

**Comparison of IAS 19 before and after 2011 changes**

**Summary of Provisions Affecting Accounting for Postretirement Benefits**

Defined Contribution Plans	IAS 19, rev. 2008	IAS 19, rev. 2011
Definition	Employer's obligation is limited to amounts it is required to contribute; employee or third party bears actuarial and investment risk; plan is funded	Same, but clarified employer's required contribution relates to current service and that employer has no obligation to make additional contributions for past service
Cost	Expense contribution required for period	Same
Disclosure	<ul style="list-style-type: none"> <li>• Cost recognized</li> <li>• Contributions for key management (IAS 24)</li> </ul>	Same

Defined Benefit Plans	IAS 19, rev. 2008	IAS 19, rev. 2011
Basis for accounting (for each material plan)	Legal obligation under formal plan or constructive obligation based on informal practices	Same
Going concern concept	Presumption that, absent evidence to the contrary, plan will continue	Same
<b>Measurement of benefit obligation</b>		
Valuations	Plan obligation and assets to be determined as of balance sheet date; use of qualified actuary encouraged, but not required	Same
Actuarial method	Projected unit credit	Same
Attribution	Follow benefit formula unless disproportionate share attributed to later years of service; in that case, benefits attributed ratably over credited service period to date when future service will lead to no further material benefits (effectively the full eligibility date)	Same; clarifies participant contributions (as set forth in the plan terms) are considered in determining how to attribute the entity's share of the expected cost of the benefits
Assumptions	Explicit approach; assumptions should be unbiased and mutually compatible; company's assumptions	Same

Defined Benefit Plans	IAS 19, rev. 2008	IAS 19, rev. 2011
Risk-sharing provisions	Not specifically addressed	Explicit assumptions about effect on DBO and current service cost of conditional indexation based performance target or other criteria, surplus sharing, and limits on employer's contribution; DBO is reduced by amounts participants are required to contribute for past service.
Taxes payable by plan	Not specifically addressed	Explicit assumption about effect on DBO and current service cost of taxes payable by the plan on contributions and benefits
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	Same
Benefit increases (other than plan amendments)	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	Same
<b>Financial statement recognition</b>		
Balance sheet asset, limits	DB asset limited to present value (PV) of economic benefits derived from surplus <sup>1</sup> + 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 for all overfunded plans (i.e., fair value of plan assets > DBO) — DB asset limited to PV of economic benefits derived from surplus
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 for past service would not be available as a refund or reduction in future contributions	Balance sheet reflects liability equal to plan deficit (DBO > fair value of plan assets) for all underfunded (or unfunded) plans — Additional liability may be recognized if contribution to meet minimum funding requirement for past service would not be available as a refund or reduction in future contributions

<sup>1</sup> Economic benefit from surplus refers to amounts available as an unconditional right to a refund (net of costs and taxes, including excise tax) or as a reduction in future contributions.

Defined Benefit Plans	IAS 19, rev. 2008	IAS 19, rev. 2011
Valuation of assets	Fair value ("exit price" — the price that would be received in the sale of an asset in an orderly transaction between market participants in the principal market for that asset) <sup>2</sup>	Same
Reimbursement rights	An entity's right to reimbursement by a third party of some or all of the benefit payments is measured at fair value and recognized as an asset of the entity — Changes are recognized in same manner as changes in plan assets	Same
<b>Measurement of cost</b>		
Cost recognized in P&L + OCI	Service cost + interest cost – expected return on plan assets +/- net loss or gain recognized +/- prior service cost recognized +/- asset ceiling changes +/- curtailment and settlement effects	Service cost +/- interest on net DB liability/asset +/- remeasurement effects
Service cost (P&L)	Current service cost	Current service cost + past service cost/(credit), including change in DBO due to curtailment +/- effects of [non-routine] settlements
Interest cost (P&L)	Expected change in DBO due to time value of money; measured using discount rate, and actual contributions and benefit payments	Expected change in net DB liability/asset and reimbursement rights due to time value of money; measured using discount rate, and actual contributions and benefit payments
Remeasurement effects (OCI)	Not applicable	Gains/losses from changes in assumptions used to measure DBO, experience different than assumed (including routine settlements), difference between actual return on plan assets and interest income on plan assets using assumed discount rate, and changes in asset ceiling not included in net interest cost — Immediate recognition through OCI, with no recycling through P&L (OCI may be accumulated as a separate item in equity or transferred to retained earnings)

