 19.

[7] See the foot note 3 in page 4 of this paper.

[8] For further detail, see the agenda paper 3a for November 2012 Interpretations Committee.

31. The Interpretations Committee notes the importance of this issue because of the increasing use of these plans. Consequently, the Interpretations Committee would welcome progress on the IASB's research project on post-employment benefits. [9]

Expected difficulties relating to this research project

32. CBPs and other 'hybrid' plans are part of a growing range of plan designs that incorporate features that were not envisaged when IAS 19 was first developed. The accounting for these plans in the current model is problematic, as we have noted.

33. However, this issue has not been solved successfully in the long history of its consideration by the IASB and the Interpretations Committee.

34. In addition, the current model in IAS 19 has also been questioned from various other conceptual viewpoints. For example, we have struggled to explain what kind of measurement basis is used in IAS 19. (This measurement basis is a 'different beast' from other clear measurement bases such as fair value.)

35. EFRAG papers have also noted conceptual problems.[10] It is difficult to explain the current requirement to reflect unvested benefits and future salary increases in obligations, from the viewpoints of definition and recognition of liabilities in the current *Conceptual Framework*.[11] The net presentation of plan assets and defined benefit obligations in IAS 19 could also involve conceptually challenging problems. The use of OCI and recycling is also being discussed in the *Conceptual Framework* project.

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[9] Regarding a history of discussions in the Interpretations Committee from May 2012 to May 2014 for the issues on CBP, refer to the website:

http://www.ifrs.org/Current-Projects/IASB-Projects/Amendments-IAS-19/Pages/Amendments-IAS-19.aspx.

[10] "The Financial Reporting of Pensions, January 2008" and "The Financial Reporting of Pensions-Feedback and Redeliberations, November 2009", The European Financial Reporting Advisory Group (EFRAG)

[11] This issue may be addressed by the work in the Conceptual Framework project on the definition of liabilities.

36. Although we understand the conceptual challenges and practical problems in IAS 19, we also note the current measurement for pension accounting has been chosen and survives among many GAAPs as well as IFRS, beating any other alternatives such as VBO,[12] ABO,[13] settlement prices, walk away prices and so on.

37. The current measurement has survived mainly because of its current operationality, while fair value for employee benefits is usually unavailable. This history implies that users of financial reporting have also found some usefulness in the information under the current measurement. Preparers would not welcome a new model if it would increase unjustifiable costs or if it would not be operational. When the IASB proposed the accounting for these pension plans in the 2008 Discussion Paper, many respondents thought that the scope of the new category was too broad and pointed out potential difficulties with the measurement proposal (see paragraph BC75 of the Exposure Draft *Defined Benefits Plans).*

38. It was also difficult for the Interpretations Committee to find an appropriate scope for any exemptions from the current measurement in IAS 19, because any such scope inevitably involved an arbitrary bright line. The scope could also cause changes to accounting for plans with few perceived problems under the current requirements of IAS 19, or fail to change accounting for plans that do have material problems.

39. In addition, during the Agenda Consultation 2011-2012, the IASB received comments. Some thought that frequent changes of pension accounting are unnecessary and costly. Some had concerns about different topics such as recycling and US GAAP convergence in pension accounting, while some believed that the issue of measuring CBPs is important. (Refer to Appendix D for more details.)

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[12] VBO means the ‘vested benefit obligation’. In IAS 19, an entity uses the projected benefit obligation (PBO) which reflects benefits that are not vested but that are expected ultimately to be paid.

[13] ABO means the ‘accumulated benefit obligation’. ABO does not reflect future salary increases, which PBO does reflect.

40. We think that the issues relating to CBPs and eliminating diversity in practice is important, taking into account the Interpretations Committee's decision in May 2014. However, we also think that costs and benefits should be carefully assessed, taking into account the difficulties in the history of this issue.

Preliminary scope

41. As well as CBPs, there are outstanding issues that have been discussed by the IASB but that were beyond the scope of the 2011 amendments (for further detail, see Appendix A). However, taken account of the background, we think that the main scope of a research project should be accounting for new pension plans that incorporate features that were not envisaged when IAS 19 was first developed.

42. This issue could involve fundamental reviews of measurement, or classification or both in IAS 19. It would be efficient to revisit some of the related items, such as discount rates and attribution of benefits, although a research project with too broad a scope could cause a delay.

