STAFF PAPER

April 2017

IASB Meeting

Project	**Amendments to IAS 19 and IFRIC 14**		
Paper topic	Minor plan events, transition and effective date		
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Introduction

1. At its December 2016 meeting, the International Accounting Standards Board (the Board) discussed recommendations made by the IFRS Interpretations Committee (the Committee) to finalise the proposed amendments to:

   (a) IAS 19 *Employee Benefits* included in the Exposure Draft *Remeasurement on a Plan Amendment, Curtailment or Settlement/ Availability of a Refund from a Defined Benefit Plan* (the Exposure Draft); and

   (b) IFRIC 14 *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* included in that Exposure Draft.

2. At that meeting, the Board tentatively decided to finalise the amendments to IFRIC 14, subject to drafting changes recommended by the Committee. For the amendments to IAS 19, it asked the Committee to consider the implications of not excluding minor plan events (ie plan amendments, curtailments or settlements for which the past service cost, or gain (loss) on settlement, is immaterial) from the scope of these amendments. Other than the topic of minor plan events, the Board agreed to finalise the amendments to IAS 19, subject to drafting changes recommended by the Committee.

3. The Committee discussed the implications of not excluding minor plan events from the scope of the amendments to IAS 19 at its March 2017 meeting. This paper outlines the Committee's recommendations on this matter. In addition, this paper outlines the Committee's recommendations on the transition requirements (including transition requirements for first-time adopters) and the effective date for the amendments.

Structure of the paper

4. This paper is structured as follows:
   (a) summary of the recommendations;
   (b) minor plan events;
   (c) transition requirements;
   (d) transition requirements for first-time adopters; and
   (e) effective date.

5. There are two appendices to this paper:
   (a) Appendix A provides a summary of the proposed amendments to IAS 19 and IFRIC 14; and
   (b) Appendix B (excerpt from Agenda Paper 2 of the Committee's March 2017 meeting) includes:
      (i) an overview of feedback on minor plan events; and
      (ii) staff analysis on minor plan events.

Summary of the recommendations

6. The Interpretations Committee recommends that:
   (a) the Board not exclude minor plan events from the scope of the amendments to IAS 19;

(b) an entity applies the amendments to IFRIC 14 retrospectively (with an exemption for adjustments to the carrying amount of assets outside the scope of IAS 19);

(c) an entity applies the amendments to IAS 19 prospectively;

(d) no transition relief is provided for first-time adopters; and

(e) an entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with earlier application permitted.

IAS 19 amendments—minor plan events

Background information

7. The Committee initially considered the feedback on the proposed amendments at its September 2016 meeting. One of the main issues discussed by the Committee was the consequences of the proposed amendments for minor plan events. Some respondents expressed concern about those consequences (see paragraph B1 of Appendix B for an overview of the feedback on minor plan events).

Discussion at the September 2016 Committee meeting

8. Paragraph BC19 of the Exposure Draft said:

> Consequently, the amendments do not change the requirements in IAS 19 on whether and when an entity should remeasure the net defined benefit liability (asset); the existing guidance in paragraph 99 requires an entity to remeasure the net defined benefit liability (asset) when a plan amendment, curtailment or settlement occurs. The intention of the amendments is to confirm that an entity should determine the current service cost and net interest for the remaining portion of the period by using the updated assumptions used in the more recent measurement required by paragraph 99.

9. Further, paragraph BC17 of the Exposure Draft said:

> …the IASB concluded that the expected benefits would outweigh any additional costs from the amendments, because paragraph 99 of IAS 19 already requires the net defined benefit liability (asset) to be remeasured.

10. When developing the proposed amendments, the Board thought there would be no change to whether and when an entity remeasures the net defined benefit liability (asset) applying paragraph 99 of IAS 19. However, as explained in Appendix B (see paragraphs B2 to B11), the proposed amendments could change the frequency and timing of that remeasurement because of materiality considerations on a wider set of reported amounts.

