



Memorandum

To:	AASB members	Date:	24 May 2011
From:	Nikole Gyles	Agenda Item:	6.1
Subject:	Revised AASB 119 <i>Employee Benefits</i> – NFP/Public sector considerations	File:	

Action

- (a) Consider whether not-for-profit (NFP), including public sector, modifications should be made when the revised AASB 119 *Employee Benefits* (incorporating the IASB's revised IAS 19 *Employee Benefits*) is issued.
- (b) Consider whether consequential amendments need to be made to AASB 1049 *Whole of Government and General Government Sector Financial Reporting* when the revised AASB 119 is issued.

Note that the recommendations in this memorandum are based on the pre-ballot draft of IAS 19 *Defined Benefit Plans: Amendments to IAS 19 Employee Benefits (2011)*. If the revised IAS 19 is issued prior to the June Board meeting staff will provide a verbal update on any significant differences from the pre-ballot draft.

Attachment

Agenda Paper 6.2: Analysis of not-for-profit/public sector considerations for revised AASB 119

AASB Staff Recommendations

NFP/ public sector

Staff have considered the *Process for Modifying IFRSs for PBE/NFP* and recommend retaining the current paragraph in AASB 119 in relation to NFP public sector entities:

- Aus78.1 Notwithstanding paragraph 78, in respect of not-for-profit public sector entities, post-employment benefit obligations denominated in Australian currency shall be discounted using market yields on government bonds.**

Staff do not consider any additional NFP/public sector modifications are needed to the revised AASB 119.

Consequential amendments to AASB 1049

Staff have analysed the requirements of the revised IAS 19 and recommend amending AASB 1049 to reflect that the:

- requirements of AASB 119 in relation to ‘remeasurements’ will be classified as ‘other economic flows’, and
- application of the ‘corridor approach’ will no longer be available under AASB 119.

Staff do not recommend amending AASB 1049 in relation to the requirement to recognise ‘net interest on the net defined benefit liability (asset)’.

Questions to Board members:

Does the Board agree with staff’s recommendations to:

- 1) Retain paragraph Aus78.1 in the revised AASB 119?
- 2) Not include any additional not-for-profit/public sector amendments in the revised AASB 119?
- 3) Make the consequential amendments to AASB 1049 recommended by staff?

If Board members would like a copy of the IASB pre-ballot draft of IAS 19, please let me know (ngyles@asb.gov.au or (03) 9617 7639).