<sup>2</sup> Current practice under IAS 19 is to use bid price. For assets with a quoted market price, the recently issued Fair Value Measurement standard calls for using the price within the bid-ask spread that is most representative of fair value. The use of bid price is permitted, but not required. The use of mid-market pricing or another pricing conventions used by market participants is also permitted.

Defined Benefit Plans	IAS 19, rev. 2008	IAS 19, rev. 2011
Gain/loss recognition (P&L or OCI)	Immediate <sup>3</sup> or delayed recognition; at a minimum, amortize unrecognized net gain or loss falling outside corridor — defined as 10% of greater of DBO or FV of plan assets — over average remaining service period of active employees expected to receive benefits under the plan	Immediate recognition of all gains/losses through OCI — Included in remeasurement effects
Past service cost	Change in present value of DBO resulting from introduction of or changes to benefits	Change in present value of DBO resulting from plan amendment or curtailment — Included in service cost
Past service cost recognition (P&L)	Immediate recognition of past service cost for vested benefits; portion attributable to nonvested benefits amortized over their average remaining service to vesting date	Immediate recognition at earlier of (i) date plan amendment or curtailment occurs or (ii) when related restructuring costs or termination benefits are recognized
Expected return on plan assets (P&L)	Based on current market expectations and fair value of assets; reflects <i>actual</i> contributions and benefit payments	No longer applicable
<b>Settlements and curtailments</b>		
Definition of settlement	Transaction that eliminates all further legal or constructive obligation for part or all benefits under the plan, for example, by purchasing annuities or making lump-sum payments other than those in the normal course of business	Clarified that definition applies to transaction not envisioned in original terms of plan and considered in actuarial assumptions
Measurement of settlement effects	Reduction in remeasured DBO and plan assets <sup>4</sup> (or other assets used to settle the obligation) + 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 DBO and plan assets <sup>4</sup> or other assets used to settle the obligation
Recognition of settlement effects	Recognize settlement gain or loss when settlement occurs	Recognize settlement gain or loss when settlement occurs — Included in service cost

<sup>3</sup> 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.

<sup>4</sup> Benefit obligation and plan assets must be remeasured using current assumptions before measuring settlement effect.

Defined Benefit Plans	IAS 19, rev. 2008	IAS 19, rev. 2011
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	Significant reduction in number of employees covered by plan due to isolated event (e.g., plant closing), discontinuance of operation, or termination or suspension of plan
Measurement of curtailment effects	Change in remeasured DBO <sup>5</sup> + 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)	Change in remeasured DBO <sup>5</sup>
Recognition of curtailment effects	Recognize curtailment gain or loss when curtailment occurs	Recognized at earlier of date curtailment occurs or related restructuring costs or termination benefits are recognized — Included with past service cost in service cost
<b>Interim reporting</b>		
Interim remeasurement	If a company recognizes gains/losses immediately through OCI, remeasurement is required (by IAS 34) if there has been a significant change in market conditions — Remeasurement results in true-up of balance sheet amounts and recognition of actuarial gain or loss in OCI	Same, although greater applicability since gains/losses are required to be recognized through OCI
Ongoing cost recognition	Unchanged unless a significant event (such as significant plan change, curtailment or settlement) has occurred; even in that case, cost for the remainder of the year continues to be based on financial assumptions at beginning of year	Same
<b>Termination benefits</b>		
Measurement of cost of termination benefits	No specific guidance other than benefits are to be discounted if payable more than 12 months after end of reporting period	Measured in accordance with nature of benefit — short-term employee benefit (fully paid within 12 months), other long-term benefit (payments extend beyond 12 months) or postemployment benefit (enhancement to existing benefit)
Recognition of cost of termination benefits	Recognize liability and cost when entity is demonstrably committed to (i) terminate employees' employment or (ii) provide benefits as a result of an offer to encourage voluntary termination	Recognize liability and cost at earlier of date entity (i) recognizes related restructuring cost or (ii) can no longer withdraw offer (for example, employees have accepted offer or entity is legally precluded from withdrawing offer)

