IPSASB International Public Sector Accounting Standards Board

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PROJECT HISTORY

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September 2015

The IPSASB discussed key issues in the revision of IPSAS 25, *Employee Benefits*. The IPSASB considered both the maintenance of convergence with the underlying International Accounting Standard (IAS) 19, *Employee Benefits*, and the narrowing of differences with Government Finance Statistics Manual 2014 (GFSM 2014).

Maintaining convergence with IAS 19

The IPSASB agreed with staff recommendations to converge with IAS 19 in the following areas:

- Immediate recognition of defined benefit cost by eliminating the "corridor" option in IPSAS 25;
- Excluding changes in the defined benefit obligation that result from changes in demographic assumptions from the service cost component;
- Remeasurements will comprise (i) actuarial gains and losses on the defined benefit obligation, (ii) return on plan assets, excluding amounts included in net interest on the defined benefit liability (asset) and, (iii) any change in the effect of the asset ceiling, excluding amounts included in net interest on the defined liability (asset);
- Maintaining the recognition of the service cost component in surplus or deficit;
- Recognizing the interest cost in the finance costs item in the statement of financial performance instead of surplus or deficit;
- Recognizing remeasurements in net assets/equity instead of in surplus or deficit;
- Recognizing immediately the unvested past service cost, with consequential amendments to the definitions of curtailments, service cost and settlement, instead of the current recognition as an expense on a straight-line basis over the average period until the benefits become vested;
- Recognizing termination benefits when the entity has *communicated* its plan of termination to each of the affected employees, instead of the current requirement when the entity is *demonstrably committed* to provide those benefits;
- Changing the definition of short-term employee benefits (other than termination benefits) to refer to employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the *annual reporting period* in which the employees render the related service, rather than those expected to be settled within twelve months after the end of the period in which the employees render the related service;
- Including a new section in IPSAS 25 called *Actuarial assumptions: mortality* with wording making explicit that the mortality assumptions used to determine the defined benefit obligation are current estimates of the expected mortality rates of plan members, both during and after employment;
- Clarifying that taxes related to service and administration costs related to benefit payments are included in the estimate of present value of the defined benefit obligation and that other taxes and

administration costs related to the management of plan assets are deducted from the return on plan assets;

- Clarifying that contributions from employees or third parties reduce the ultimate cost to the entity of those benefits;
- Clarifying that linked service contributions from employees or third parties reduce service cost (if they are linked to service) or affect remeasurements of the net defined benefit liability (asset) (if they are not linked to service);
- Including requirements on conditional indexation that the measurement of the obligation reflects the best estimate of the effect of the performance target or other criteria;
- Clarifying that the measurement of an entity's defined benefit obligations reflects the limits on the legal and constructive obligation to pay additional contributions.

The IPSASB directed staff to include an explanation in the Basis for Conclusions of how the elimination of the corridor option enhances the understandability of financial statements and accountability of management.

Net Interest Approach

The IPSASB did not decide whether to adopt he net interest approach in the revised IAS 19. The IPSASB directed staff to bring a proposal to the IPSASB December 2015 meeting for bridging the difference between IPSASs and GFS reporting guidelines.

Disclosures

The IPSASB decided to include the disclosures objective and the disclosures of IAS 19 in the revised version of IPSAS 25. However, the IPSASB decided that the disclosures in IPSAS 25 should also consider GFS reporting guidelines, in particular the inclusion of a supplementary table in the System of National Accounts 2008.

Shared risk plans

The IPSASB acknowledged that the amendments made on risk sharing in this revision of IPSAS 25 does not address in full the issues that shared risk plans raise. However, as IPSAS 25 is a converged standard with IAS 19 and this is a limited-scope project, the IPSASB decided not to make a comprehensive approach to revise IPSAS 25 and decided to wait for a future revision of IAS 19 on this subject.

Composite social security programs

The IPSASB decided that the Exposure Draft (ED) should have a specific matter for comment on the existing requirements and guidance on composite social security programs in order to ascertain whether these requirements and guidance are useful.

Future Directions

The IPSASB directed staff to develop a draft ED for the December 2015 meeting.