

# S02.03-EL-02-II.4-Plan changes

## II - Provisions: Specific points and Examples

### 2. Employee Benefits

#### 2.2. Accounting for Post-Employment Benefits

##### 2.2.5. Plan changes: Accounting considerations

- Not every plan change leads to a past service cost
- Plan changes are not just assumption changes, e.g. changes to benefits as a result of government changes may not be P&L costs/credits
- Do plan changes affect past service and/or future service?
  - if future service only, then only future service cost is affected
  - if both past service and future service, then curtailment/settlement accounting may be required
  - **Examples :**

Event	Impact on benefits	IAS 19 event
<b>Change benefit level:</b>	Increase/reduce <u>future service</u> benefits only	Affects future service cost only
<b>Enhance/ reduce existing benefits</b>	Company decides to improve/reduce <u>past service</u> related benefits e.g. reduce accrual rate, one-off increase to pensions in payment, etc.	Past service cost/(credit)
<b>Change benefit form:</b> <b>Convert from DB to DC</b>	Only for future hires	No impact other than closed plan
	Only for future service, with past service maintaining final salary linkage	No change in DBO → no past service cost; future service cost is reduced to zero; no curtailment
	Only for future service, with past service being treated as deferred or frozen benefit	Curtailment
	For past service and future service	Settlement and curtailment