11. Accordingly, in response to the concerns raised by respondents, we (the staff) initially proposed that the amendments to IAS 19 exclude minor plan events. Paragraphs 14-23 of Agenda Paper 3B from the Committee's September 2016 meeting explain the basis for our proposal. We proposed that an entity use updated assumptions to measure current service cost and net interest after a plan event if:

    (a) the net defined benefit liability (asset) is remeasured as required by paragraph 99 of IAS 19; and

    (b) the plan event affects a significant number of members covered by the plan.

12. Although some Committee members agreed with our proposal, a majority of Committee members thought the amendments should not specifically exclude minor plan events. Rather, determining whether a plan event is material (and, accordingly, whether the entity remeasures the net defined benefit liability (asset)) is better left to management's judgement.

13. These members thought that introducing any additional criteria to exclude minor plan events could be subjective, and would add complexity to the amendments.

14. Accordingly, the Committee recommended that the Board finalise the amendments to IAS 19, with no substantive change in respect of minor plan events.

Discussion at the December 2016 Board meeting

15. The Board discussed the Committee's recommendation at its meeting in December 2016.

16. Paragraph 18 of Agenda Paper 12C of the Board's December 2016 meeting stated:

> Nonetheless, if the amendments are finalised as drafted, we [staff] think that the amendments could change whether and when entities remeasure the net defined benefit liability applying paragraph 99 of IAS 19. This is because…entities will not only look at the effect of a plan event on past service cost or gain or loss on settlement (as they are currently required to do). Instead, they will also consider the consequential effect on current service cost and net interest for the remainder of the reporting period…Accordingly, we would update the explanation in paragraphs BC17 and BC19 of the Exposure Draft [reproduced in paragraphs 8 and 9 above]...

17. Some board members had reservations about the staff proposal to update the explanation in the basis for conclusions to the amendments. These board members thought such a change may not reflect the views of Committee members, ie these board members thought Committee members may not agree with the staff's view expressed in paragraph 16 above.

18. Accordingly, the Board directed the staff to discuss with the Committee the implications of finalising the amendments to IAS 19 with no substantive changes in respect of minor plan events.

Discussion at the March 2017 Committee meeting

19. Agenda Paper 2 of the Committee's March 2017 meeting includes our analysis of this matter—Appendix B to this paper (see paragraphs B2—B20) reproduces that analysis for ease of reference. Based on our analysis, we concluded that the amendments, if finalised with no substantive changes in respect of minor plan events, could change whether and when entities remeasure the net defined benefit liability.

20. We then assessed whether this outcome would be appropriate in the light of the objective of the amendments, and concluded that it was. In our view, the expected benefits of the amendments outweigh the costs. The expected benefits include providing more relevant and useful information, enhancing understandability of the financial statements and eliminating diversity. We also agreed with the Committee's previous conclusion that excluding minor plan events from the scope of the amendments would introduce additional criteria that could be subjective and would add complexity to the amendments.

21. Accordingly, we recommended that the Board finalise the proposed amendments with no substantive changes in respect of minor plan events, and that we update the explanation in paragraphs BC17 and BC19 of the Exposure Draft.

22. At its meeting in March 2017, the Committee agreed with our analysis and recommendations.

Committee's recommendation

23. Based on its discussion, the Committee recommends that the Board not exclude minor plan events from the scope of the amendments to IAS 19. The Committee also recommends that the Board:

    (a) explain in the Basis for Conclusions how the amendments would affect an entity's assessment of materiality when applying the requirements in paragraph 99 of IAS 19 (ie when assessing whether the effect of applying the requirements in paragraph 99 of IAS 19 is material, an entity would consider the effect of the event on a wider set of reported amounts, including current service cost and net interest); and

    (b) remove the reference in paragraphs BC17 and BC19 of the Exposure Draft to the frequency and timing of remeasuring the net defined benefit liability.