43. We also assessed whether other issues discussed in the Interpretations Committee should be included in the scope of this project. (Refer to Appendix C to see the issues discussed.) We think that the current issues should not be included in topics for this research, either because they do not have a direct link to the main problem or because they could instead be addressed by the Interpretations Committee, or after a research project on discount rates.

44. During this research process, we may identify other new issues from the revision of IAS 19 in 2011. As we noted in paragraph 4, we are still assessing whether a PIR of IAS 19 or more targeted consultation as part of this research project will be the most effective, and efficient, means of collecting information on the major amendments made to IAS 19 in 2011.

45. If we identify potential application problems with IAS 19 that warrant consideration by the IASB or Interpretations Committee we will bring those matters to the attention of the IASB. In other words, it is important that we maintain IAS 19 while the broader research project is being undertaken.

46. On the basis of the arguments above, we suggest that the initial scope of this research project should be:

    (a) to identify a conceptually sound and robust measurement model (including presentation with the financial statements of the reporting entity) to address issues on new pension plans designs; and

    (b) to gather information about the trend in pension plans to assess whether and when a fundamental revision would be justified from the viewpoint of costs and benefits.

47. We will need a careful assessment on if and when we should proceed with a Discussion Paper. The Agenda Consultation 2011–2012 implied that diverse views exist and the history of the issues with CBPs shows us the difficulties associated with such a project.

48. At this stage, we think that a bright-line approach that would create a new measurement basis for a new range of plans while retaining IAS 19 for other defined benefit plans would not resolve the issues satisfactorily, given the history of the Interpretations Committee's discussions.

49. Consequently, we think that we should identify a conceptually desirable measurement model that provides sound financial reporting, from the perspective of the reporting entity, of plans that range from pure DC plans to pure DB plans. It is the plans that contain features of both that are clearly becoming problematic for IAS 19, and we are already observing an increase in the use of these hybrid plans.

50. To consider a measurement model fundamentally, we may also consider issues relating to discount rates and attribution of benefits.

Approach

51. The staff's approach for the research project is as follows:

    (a) survey past discussions and other literature to identify a conceptually desirable model

(b) gather information about trends and characters of new types of plans and related accounting issues through interviews with interested parties including:[14]

   (i) accounting firms;

   (ii) actuaries;

   (iii) national standard-setters; and

   (iv) other specialists (pension regulators, asset management companies, insurance companies and so on), if appropriate.

(c) prepare papers to be presented to the IASB; and

(d) hold discussions with users and preparers to understand costs and benefits for possible models, as needed.

52. At this stage, we do not propose to form a formal consultative group, but we will have informal communication with the interested parties. They may include Accounting Standards Advisory Forum (ASAF) members, International Forum of Accounting Standard-Setters (IFASS) members and ex-Employee Benefits Working Group members for the 2011 revisions to IAS 19. It is likely that we will recommend the formation of a consultative group once we have made more progress with the project and we have assessed what sort of group would best serve the needs of the project.

Interaction with other projects

53. We think that this research project should focus on issues that have a link with accounting for the growing range of new plan designs. Within this context, the research project on discount rates could be important, because the way in which discount rates should reflect risk in measurement could have a link with

[14] Actual samples of disclosures after the revision in 2011 could be a useful source for understanding trends in, and types of, plans. (The disclosure requirement was enhanced after the revision in 2011.) Statistics about pension plans would be useful to see how many new pension schemes are developing. For example, EIOPA (European Insurance and Occupational Pensions Authority), the US Bureau of Labor Statistics and the National Statistics Center Japan provide some relevant statistics. We expect that our outreach process will be efficient and effective in gathering such reliable and relevant statistics.

measurement for new types of plans with diverse risks. Moreover, our Insurance project could provide an option of a measurement model for similar schemes. Our Macro hedging project may also provide implications for our research.

54. Furthermore, the *Conceptual Framework* project could affect this research project.

55. During the research process, project members will hold discussions with members in other projects, as needed.

Questions to the IASB
1. Do the IASB members agree with the staff's plan summarised in paragraphs 2–4 of this paper? 2. Do the IASB members have questions or comments?

Appendix A: Issues discussed by the Board but beyond the scope of the 2011 amendments [Extracted from the Basis for Conclusions on IAS 19]

BC12 Respondents to the 2010 ED and the discussion paper raised matters that were outside the scope of this project (such as measurement of the defined benefit obligation). The Board did not consider these matters in detail. Any project addressing issues beyond the scope of the targeted improvements would be subject to the Board's agenda-setting process.

