

## Amendments to IAS 19 *Employee Benefits*

In February 2018, the International Accounting Standards Board (IASB) issued amendments to IAS 19 *Employee Benefits*, which address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment of IAS 19 might mean that the net defined benefit liability is measured more often. The amendments are applied prospectively to plan amendments, settlements or curtailments that occur on or after 1 January 2019.

### Background

The IFRS Interpretations Committee (IFRIC) was asked to clarify the calculation of current service cost and net interest for the remainder of an annual period when a plan amendment or curtailment occurs.

Previously, according to IAS 19.BC64, an entity should not revise the assumptions during the period when calculating the current service cost and net interest, even if an entity measures the net defined benefit liability (asset) because of a plan amendment, plan curtailment or plan settlement: “The remeasurement of the defined benefit obligation in the event of a plan amendment, curtailment or settlement is required in order to determine past service cost and the gain or loss on settlement. In accordance with paragraph B9 of IAS 34 the assumptions underlying the calculation of current service cost and net interest are based on the assumptions at the end of the prior financial year [IFRS 19. BC64].”

IAS 19.99, however, requires that an entity before determining past service cost, or a gain/loss on settlement shall remeasure the net defined benefit liability (asset) using the current fair value of plan assets and current actuarial assumptions (including current market interest rates). Contrarily, IAS 19.123 states that net interest on the net defined benefit liability (asset) is based on the net benefit liability (asset) at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

IFRIC concluded that revising the assumptions when measuring the net defined benefit liability (asset) but not when calculating current service cost or net interest is inconsistent and recommended that the IASB should amend IAS 19.

## The amendments to IAS 19

The amendments to IAS 19 are:

1. If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the remainder of the period and after the remeasurement are determined using the assumptions used for the remeasurement, i.e. are based on updated assumptions.
2. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling, as the accounting for a plan amendment, curtailment or settlement might have an effect on the asset ceiling. IAS 19 is now clear that an entity in first step determines the effect of the plan amendment (or curtailment or settlement) on past service cost or a gain/loss on settlement without considering the effect of the asset ceiling and recognizes this effect in profit or loss. The change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a separate (second) step and is recognised in other comprehensive income, i.e. changes in the effect of the asset ceiling are not netted with the amount recognized in profit or loss.

## Impact

The amendment will affect any entity that changes the terms or the membership of a defined benefit plan such that there is past service cost or a gain or loss on settlement. Current service cost and net interest are usually calculated using the assumption at the beginning of the reporting period. A plan amendment, curtailment or settlement will change that and the amounts that would otherwise have been recorded in profit or loss and it might mean that the net defined benefit liability has to be remeasured more often.

## Effective date

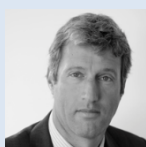
The amendments are applied prospectively to plan amendments, settlements or curtailments that occur after the beginning of the first annual reporting period beginning on or after 1 January 2019.

**For more information please contact the MGI Worldwide Global IFRS Group:**



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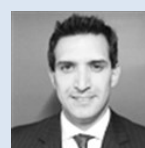
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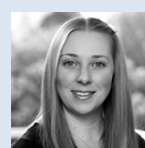
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