Question 1 for the Board
Does the Board agree with the Committee's recommendation not to exclude minor plan events from the scope of the amendments to IAS 19, and to: a. explain in the Basis for Conclusions how the amendments would affect an entity's assessment of materiality when applying the requirements in paragraph 99 of IAS 19; and b. remove the reference in paragraphs BC17 and BC19 of the Exposure Draft to the frequency and timing of remeasuring the net defined benefit liability?

Transition requirements

Summary of the proposed transition requirements

24. The Board proposed that an entity apply the amendments to IFRIC 14 and IAS 19 retrospectively, but proposed providing an exemption for adjustments to the carrying amount of assets outside the scope of IAS 19 (for example, employee benefit costs that are included in inventories). This exemption is similar to the exemption provided in respect of amendments made to IAS 19 in 2011.

25. Appendix A to this paper includes a summary of the proposed amendments to IAS 19 and IFRIC 14.

Transition requirements for the amendments to IFRIC 14

Overview of feedback

26. A large number of respondents agreed with the proposed transition requirements for the amendments to IFRIC 14. These respondents said that the transition requirements:

    (a) enhance the comparability and clarity of financial information provided; and

    (b) are justified, because, in their view, the benefits outweigh the costs.

27. Nonetheless, some respondents disagreed with, or expressed concerns about, the proposed transition requirements. These respondents said that retrospective application would be complex, and the cost of retrospective application is likely to exceed any benefit.

Committee's discussion and recommendation

28. The Committee thinks that entities should apply the amendments to IFRIC 14 retrospectively (with an exemption for adjustments to the carrying amount of assets outside the scope of IAS 19). The Committee thinks that the benefit of retrospective application, in the form of greater comparability between reporting periods and across entities, outweighs the cost of retrospective application.

29. The Committee noted that an entity would be required to assess other parties' powers over its defined benefit plans when it applies the amendments to IFRIC 14. The Committee does not expect these powers to change frequently and, accordingly, does not expect preparers to incur significant additional costs in applying the amendments retrospectively.

30. Consequently, the Committee recommends confirming that an entity would apply the amendments to IFRIC 14 retrospectively (with an exemption for adjustments to the carrying amount of assets outside the scope of IAS 19).

Transition requirements for the amendments to IAS 19

Overview of feedback

31. More than half of respondents agreed with the proposed transition requirements. Of the remaining respondents, approximately half disagreed and the remainder expressed concerns about specific aspects of the proposed transition requirements.

32. Respondents who agreed said that the proposed transition requirements:

    (a) would enhance the comparability and clarity of financial information provided; and

    (b) are justified because, in their view, the benefits outweigh the costs.

33. Respondents who disagreed raised the following concerns:

    (a) *cost versus benefit considerations*—some respondents said that the benefits do not outweigh the costs. These respondents said that retrospective application would require new calculations that may be costly to obtain and the benefits would be limited. This is because, for plan events that occurred in a prior reporting period, the proposed amendments would affect only the amounts recognised in profit or loss and other comprehensive income in those prior periods. There would be no effect on the statement of financial position.

    (b) *nature of a plan event as a one-off event*—some respondents said retrospective application is particularly useful for recurring and ongoing items/events. These respondents said that a plan event is a unique/one-off event, and retrospective application would not necessarily provide significant benefit.

    (c) *separate presentation of cumulative remeasurements as a component of equity*—some respondents said entities that choose to present the cumulative amount of remeasurements recognised in OCI as a separate component of equity would have to revisit transactions that potentially occurred several years ago, and will incur significant costs. These respondents asked for relief from retrospective application for these equity components.

Committee's discussion and recommendation

34. The Committee members agreed with the feedback provided by respondents. They thought that retrospective application of the amendments to IAS 19 could be complex, and concluded that the benefits would not outweigh the costs.

35. Consequently, the Committee recommends that entities apply the amendments to IAS 19 prospectively to plan events occurring on or after the effective date.

