

Comparison of IAS 19 with FASB ASC 715

Summary of Provisions Affecting Accounting for Postretirement Benefits

Defined Benefit Plans	IAS 19 (Revisions through 2008)	FASB ASC 715
Basis for accounting (for each material plan)	Legal obligation under formal plan or constructive obligation based on informal practices	Written plan or substantive commitment to provide greater benefits than defined by the written plan (based on past practice of increasing benefits), or past practice of paying benefits ¹
Going concern concept	Presumption that, absent evidence to the contrary, plan will continue	Presumption that, absent evidence to the contrary, plan will continue
Measurement of benefit obligation		
Valuations	Plan obligation and assets to be determined as of balance sheet date; use of qualified actuary encouraged, but not required	Plan obligations and assets to be determined as of balance sheet date; nature of measurements generally requires use of qualified actuary
Actuarial method	Projected unit credit	Projected unit credit
Attribution	Follow benefit formula unless disproportionate share attributed to later years of service; in that case, benefits attributed ratably over credited service period to full eligibility date ²	Follow benefit formula unless disproportionate share attributed to later years of service; in that case, benefits attributed ratably over credited service to date benefit is first fully vested ²
Assumptions	Explicit approach; assumptions should be unbiased and mutually compatible; company's assumptions	Explicit approach; each assumption should represent management's best estimate with respect to that assumption; internally consistent

¹ Accounting is based on the substantive plan — the plan as understood by participants, based on past practice and communications — for postretirement benefits other than pensions.

² Under ASC 715-60, postretirement benefits are attributed ratably over service period (credited service period if benefit formula credits only service from date later than date of hire) to full eligibility date; for front-loaded plans, the benefit formula is followed. For a plan that provides benefits to employees retiring on or after age 55 with 10 or more years of service, *and the amount of the benefit is not increased with service beyond 10 years*, ASC 715-60 attributes the benefits to service from date of hire to the date at which an employee has both attained age 55 and rendered 10 years of service, whereas IAS 19 attributes benefits to the first 10 years of service after age 45.

Defined Benefit Plans	IAS 19 (Revisions through 2008)	FASB ASC 715
Discount rate	Current yields on high-quality corporate bonds with maturities consistent with duration of benefit obligations; in countries with no deep market in such bonds, yields on government bonds are used	Rate at which obligation could be <i>effectively</i> settled (ignores insurer's cost of assuming risk); generally, current yields on high-quality fixed-income investments with maturities matching duration of benefit obligations
Rate of return on plan assets	Based on current market expectations over life of the obligation	Based on expected long-term rates over life of the obligation
Benefit increases	Benefit increases required under terms of plan or pursuant to constructive obligation; changes in existing law or level of government benefits considered only if enacted or benefits change in predictable manner	Benefit increases specified by plan, including employer's substantive commitment; changes in existing law or level of government benefits considered only if enacted; possible changes in negotiated benefits should not be anticipated (also see "Basis for accounting" on page 1)
Financial statement recognition		
Balance sheet asset, limits	Pension asset limited to: PV of economic benefits derived from surplus ³) + unrecognized actuarial loss + unrecognized prior service cost; gain/loss and/or prior service cost recognition accelerated in some situations; if gains and losses are recognized outside P&L, change in limit on prepaid pension asset is also recognized outside P&L	Balance sheet reflects asset equal to surplus of all overfunded plans (i.e., fair value of plan assets minus PBO [or APBO]); no limit on asset
Balance sheet liability	Balance sheet reflects accrued liability (cumulative amount expensed, including amounts charged to OCI, minus cumulative amount funded) Additional liability may be recognized if contribution to meet minimum funding requirement would not be available as a refund or reduction in future contributions	Balance sheet reflects liability equal to PBO (or APBO) minus fair value of plan assets for all underfunded (or unfunded) plans

³ Economic benefit from surplus refers to amounts available as an unconditional right to a refund (net of costs, including excise tax) or as a reduction in future contributions.

Defined Benefit Plans	IAS 19 (Revisions through 2008)	FASB ASC 715
Balance sheet — other		Accumulated other comprehensive income (AOCI) reflects gains/losses, prior service cost/credits and transition obligation/asset not yet recognized in net periodic cost, net of tax effects
Cost recognized	Service cost + interest cost – expected return on plan assets +/- net loss or gain recognized ⁴ +/- prior service cost recognized +/- asset ceiling changes +/- curtailment and settlement effects	Service cost + interest cost – expected return on plan assets +/- net loss or gain amortized +/- prior service cost amortized recognized + temporary deviation from plan (ASC 715-60 only) +/- curtailment and settlement effects
Gain/loss recognition	Immediate ⁶ or delayed recognition; at a minimum, amortize unrecognized net gain or loss falling outside corridor — defined as 10% of greater of DBO ⁷ or FV of plan assets — over average remaining service period of active employees expected to receive benefits under the plan	Immediate or delayed recognition; at a minimum, amortize unrecognized net gain or loss falling outside corridor — defined as 10% of greater of PBO ⁷ or MRV of plan assets — over average remaining service period of active employees expected to receive benefits under the plan; if all or almost all plan participants are former employees, use their average remaining life expectancy; gain/loss not yet recognized in net periodic cost is included in AOCI
Prior service cost recognition (i.e., cost of benefit improvements)	Immediately recognize prior service cost for vested benefits, amortize portion attributable to nonvested benefits over their average remaining service to vesting date	Amortize over active participants' average remaining service periods ⁸ or period benefited, if shorter; if all or almost all participants are inactive, use their average remaining life expectancy; prior service cost not yet recognized in net periodic cost is included in AOCI
Negative prior service cost (i.e., negative cost of benefit reductions)	Same as for cost of benefit improvement	First reduce any unrecognized prior service cost from benefit improvement, amortize excess on same basis as benefit improvement; negative prior service cost not yet recognized in net periodic cost is included in AOCI

