



## ASCG Draft Implementation Guidance 1 (IFRS)

# **Accounting for Additional Compensation under German *Altersteilzeit (ATZ)* Partial and Early Retirement Arrangements in accordance with IFRS**

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**Public Discussion**

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Abbreviation used in this document:

**AC-ATZ** – Additional compensation under German *Altersteilzeit (ATZ)*



# 1. Background and Scope

## IASB – June 2011

- IAS 19 revised (IAS 19 (2011))

## IFRS Interpretations Committee – January 2012

- AC-ATZ → not to be considered *termination benefits*

## IFRS-Committee of the ASCG – July 2012

- ASCG D-IG 1 (IFRS)\* to address the accounting for
  - outstanding (deferred) salary payment
  - additional compensation

\* „Accounting for Additional Compensation under German *Altersteilzeit* (ATZ) Partial and Early Retirement Arrangements in accordance with IFRS“



## 2. Overview of the D-IG – issues and consensuses

### 1) Outstanding (deferred) salary payment in the block-model\*:

active period: accumulating the liability for deferred salary

inactive period: release of the accumulated liability (for deferred salary)

### 2) Category of IAS 19 (2011) AC-ATZ should be assigned to:

as a rule: other long-term employee benefits (**OLTEB**)

exceptional case: short-term employee benefits

not applicable: - post-employment benefits

- termination benefits

\* Participant works full-time for half of the ATZ-period (the 'active period'), and then does not work for the remaining half (the 'inactive period'), and receives 50% of his/her salary each year during the entire ATZ period.



## 2. Overview of the D-IG – issues and consensuses

### 3) Accounting requirements of IAS 19 (2011) to be applied:

if categorised as OLTEB, in IAS 19.155 f. (2011) reference is made to the requirements as provided in IAS 19 (2011) for post-employment benefits;

exception: IAS 19.120-122 (2011) addressing ‘components of defined benefit costs’

### 4) Recognition of a liability (timing):

collective agreement: once the employee is entitled (has a right) to ATZ  
(= constructively or legally the employer cannot avoid the payments under ATZ)

individual agreement: submission of a binding offer or signed contract



## 2. Overview of the D-IG – issues and consensuses

### 5) Measurement of the liability:

- individual agreement: no specifics – application of the general requirements
- collective agreement: ‘liability for potential claims’ (for agreements expected to be entered into; ceiling: capacity of the programme in terms of number of employees to participate)

### 6) Approach to accumulate the liability over time:

- block-model: upon recognition of liability **straight-line** (pro-rata-temporis) until the **end of the active period**
- regular-model\*: upon recognition of liability **straight-line** (pro-rata-temporis) until the **end of ATZ**

however, another approach needs to be followed if required by the plan

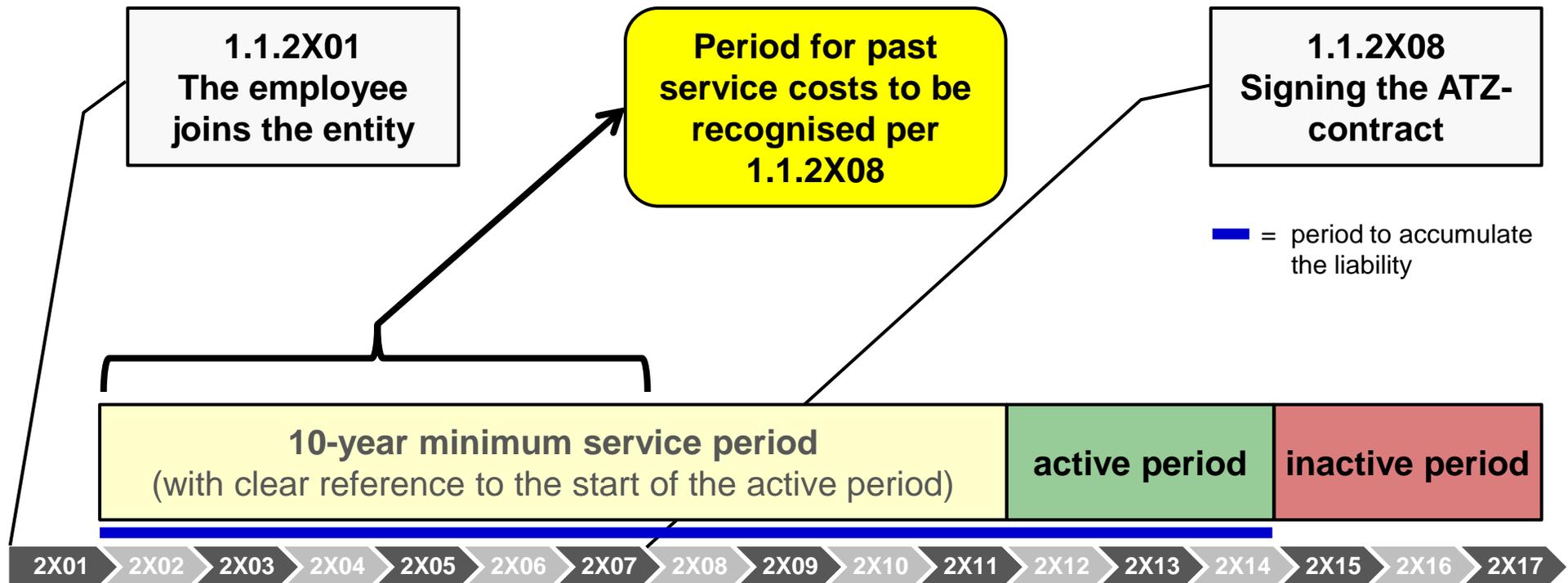
\* For a defined period before retiring the employee works part time.