BC13 In selecting issues to address, the Board discussed the following issues, but took no action in the amendments made in 2011.

(a) *Contribution-based promises*—The discussion paper included proposals on contribution-based promises. The Board will consider whether to develop those proposals further if it undertakes a comprehensive review of employee benefit accounting.

(b) *Discount rate for employee benefits*—The Board did not proceed with the proposals in its exposure draft Discount Rate for Employee Benefits, published in August 2009. The Board decided it would address issues relating to the discount rate only in the context of a fundamental review (see paragraphs BC138 and BC139).

(c) *The effect of expected future salary increases on the attribution of benefits*—The 2010 ED proposed that expected future salary increases should be included in determining whether a benefit formula expressed in terms of current salary allocates a materially higher level of benefit to later years. The Board did not proceed with that proposal because it is closely related to a fundamental review of the accounting for contribution-based promises (see paragraphs BC117–BC120).

(d) *Exemption for entities participating in multi-employer defined benefit plans*—The Board rejected a proposal to permit all entities participating in a multi-employer defined benefit plan to account for these plans as defined contribution plans. The Board concluded that extending that exemption would be contrary to its general approach of limiting exceptions. The Board also believes that such an exemption would not be appropriate for all multi-employer plans, such as when an entity becomes a dominant participant in a multi-employer plan, perhaps because other participants leave the plan (see paragraph BC39).

(e) *IFRIC-related matters*—The Board did not incorporate into IAS 19 the requirements of IFRIC 14 *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. *Incorporating* IFRIC 14 would require changes to the drafting, which could have unintended consequences. The Board also considered other questions received by the IFRIC but concluded that it would not amend IAS 19 at this time.

Appendix B: Typical 'CBP'

Type of plan	Basic features	Variations	Notes	Countries where common
1. Plans with guaranteed return	The employee receives a pension based on the performance of the assets in the plan. The employer provides a guarantee of the minimum performance of the assets in the plan. This guarantee is based on the employer's contributions to the plan. Consequently, under these plans the employee receives a benefit that is the higher of the contributions plus the actual return on the assets in the plan and the guaranteed amount.	The employer will typically guarantee a return of x per cent on contributions. The guaranteed return of x per cent could be a numerical amount or may refer to a reference rate, for example the yield on government bonds in that country, an equity index or a price change index. In some circumstances the employer might guarantee that the benefit will be no less than the contributions made, ie a return of 0 per cent. Usually the guarantee is given only on the employer's contributions.	The employer may also guarantee a return on contributions made by employees, which may be voluntary (this seems however to be rare). Some plans and the associated guarantees are contractual, whereas some are required by law.	Germany, Netherlands, Belgium, Switzerland, Israel (Not common but may exist in Korea and Mexico)

Type of plan	Basic features	Variations	Notes	Countries where common
2. 'Cash balance plans'	The employee receives a guaranteed benefit based on a specified return on 'notional'* contributions by the employer to the plan. *See comment on 'notional' in the Notes column.	The employer will typically guarantee a return of x per cent on contributions. The guaranteed return of x per cent could be a numerical amount or may refer to a reference rate, for example the yield on government bonds in that country, an equity index or a price change index. In some circumstances the employer might guarantee that the benefit will be no less than the contributions made, ie a return of 0 per cent. Usually the guarantee is given only on the employer's contributions.	The plans may be funded or unfunded (for unfunded plans, the contributions and the return on the contributions are notional). If these plans are funded, they may be funded with assets that have a different return than the return promised by the plan. Any return on the assets in the plan that exceeds the amount guaranteed by the employer is an asset of the employer.	US, Japan, UK

(Note)

For further details, refer to Agenda Paper 5A from the IFRS Interpretations Committee meeting in September 2012.

