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EFRAG Discussion Paper: Accounting for plans with asset-return promise

Cover Note

Introduction and objective

- 1 The objective of the session is for EFRAG TEG to recommend for approval to the EFRAG Board a revised version of EFRAG's Discussion Paper *Accounting for plans with Asset-Return Promise* ('the DP').
- 2 At its January 2019 meeting, EFRAG TEG provided editorial suggestions to improve the text in the DP focussing specifically on Chapter 4: *Alternative approaches* and Chapter 5: *Assessment of approaches*. Regarding Chapter 4 of the DP, EFRAG TEG:
 - (a) Suggested to include all values, used to illustrate the approaches, in a separate document or an appendix;
 - (b) Proposed to include a summary of the impacts of the alternative approaches and IAS 19 application;
 - (c) Suggested to expand the discussion on the impact of backloading and indicate clearly that not all alternative approaches eliminated backloading. This has an impact when comparing the impact of the different approaches; and
 - (d) Agreed that EFRAG would not take a position on where changes in discount rates should be recognised in the statement of comprehensive income under the Fulfilment Value approach. A question to constituents will be included.
- 3 The EFRAG Secretariat has taken into consideration the comments received from the EFRAG TEG members, the EFRAG PAP members, and other parties interested in the DP.
- 4 The main changes in Chapter 5 *Assessments of the approaches* are:
 - (a) It has been specified that only aspects of the qualitative characteristics are assessed (those for which the assessment differs);
 - (b) The assessment of faithful representation has been changed; and
 - (c) The assessment of ongoing costs has been skipped. Instead a question is included for constituents on this aspect.
- 5 The main change to Chapter 8 *Issues not covered by this paper* is that the discussion on the backload correction has been extended.
- 6 The EFRAG Secretariat is currently working on the annex to the DP which will include the figures from the examples in the DP. This annex will be issued as a separate EFRAG Secretariat background paper.

Questions for EFRAG TEG

- 7 Does EFRAG TEG have any questions to ask constituents in addition to those included in the DP?
- 8 Does EFRAG TEG agree to recommend the DP for approval to the EFRAG Board?

Agenda Papers

- 9 In addition to this cover note, agenda paper 01-02 – *Revised Discussion Paper – Accounting for plans with Asset-Return Promise* has been provided for the session.