<sup>5</sup> Benefit obligation and plan assets must be remeasured using current assumptions before measuring curtailment effect.

DB Plan Disclosures	IAS 19, rev. 2008	IAS 19, rev. 2011
Objectives	Not specifically defined	<ul style="list-style-type: none"> <li>• Explain characteristics of and risks associated with DB plans, e.g., disaggregation of DBO into current employees, terminated vested employees and retirees; or vested and unvested amounts; or conditional benefits, amounts attributable to future salary increases and other</li> <li>• Identify and explain effect on financial statements</li> <li>• Explain how DB plans may affect amount, timing and uncertainty of entity's cash flows</li> </ul>
Plan characteristics	Description of plan, including any informal practice used in measuring the DBO	<ul style="list-style-type: none"> <li>• Description of benefits; effect of regulatory environment; governance; effect of asset ceiling</li> <li>• Description of risk the plan poses to the entity, focusing on unusual or specific risks and significant concentrations of risk</li> <li>• Description of plan amendments (including curtailments) and settlements</li> </ul>
Benefit obligation	Reconciliation of changes in benefit obligation	Slightly more detailed
Plan assets	<ul style="list-style-type: none"> <li>• Reconciliation of changes in fair value of plan assets</li> <li>• Asset allocation</li> <li>• Fair value measurements</li> <li>• Asset investment policies and strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Reconciliation of changes in fair value of plan assets</li> <li>• Disaggregation into asset classes, further disaggregated by basis for fair value measurement</li> <li>• Fair value of entity's equity instruments held by plan</li> <li>• Asset/liability matching strategies</li> </ul>
Funded status	Funded status reconciliation	No longer specifically required, but can be determined from other disclosure information
Balance sheet	Funded status reconciled to amount reported on balance sheet	<ul style="list-style-type: none"> <li>• DB asset or liability (funded status, adjusted for effect of asset ceiling)</li> <li>• Reconciliation of changes in asset ceiling</li> <li>• Reimbursement rights</li> </ul>
Cash flows	Employer contributions expected in next fiscal year	<ul style="list-style-type: none"> <li>• Description of funding arrangements and funding policy</li> <li>• Employer contributions expected in next fiscal year</li> <li>• Maturity profile of DBO, including weighted average duration of DBO</li> </ul>
Cost	<ul style="list-style-type: none"> <li>• Net periodic cost, by component and where reported</li> <li>• If gains/losses recognized in OCI: <ul style="list-style-type: none"> <li>(i) Current year recognition <ul style="list-style-type: none"> <li>— Net gain/loss</li> <li>— Effect of limit on prepaid asset</li> </ul> </li> <li>(ii) Cumulative gains/losses recognized through OCI</li> </ul> </li> </ul>	Not specifically required, but information is included in reconciliations of changes in DBO, fair value of plan assets and asset ceiling