⁴ Gain/loss may be recognized through P&L or outside P&L in Other Comprehensive Income (OCI).

⁶ Companies electing to immediately recognize gains and losses may choose to do so through P&L or through OCI (i.e., outside P&L); if gains and losses are recognized immediately through OCI, that gain/loss recognition method must be used for all defined benefit plans.

⁷ The defined benefit obligation (DBO) under IAS 19 is equivalent to the projected benefit obligation (PBO) under ASC 715-30 and the accumulated postretirement benefit obligation (APBO) under 715-60.

⁸ Under ASC 715-60, average remaining service to full eligibility date is used for postretirement benefits other than pensions.

Defined Benefit Plans	IAS 19 (Revisions through 2008)	FASB ASC 715
Expected return on plan assets	Based on current market expectations and fair value of assets; reflects <i>actual</i> contributions and benefit payments	Based on expected long-term rate of return and market-related value ⁹ (MRV) of assets; reflects <i>expected</i> contribution and benefit payments
Valuation of assets	Fair value (bid price)	Fair value (mid-market price, less cost to sell if significant) for funded status; MRV for determining expected return on assets
Settlements and curtailments		
Definition of settlement	Enterprise eliminates or discharges all further legal or constructive obligation for part or all benefits under the plan, for example, by a lump-sum payment	Irrevocable action that relieves employer of primary responsibility for benefit obligation and eliminates significant risks with respect to obligation and assets used to settle
Measurement of settlement effects	Reduction in remeasured benefit obligation and plan assets ¹⁰ (includes additional cost of settling obligation for affected participants) + pro rata share (in proportion to change in DBO) of unrecognized net gain or loss and unrecognized prior service cost (unless another basis is more rational)	Reduction in remeasured benefit obligation and plan assets ⁹ + pro rata share (in proportion to change in PBO) of unrecognized net gain or loss (including additional cost of settling obligation for affected participants) and transition asset
Recognition of settlement effects	Recognize settlement gain or loss when settlement occurs	Recognize settlement gain or loss when settlement occurs; if cost of all settlements for year is less than or equal to the sum of the plan's service and interest cost, gain/loss recognition is permitted, but not required (policy must be consistently applied)

⁹ Market-related value may be fair value or a calculated value that recognizes changes in fair value over not more than five years.

¹⁰ Benefit obligation and plan assets must be remeasured using current assumptions before measuring settlement effect.

Defined Benefit Plans	IAS 19 (Revisions through 2008)	FASB ASC 715
Definition of curtailment	Commitment to significantly reduce number of employees covered by plan or amend DB plan so significant portion of future service no longer qualifies for benefits or qualifies only for reduced benefits	Event that significantly reduces employees' expected years of future service or eliminates accrual of future defined benefits for a significant number of employees
Measurement of curtailment effects	Effect of change in benefit obligation and fair value of assets ¹¹ + pro rata share (in proportion to change in DBO) of unrecognized prior service cost and net gain or loss (unless another approach is more rational)	Increase/decrease in benefit obligation ¹⁰ in excess of unrecognized gain (if increase) or loss (if decrease) + pro rata share (in proportion to reduction in participants' future years of service ¹²) of unrecognized prior service cost and transition obligation
Recognition of curtailment effects	Recognize curtailment gain or loss when curtailment occurs	Recognize curtailment loss when probable and reasonably estimable, recognize curtailment gain when employees terminate or plan amended

DB Plan Disclosures	IAS 19 (Revisions through 2008)	FASB ASC 715-20
General	<ul style="list-style-type: none"> Description of plan, including any informal practice used in measuring the DBO 	
Benefit obligation	<ul style="list-style-type: none"> Reconciliation of changes in benefit obligation 	<ul style="list-style-type: none"> Reconciliation of changes in benefit obligation ABO PBO, ABO and fair value of plan assets for plans with ABO > fair value of assets; PBO and fair value of plan assets for plans with PBO > fair value of plan assets
Plan assets	<ul style="list-style-type: none"> Reconciliation of changes in fair value of plan assets Asset allocation Fair-value measurements Asset investment policies and strategy 	<ul style="list-style-type: none"> Reconciliation of changes in fair value of plan assets Asset allocation Fair-value measurement information Asset investment strategy

¹¹ Benefit obligation and plan assets must be remeasured using current assumptions before measuring curtailment effect.