Question 2 for the Board
Does the Board agree with the Committee's recommendation that an entity apply: a. the amendments to IFRIC 14 retrospectively (with an exemption for adjustments to the carrying amount of assets outside the scope of IAS 19)? b. the amendments to IAS 19 prospectively to plan events occurring on or after the effective date?

Transition requirements for first-time adopters

Committee's discussion and recommendation

36. Paragraphs BC21 and BC22 of the Exposure Draft said:

> [BC21] Consequently, the IASB proposes that an entity should apply the amendments to IFRIC 14 and IAS 19 retrospectively. However, it also decided that it should provide an exemption that would be similar to the exemption granted in respect of the amendments to IAS 19 issued in 2011 (see paragraph 173 of IAS 19), taking account of the costs and benefits. Consequently, the IASB proposed the exemption for adjustments of the carrying amount of assets outside the scope of IAS 19 (for example, economic benefit expenses that were included in inventories). Because the amendments do not affect the defined benefit obligation, the IASB did not propose the exemption for disclosure requirements about the sensitivity of the defined benefit obligation.
>
> [BC22] A similar relief is already provided for first-time adopters of IFRS in paragraph E5 of IFRS 1 *First time Adoption of International Financial Reporting Standards*. The IASB concluded that no additional exemption to the requirements of IFRS 1 would be required.

37. We did not receive any comments on the transition requirements for first-time adopters. However, paragraph BC22 of the Exposure Draft was incorrect. This is

because paragraph E5 of IFRS 1 states that a first-time adopter may apply the transition provisions in paragraph 173(b) of IAS 19. Paragraph 173(b) of IAS 19 provides an entity with relief only from presenting comparative information for some sensitivity related disclosures, and that relief was available only for reporting periods that have already passed.

38. Accordingly, IFRS 1 does not provide entities with an exemption from the requirement to adjust the carrying amount of assets outside the scope of IAS 19. When finalising the amendments to IAS 19 in 2011, the Board specifically discussed whether first-time adopters should be exempt from the requirement to adjust the carrying amount of assets outside the scope of IAS 19. The Board decided against providing this exemption.

39. The Committee thinks that an exemption from the requirement to adjust the carrying amount of assets outside the scope of IAS 19 is not needed for first-time adopters. This is because:

    (a) a first-time adopter applies the relevant Standards (such as IAS 16 *Property, Plant & Equipment*, IAS 40 *Investment Property*, etc) and any related exceptions and exemptions in IFRS 1 (such as the use of fair value as deemed cost) to determine the appropriate carrying amount of assets on the date of transition to IFRSs. Accordingly, an exemption from applying the requirements of one particular aspect of IAS 19 is not particularly helpful when an entity is required to apply the requirements in all other IFRS Standards.

    (b) a first-time adopter applies all other requirements in IAS 19 to the carrying amount of assets outside the scope of IAS 19. Accordingly, there is no particular benefit in creating an exemption solely for these amendments.

40. Consequently, the Committee recommends not providing transition relief for first-time adopters.

Question 3 for the Board

Does the Board agree with the Committee's recommendation not to provide transition relief for first-time adopters?

Effective date

Staff analysis

41. We plan to issue the amendments to IFRIC 14 together with the amendments to IAS 19. The Committee recommends that the Board align the effective dates of the IFRIC 14 and IAS 19 amendments to allow preparers to apply both sets of amendments at the same time.

42. Paragraph 6.35 of the *Due Process Handbook* states:

> …The mandatory effective date is set so that jurisdictions have sufficient time to incorporate the new requirements into their legal systems and those applying IFRS have sufficient time to prepare for the new requirements.

43. The amendments are narrow in scope and are expected to reduce diversity in the application of IFRIC 14 and IAS 19. The Committee, at its meeting in September 2016, recommended that entities apply the amendments to IFRIC 14 and IAS 19 to annual reporting periods beginning on or after 1 January 2019. The Committee also recommended that entities be allowed to apply these amendments earlier, provided that they apply the amendments to both IFRIC 14 and IAS 19 at the same time.

