



International Accounting Standards Board®

Press Release

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IASB proposes improvements to defined benefit pensions accounting

The International Accounting Standards Board (IASB) today published for public comment an exposure draft of proposed amendments to IAS 19 *Employee Benefits*.

The proposals would amend the accounting for defined benefit plans through which some employers provide long-term employee benefits, such as pensions and post-employment medical care. In defined benefit plans, employers bear the risk of increases in costs and of possible poor investment performance.

The amendments would address deficiencies in IAS 19 by requiring entities:

- to account immediately for all estimated changes in the cost of providing these benefits and all changes in the value of plan assets (often referred to as removal of the ‘corridor’ method);
- to use a new presentation approach that would clearly distinguish between different components of the cost of these benefits; and
- to disclose clearer information about the risks arising from defined benefit plans.

The proposals have been developed following a rigorous and comprehensive due process. A discussion paper *Preliminary Views on Amendments to IAS 19* was published for public comment in 2008 with 150 comment letters received. The Board then met on 13 occasions to consider the responses and further refine the proposals, seeking input from a broad range of interested parties (including the IASB’s Employee Benefits Working Group). The Board and staff will undertake further outreach during the comment period to ensure that the views of all interested parties are taken in to consideration.

Introducing the exposure draft, Sir David Tweedie, Chairman of the IASB, said:

IAS 19 was inherited from our predecessor body and an overhaul of pensions accounting is long overdue. The proposals, if adopted, will significantly improve the transparency and comparability of pension obligations.

We now seek input from interested parties in order to refine the proposals further, with the aim of publishing a final standard in 2011.

The exposure draft *Defined Benefit Plans* is open for comment until 6 September 2010. It can be accessed via the ‘Comment on a proposal’ section on www.iasb.org from today.

An IASB ‘Snapshot’, a high level summary of the proposals, is available to download free of charge from the IASB website: <http://go.iasb.org/pensions>.

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Notes for editors

About the IASB

The IASB was established in 2001 and is the standard-setting body of the International Accounting Standards Committee (IASC) Foundation, an independent private sector, not-for-profit organisation. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that provide high quality transparent and comparable information in general purpose financial statements. In pursuit of this objective the IASB conducts extensive public consultations and seeks the co-operation of international and national bodies around the world. The IASB currently has 15 full-time members drawn from ten countries and with a variety of professional backgrounds. By 2012 the IASB will be expanded to 16 members. Board members are appointed by and accountable to the Trustees of the IASC Foundation, who are required to select the best available combination of technical expertise and diversity of international business and market experience. In their work the Trustees are accountable to a Monitoring Board of public authorities.