¹² Service to full eligibility date is used for postretirement benefit plans accounted for under ASC 715-60.

DB Plan Disclosures	IAS 19 (Revisions through 2008)	FASB ASC 715-20
Funded status	<ul style="list-style-type: none"> Funded status reconciliation 	<ul style="list-style-type: none"> Funded status
Balance sheet		<ul style="list-style-type: none"> Balance sheet classification (current vs. noncurrent) Amounts recognized on balance sheet, including amounts recognized in AOCI Changes in AOCI due to deferred costs/income arising during year (i.e., gains/losses and prior service cost/credit) and amortizations during year
Cash flows	<ul style="list-style-type: none"> Employer contributions expected in next fiscal year 	<ul style="list-style-type: none"> Employer contributions expected in next fiscal year Benefits expected to be paid (each of next five years and five-year period thereafter)
Cost	<ul style="list-style-type: none"> Net periodic cost, by component and where reported If gains/losses recognized in OCI: <ul style="list-style-type: none"> (i) Current year recognition <ul style="list-style-type: none"> — Net gain/loss — Effect of limit on prepaid asset (ii) Cumulative gains/losses recognized through OCI 	<ul style="list-style-type: none"> Net periodic cost, by component Gain/loss recognition policy, if other than minimum amortization required by “corridor” approach Estimated amortizations for coming year Prior service cost recognition policy
Assumptions	<ul style="list-style-type: none"> Key assumptions (e.g., discount rate, EROA, salary growth) Basis for determining EROA, including effect of asset classes Assumed health care cost trend rates; sensitivity information 	<ul style="list-style-type: none"> Key assumptions (e.g., discount rate, EROA, salary growth) Basis for determining EROA Assumed health care cost trend rates (initial, ultimate, pattern of change); sensitivity information
Historical information	<ul style="list-style-type: none"> Five-year history of: <ul style="list-style-type: none"> (i) DBO (ii) Plan assets (iii) Funded status (iv) Liability-related experience gains/losses (v) Asset-related experience gains/losses 	

DB Plan Disclosures	IAS 19 (Revisions through 2008)	FASB ASC 715-20
Other	<ul style="list-style-type: none"> • Related party transactions, including cost of retirement and termination benefits provided to key management personnel(IAS 24) 	<ul style="list-style-type: none"> • Related-party transactions • Substantive commitment • Special or contractual termination benefits • Other matters affecting comparability
Multiple plans	Disclosures may be combined if multiple plans; separate identification of the DBO for wholly/partly funded and wholly unfunded plans	Disclosures may be combined if multiple plans <ul style="list-style-type: none"> • Disclose PBO (APBO for postretirement benefit plans), and FV plan assets for plans with PBO (APBO) greater than FV plan assets (separately for pensions and other postretirement benefits) • Disclose ABO and FV plan assets for pension plans with ABO greater than FV plan assets
Interim disclosures		<ul style="list-style-type: none"> • Net periodic cost, by component • Contributions paid or expected to be paid, if significantly different from year end disclosure

Defined Contribution Plans	IAS 19 (Revisions through 2008)	FASB ASC 715-70
Cost	Expense contribution required for period	Expense contribution required for period
Disclosure	<ul style="list-style-type: none"> • Cost recognized • Contributions for key management (IAS 24) 	<ul style="list-style-type: none"> • Cost recognized • Significant matters affecting comparability

Multi-Employer Plans	IAS 19 (Revisions through 2008)	FASB ASC 715-80
Recognition and measurement	<p>If DB plan, and sufficient information is available, recognize pro rata share of DBO, plan assets and cost of plan</p> <p>If contractual agreement specifying how surplus/deficit will be shared, account for the employer's share of the surplus (deficit) as an asset (liability); recognize changes through P&L</p> <p>If DC plan, or insufficient information to allocate DBO, assets and plan cost, expense contribution required for period</p>	Expense contribution required for period
Disclosure	<ul style="list-style-type: none"> • Basis for plan's accounting (DB or DC) • DB plan disclosures as described above • DC plan disclosures as described above • DB plan accounted for as DC plan: <ul style="list-style-type: none"> (i) Plan is DB (ii) Employer unable to identify its share of the underlying assets and liabilities, and (iii) Plan surplus or deficit and implications for the employer (e.g., future contributions) • Contingent liabilities (IAS 37) 	<ul style="list-style-type: none"> • Contributions during period • Significant matters affecting comparability • Withdrawal liability if payment is probable or reasonably possible

Other	IAS 19 (Revisions through 2008)	FASB ASC 715-30
Multiple-employer plan ¹³	Considered a group of single-employer plans	Considered a group of single-employer plans

¹³ Multiple-employer plan is a plan in which two or more unrelated employers participate; assets generally are combined, but assets of one employer are available only to pay benefits of employees of that employer.