44. At the time of our discussion with the Committee (September 2016), we expected to issue the amendments to IFRIC 14 and IAS 19 in the second quarter of 2017. Subject to the outcome of our discussions with the Board at this meeting, we now expect to issue the amendments to IFRIC 14 and IAS 19 in the third quarter of 2017. We think the change in the expected timing for finalising these amendments does not affect the Committee's recommendation. This is because, in our view, an effective date of 1 January 2019 still provides:

(a) jurisdictions with sufficient time to incorporate the new requirements into their legal systems; and

(b) entities with sufficient time to prepare for the new requirements.

45. Accordingly, we agree with the Committee's recommendation that:

(a) entities should apply the amendments to IFRIC 14 and IAS 19 to annual reporting periods beginning on or after 1 January 2019; and

(b) entities be allowed to apply these amendments earlier, provided they apply the amendments to both IFRIC 14 and IAS 19 at the same time.

Committee's recommendation

46. The Committee recommends that entities apply the amendments to IFRIC 14 and IAS 19 to annual reporting periods beginning on or after 1 January 2019, with earlier application permitted.

Question 4 for the Board
Does the Board agree with the Committee's recommendation to require entities to apply the amendments to IFRIC 14 and IAS 19 to annual reporting periods beginning on or after 1 January 2019, with earlier application permitted?

Appendix A—Summary of the proposed amendments

Summary of the proposed amendments to IAS 19

Accounting when a plan amendment, curtailment or settlement occurs

A1. The proposed amendments to IAS 19 address how an entity accounts for defined benefit plans when a plan event occurs during a reporting period. The proposed amendments specify that:

(a) when an entity remeasures the net defined benefit liability (asset) applying paragraph 99 of IAS 19 (ie when a plan event occurs), the entity would determine:

(i) the current service cost and the net interest for the remainder of the annual reporting period using the assumptions used for the remeasurement; and

(ii) the net interest for the remainder of the annual reporting period on the basis of the remeasured net defined benefit liability (asset).

(b) the current service cost and the net interest in the reporting period before a plan event would not be affected by, or included in, the past service cost or gain (loss) on settlement.

Interaction between the asset ceiling and past service cost or gain or loss on settlement

A2. The accounting for a plan event may reduce or eliminate a surplus, which may mean that the effect of the asset ceiling also changes. The Board proposed to clarify that, when a plan event occurs, an entity would:

(a) recognise and measure the past service cost, or a gain or loss on settlement, in profit or loss as required by paragraphs 99–112 of IAS 19, before recognising the changes in the effect of the asset ceiling; and

(b) recognise changes in the effect of the asset ceiling in other comprehensive income as required in paragraph 57(d)(iii) of IAS 19.

A3. The proposed amendments confirm that an entity recognises the past service cost or a gain or loss on settlement separately from its assessment of the asset ceiling.

Summary of the proposed amendments to IFRIC 14

Accounting when other parties can wind up a plan or affect benefits for plan members without an entity's consent

Summary of the proposed amendments

A4. The proposed amendments to paragraph 12 of IFRIC 14 would clarify that:

(a) an entity does not have an unconditional right to a refund of a surplus if other parties can use the surplus to affect the benefits for plan members without the entity's consent (proposed paragraph 12B of IFRIC 14). When developing the proposed amendments, the Board concluded that the other parties' powers restrict the entity's ability to use the surplus to generate future cash inflows for the entity.

(b) an entity has a right to a refund of a surplus if other parties can wind up a plan without an entity's consent. However, in recognising and measuring this right, the entity would not be able to assume a gradual settlement of the plan liabilities over time as described in paragraph 11(b) of IFRIC 14 (proposed paragraph 12A of IFRIC 14). When developing the proposed amendments, the Board concluded that the other parties can prevent gradual settlement if they can wind up the plan before all members have left the plan.