DB Plan Disclosures	IAS 19, rev. 2008	IAS 19, rev. 2011
Assumptions	<ul style="list-style-type: none"> <li>• Key assumptions (e.g., discount rate, EROA, salary growth)</li> <li>• Basis for determining EROA, including effect of asset classes</li> <li>• Assumed health care cost trend rates; sensitivity information</li> </ul>	<ul style="list-style-type: none"> <li>• Significant actuarial assumptions used to measure DBO</li> <li>• Sensitivity of DBO to changes in significant actuarial assumptions</li> <li>• Description of methods and assumptions used in sensitivity analysis, limitations of those methods, and changes in methods and assumptions used in previous periods' analyses</li> </ul>
Historical information	Five-year history of: <ul style="list-style-type: none"> <li>(i) DBO</li> <li>(ii) Plan assets</li> <li>(iii) Funded status</li> <li>(iv) Liability-related experience gains/losses</li> <li>(v) Asset-related experience gains/losses</li> </ul>	No longer required
Other	Related-party transactions, including cost of retirement and termination benefits provided to key management personnel (IAS 24)	Same
Multiple plans	Disclosures may be combined if multiple plans; separate identification of the DBO for wholly/partly funded and wholly unfunded plans	<ul style="list-style-type: none"> <li>• All or some disclosures may be aggregated for plans with similar risks provided disclosure objectives are met</li> <li>• Consider disaggregation to distinguish plans with materially different risks, e.g., different geographical locations, different characteristics, different regulatory environments, different funding arrangements</li> </ul>
Interim disclosures	Not required	Not required

Multiemployer Plans	IAS 19, rev. 2008	IAS 19, rev. 2011
Recognition and measurement	<ul style="list-style-type: none"> <li>• If DB plan, and sufficient information is available, recognize pro rata share of DBO, plan assets and cost of plan</li> <li>• If DC plan, or insufficient information to identify share of DBO, plan assets and plan cost, expense contribution required for period: <ul style="list-style-type: none"> <li>— If contractual agreement specifying how surplus/deficit will be shared, account for employer's share of surplus (deficit) as an asset (liability); recognize changes through P&amp;L</li> </ul> </li> </ul>	Same
Disclosure	<ul style="list-style-type: none"> <li>• Basis for plan's accounting (DB or DC)</li> <li>• DB plan disclosures as described above</li> <li>• DC plan disclosures as described above</li> <li>• DB plan accounted for as DC plan if: <ul style="list-style-type: none"> <li>(i) Plan is DB</li> <li>(ii) Employer unable to identify its share of the underlying assets and liabilities</li> <li>(iii) Plan surplus or deficit and implications for the employer (e.g., future contributions)</li> </ul> </li> <li>• Contingent liabilities (IAS 37)</li> </ul>	<ul style="list-style-type: none"> <li>• Description of funding arrangements</li> <li>• Extent potentially liable for other participating entities' obligations</li> <li>• Allocation of deficit or surplus on plan windup or withdrawal from plan; if account for pro rata portion of DB plan, all DB plan disclosures as described above</li> <li>• If account for participation in DB plan as DC, cost for period (i.e., contribution required for period): <ul style="list-style-type: none"> <li>(i) Plan is DB</li> <li>(ii) Why unable to account for participation as DB</li> <li>(iii) Expected contributions for next year and basis for determining contributions</li> <li>(iv) Plan surplus or deficit and implications on future contributions</li> <li>(v) Indication of level of participation compared with others</li> </ul> </li> </ul>
Plans that share risks among entities under common control	If contractual agreement or policy for allocating plan cost, participating entities recognize their allocated cost and provide disclosure information for DB plan as a whole; otherwise, recognize required contribution for period and more limited disclosure	Same

Other Long-Term Employee Benefits	IAS 19, rev. 2008	IAS 19, rev. 2011
Definition	Benefits other than short-term employee benefits, postemployment benefits, and termination benefits	Same
Measurement	Same as postemployment benefits	Same
Cost	Immediate recognition of all changes through P&L	Same
Disclosure	<ul style="list-style-type: none"> <li>• Cost recognized (IAS 1)</li> <li>• Contributions for key management (IAS 24)</li> </ul>	Same