Appendix C: IAS 19-related items discussed in the Interpretations Committee meetings after the revision in 2011

Issues rejected
Pre-tax or post-tax discount rate (July 2013)
The Interpretations Committee observed that the discount rate used to calculate a defined benefit obligation should be a pre-tax discount rate. On the basis of the analysis the Interpretations Committee tentatively decided not to add this issue to its agenda.
Actuarial assumptions: Determination of discount rate (November 2013)
The Interpretations Committee discussed this issue in several meetings and noted that issuing additional guidance on or changing the requirements for the determination of the discount rate would be too broad for it to address in an efficient manner. Consequently the Interpretations Committee decided not to add this issue to its agenda.
Proposed change
Annual Improvement: Discount rate: regional market issue
In May 2014, the Interpretations Committee considered the comment received on the ED and recommended that the IASB should finalise the proposed amendment to paragraph 83 of IAS 19 as exposed. The IASB expects to finalise the Annual Improvement to IFRSs 2012-2014 Cycle in Q3 of 2014.
Completed work
Narrow-scope amendments: Defined Benefit Plans: Employee Contributions
The objective of this project is to provide additional guidance to IAS 19 *Employee Benefits* on the accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan. The issue originated from two submissions to the IFRS Interpretations Committee, which recommended that the IASB should amend the Standard. The amendments are effective from 1 July 2014 with earlier application permitted.
Work in progress
IFRIC 14 IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction—Availability of refunds from a defined benefit plan managed by an independent trustee
At its May 2014 meeting, the Interpretations Committee tentatively decided to develop either an amendment or an interpretation.
Remeasurement at a plan amendment or curtailment
At its May 2014 meeting, the Interpretations Committee tentatively decided to develop an amendment to address the issue.

Note: the list above excludes the issue on CBP.

Source: http://www.ifrs.org/Current-Projects/IFRIC-Projects/Pages/IFRIC-activities.aspx

Appendix D: Examples of comments received during the Agenda Consultation in 2011

D1. Among over 240 comment letters on the 2011 Agenda Consultation, 58 responded to a potential project on pension. Respondents prioritised this project at differing levels—12 respondents rated this project as high-priority, 4 rated it as medium-priority, 10 rated it as low-priority and 7 suggested deleting it.

D2. Some rated it as high- or medium-priority to address issues on measurement, including the problem on CBP. Examples of comments are as follows:

- *Since IAS 19 was first issued, the diversity and complexity of pension schemes have increased significantly. The standards might therefore no longer adequately reflect the range or arrangements that exist now. (European Securities and Markets Authority (ESMA))*
- *From our perspective IAS19, which in the view of most is not principle-based and at best can be described as a deterministic standard, continues to cause problems and is generally not able to deal with the reporting issues resulting from the hybrid risk-sharing pensions schemes prevalent here, despite certain text changes in the recently issued revised standard. (Dutch Accounting Standards Board (DASB))*

D3. Some rated the project as being of low priority or recommended deleting it, mainly because they do not think that a drastic change is necessary after the amendment in 2011. Some thought that a limited project for hybrid plans is enough.

- *Since IAS 19 is a recently completed project, we do not attach high priorities for the project. (Asian-Oceanian Standard-Setters Group (AOSSG))*
- *Although IAS 19 is a complicated standard in practice, and many implementation issues have been identified as new types of post-employment benefits are identified or developed, we do think that the standard is operational at present, and for that reason we do not see further amendments as a priority at this time. (Deloitte Touche Tohmatsu Limited (DTTL) [UK])*
- *Hybrid schemes could be unbundled into parts that require DB or DC accounting. A limited project could work on guidance as to how to do this. (CFA Society of the UK (CFA UK))*

D4. Some pointed out new issues after the amendments in 2011.

- *The AASB regards IAS 26 A*ccounting and Reporting by Retirement Benefit Plans *as an inadequate standard and would be happy to share its work with the IASB in any effort it makes, in due course, to update IAS 26.* (*Australian Accounting Standards Board (AASB))*
- *Under IAS 19 before the amendment in 2011, actuarial gains or losses are reflected in manufacturing cost (as labour cost) through deferred recognition. But, in the light of the perspective in the previous paragraph, stakeholders in Japan are of the view that it would be a serious problem for cost calculation in the manufacturing industries that those actuarial gains or losses are immediately recognised in OCI and never recycled to profit or loss. (Accounting Standards Board of Japan (ASBJ))*
- *This project is a current IASB agenda item where one of two phases has been completed. This project has not been addressed thus far on a joint basis with the FASB. Use of defined benefit plans and contribution-based promise plans are still highly prevalent within our industry. The IASB's finalized and proposed changes to the accounting for these plans have resulted in further divergence from U.S. GAAP. Accordingly, we believe this project is also an ideal candidate for joint work between the boards. (Edison Electric Institute (EEI))*