In many cases, unless paragraph 11(a) of IFRIC 14 applies, this means that an entity would recognise and measure its right to a refund applying paragraph 11(c) of IFRIC 14 (ie assuming the full settlement of plan liabilities in a single event). The entity would also apply paragraph 14 of IFRIC 14 in measuring its right to a refund—paragraph 14 of IFRIC 14 requires the entity to include the costs to the plan of settling the plan liabilities and making the refund.

(c) other parties' powers to unilaterally change the asset mix within a plan, without affecting the benefits for plan members, does not affect the entity's unconditional right to a refund of a surplus (proposed paragraph 12C of IFRIC 14). When developing the proposed amendments, the Board concluded that, in this case, the other parties' powers relate to the future amount of plan assets but do not relate to the entity's right to a refund.

A5. The proposed amendments would also clarify that other parties do not have the power to wind up the plan, or affect the benefits for plan members, if that power is dependent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the other parties' control.

Statutory requirements that an entity considers in determining the economic benefit available to the entity

Summary of the proposed amendments

A6. The proposed amendments to paragraph 7 of IFRIC 14 would clarify that when an entity determines the availability of a refund or reduction in future contributions, the entity takes into account any statutory requirements that are enacted or substantively enacted, as well as contractually agreed terms and conditions of a plan and any constructive obligations.

A7. The Basis for Conclusions notes that the concept of 'substantively enacted' is already used in paragraph 21 of IFRIC 14 and IAS 12 *Income Taxes*. It also notes that when a legal or constructive obligation to enhance benefits arises, an entity reflects this obligation in the measurement of the defined benefit obligation applying IAS 19.

Appendix B—Minor plan events (excerpt from Agenda Paper 2 of the Committee's March 2017 meeting[1])

Overview of feedback on minor plan events

B1. Some respondents expressed concerns about the consequences of the proposed amendments for minor plan events. In particular, respondents identified the following:

(a) *the interaction of the proposed amendments with the concept of materiality* —some respondents said it is unclear how an entity would apply the general materiality requirements in the context of the proposed amendments. These respondents said the proposed amendments could lead to more frequent remeasurements of the net defined benefit liability, which in their view would be an unintended consequence of the amendments. This is because the proposed amendments would result in a plan event affecting current service cost and net interest for the period after the plan event, and not only past service cost or gain (loss) on settlement.

For example, an entity might make a change to a plan that affects only a small portion of plan members. Paragraph 99 of IAS 19 requires an entity to remeasure its net defined benefit liability (asset) before determining past service cost. However, if the effect of the change on past service cost is considered immaterial, the entity need not remeasure its net defined benefit liability (asset). This is because, applying existing requirements in IAS 19, the change to the plan affects only the measurement of past service cost or gain (loss) on settlement. When developing the proposed amendments, the Board thought that, in these situations, an entity would not update current service cost and net interest for the remainder of the reporting period. However, if there has been a significant change in financial conditions since the start of the year (for example, a significant change in the discount rate), then the change to the plan could have a material effect on current service

[1] We have updated paragraph numbers and cross-references to other paragraphs. We have also made minor editorial revisions for improved consistency.

cost and net interest for the remainder of the reporting period. In these situations, an entity would not be able to assert that the effect of the change to the plan is immaterial (even though its effect on past service cost or gain (loss) on settlement is immaterial). Accordingly, in these situations, the entity may be required to remeasure the net defined benefit liability (asset) when the change to the plan occurs.

(b) *the unit of account and lack of comparability*—some respondents said the proposed amendments may reduce comparability in situations in which one entity has a minor plan event during a reporting period and another entity, with a similar plan, does not.

(c) *additional costs resulting from the proposed amendments*—some respondents said, for minor plan events, entities often adopt computational short-cut methods to calculate the past service cost or gain (loss) on settlement, as permitted by paragraph 60 of IAS 19. These respondents said the amendments may result in an entity no longer being able to use short-cut methods and might require a more detailed, expensive and onerous approach.

(d) *the potential to make changes to achieve a particular accounting outcome*—some respondents said, in response to changes in market conditions during the year, an entity could make minor changes to a plan solely to achieve a particular accounting outcome.

Staff analysis

Could the proposed amendments change whether and when an entity remeasures the net defined benefit liability (asset)?

B2. Paragraph 99 of IAS 19 requires an entity to remeasure the net defined benefit liability (asset) when there is a plan event in order to determine past service cost or gain (loss) on settlement.

B3. Paragraph 8 of IAS 8 specifies that an entity need not apply an accounting policy when the effect of applying the accounting policy is immaterial. This means that entities apply paragraph 99 of IAS 19 (and, thus, remeasure the net defined benefit liability (asset)) when the effect of a plan event on past service cost or gain (loss) on settlement is material. However, if the effect of a plan event on past service cost or gain (loss) on settlement is immaterial, then the entity need not apply the requirements in paragraph 99 of IAS 19.

B4. Although the proposed amendments do not directly change the requirements in paragraph 99 of IAS 19, they widen the consequences of remeasuring the net defined benefit liability (asset). This is because the proposed amendments would require an entity to use updated assumptions from the remeasured net defined benefit liability (asset) when it measures current service cost and net interest for the remainder of the reporting period.

B5. Accordingly, when an entity assesses whether the effect of a plan event is material (and thus whether it applies paragraph 99 of IAS 19 and remeasures the net defined benefit liability (asset)), it would also consider any consequential effects of remeasuring the net defined benefit liability (asset) on current service cost and net interest for the remainder of the reporting period.

B6. For example, as highlighted by respondents (see paragraph B1 of this paper), if an entity changes the terms of a plan for some, but not all, plan members, it may conclude that the effect of this change on past service cost or gain (loss) on settlement is immaterial. Applying existing requirements, the entity need not remeasure the net defined benefit liability (asset) applying paragraph 99 of IAS 19.

B7. However, if the amendments are finalised with no substantive changes in respect of such plan events, then the entity would also be required to consider any consequential effect of the change to the plan on current service cost and net interest for the remainder of the reporting period. Although the effect of the change to the plan on past service cost or gain (loss) on settlement is immaterial, the effect of remeasuring the net defined benefit liability (asset) on net interest or current service cost for the period after the remeasurement could be material, if, for example, there has been a change in discount rates. In this situation (and assuming that the effect of the change to the plan on net interest or current service cost for the remainder of the reporting period is material), the entity would not be able to assert that the effect of the change to the plan is immaterial. Accordingly, the entity would be required to remeasure the net defined benefit liability (asset) applying paragraph 99 of IAS 19.

B8. Through additional research, we have also identified that the proposed amendments could have a similar effect on some plan events that do not affect past service cost or gain (loss) on settlement. For example, an entity may make a change to a plan that affects only future benefit accruals for plan members. This plan event does not affect benefits that members have accrued to date. Accordingly, the plan event does not affect past service cost (because it affects only future benefit accruals). Applying existing requirements, the entity need not apply paragraph 99 (and, thus, not remeasure the net defined benefit liability (asset)).

B9. However, if the Board finalises the amendments as drafted, depending on particular facts and circumstances, the plan event may have a material effect on current service cost for the remainder of the reporting period. If this is the case, the entity would be required to remeasure the net defined benefit liability (asset) applying paragraph 99 of IAS 19.

B10. The shaded area in the following chart illustrates the situations in which we think the proposed amendments, if finalised with no substantive changes, could change whether and when entities remeasure the net defined benefit liability (asset):

		Effect of plan event on past service cost or gain (loss) on settlement	
		Material	*Immaterial or no effect*
Effect of plan event on current service cost and/or net interest	*Material*	ER**: remeasure NDBL** PA**: remeasure NDBL	ER: not required to remeasure NDBL PA: remeasure NDBL
	Immaterial or no effect	ER: remeasure NDBL PA: remeasure NDBL	ER: not required to remeasure NDBL PA: not required to remeasure NDBL

** ER—Existing requirements; PA—Proposed amendments; NDBL—Net defined benefit liability (asset);

B11. Accordingly, in our view, the proposed amendments, if finalised with no substantive changes in respect of minor plan events, could change whether and when entities remeasure the net defined benefit liability (asset).

Is the outcome (ie potentially more frequent remeasurements) appropriate?

B12. The main objective of proposing that entities would update current service cost and net interest for the remainder of the reporting period was to provide more relevant and useful information to users of the financial statements. Paragraph BC13 of the Exposure Draft states:

> …The IASB is concerned that ignoring the effects of such an event (ie a plan amendment, curtailment or settlement) in the period following the event when calculating the current service cost and net interest would not result in useful information.

B13. Further, paragraph BC17 of the Exposure Draft states:

> The IASB identified that the expected benefits from the amendments include providing more relevant information, enhanced understandability and eliminating diversity in accounting when a plan amendment, curtailment or settlement occurs...

B14. We suggest that the resulting outcome (ie potentially more remeasurements of the net defined benefit liability (asset)) is an appropriate outcome because it results in the provision of more relevant and useful information, which is consistent with the main objective of the proposed amendments. This is particularly the case for the type of plan events identified in paragraph B8 of this paper—ie a plan event that affects future benefit accruals for all (or a significant proportion of) plan members but does not change benefits accrued to date.

B15. To illustrate with an example: on 30 June 20X7, an entity with a 31 December year-end closes a defined benefit plan to future accruals (ie members are not entitled to any future benefits under the plan). This change does not affect accrued benefits—plan members continue to be entitled to receive benefits accrued under the plan until 30 June 20X7.

B16. IAS 19 does not require the entity to update current service cost for the remainder of the reporting period after the plan event. Accordingly, the entity might continue to recognise current service cost on the defined benefit plan for the period 1 July 20X7 to 31 December 20X7 using assumptions at the start of the annual reporting period.

However, because members are not entitled to future benefits under the plan, the entity does not incur any current service cost for the period 1 July 20X7 to 31 December 20X7. In our view, it is neither useful nor relevant for the entity to continue to recognise current service cost after 1 July 20X7 (ie after the change to the plan occurs).

B17. If the proposed amendments were finalised as drafted, the entity in this example would consider the effect of the plan event on current service cost. Assuming the effect of the remeasurement on current service cost for the period 1 July 20X7 to 31 December 20X7 is material, the entity would remeasure the net defined benefit liability (asset) and update its current service cost for the remainder of the reporting period following the plan event. In this example, the entity would recognise no current service cost for the period 1 July 20X7 to 31 December 20X7, which in our view appropriately reflects the change to the plan.

B18. We acknowledge respondents' concerns that the proposed amendments could lead to more frequent remeasurements of the net defined benefit liability (asset) in situations such as those highlighted in paragraph B6 of this paper (ie a change to a plan that affects some, but not all, members of a plan for which the effect on past service cost or gain (loss) on settlement) is immaterial. However, an entity would be required to remeasure the net defined benefit liability (asset) only if the effect of the plan event on current service cost or net interest for the remainder of the reporting period is material. If this is the case, we think using updated assumptions to calculate current service cost and net interest results in the provision of more relevant and useful information, which is consistent with the main objective of the amendments (see paragraphs B12—B13 of this paper).

B19. On the basis of our analysis, we think that the expected benefits of the amendments outweigh the costs (and any concerns about cost raised by respondents (see paragraph B1 of this paper)). The expected benefits include providing more relevant and useful information, enhancing understandability of the financial statements and eliminating diversity.

B20. We also agree with the Committee's previous conclusion that excluding minor plan events from the scope of the amendments would introduce additional criteria that could be subjective and would add complexity to the amendments.