## 2. Overview of the D-IG – issues and consensuses

### 7) Accounting consequences if a minimum service period is required:

past service cost

a) para. 22 – minimum service period is referenced to active period



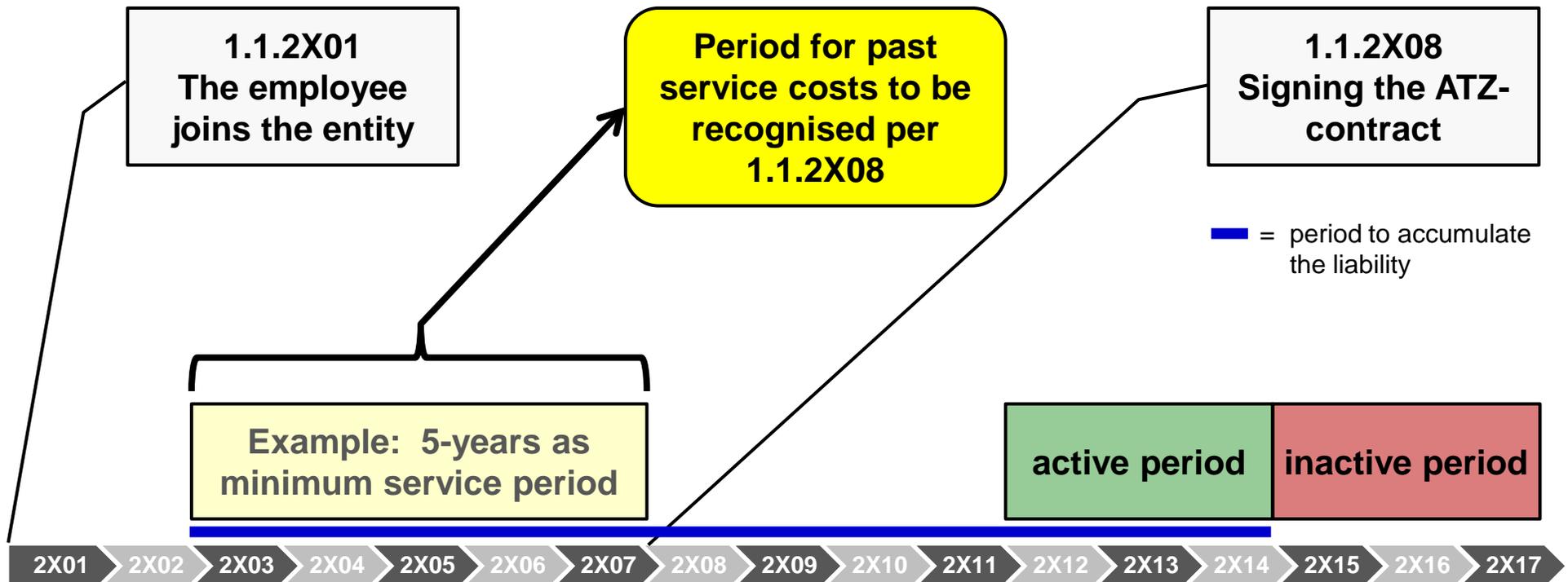


## 2. Overview of the D-IG – issues and consensuses

### 7) Accounting consequences if a minimum service period is required:

past service cost

a) para. 22 – minimum service period is referenced to date of signature of ATZ-contract





## 2. Overview of the D-IG – issues and consensuses

### 7) Accounting consequences if a minimum service period is required:

past service cost

a) para. 23 – minimum service period with no reference point (timewise)

in the absence of a reference point and based on practicability

→ calculation retrospectively starting with the beginning of the active period (as shown in slide 7)

### 8) Impact also on other defined benefit plans

Yes – in many instances on the post-employment plan

### 9) Transition

retrospectively, in accordance with IAS 8



### 3. Discussion of selected aspects taken from comment letters

#### a) **Scope**

also to be addressed:

- compensation for losing in statutory pensions
- increase in 'working-time value accounts' sponsored by the employer

#### b) **Issue 1** - Outstanding (deferred) salary payment

N.A.

#### c) **Issue 2** – Categorising in terms of IAS 19 (2011)

N.A.



### 3. Discussion of selected aspects taken from comment letters

- d) **Issue 3** – IAS 19 (2011) accounting requirements to be applied  
N.A.
- e) **Issue 4 – point in time of recognition**  
it should also be addressed
- collective agreements without legal claim
  - point in time of recognition (signature of contract vs. effective date)
  - colliding and / or supplementing agreements
  - point in time when the employee's service under the plan's benefit formula begins
- f) **Issue 5** – Measurement upon recognition  
N.A.



### 3. Discussion of selected aspects taken from comment letters

- g) Issue 6** – accumulation and release of the liability
- accumulation of the AC-ATZ
    - until the employee renders the service, or alternatively
    - until the AC-ATZ falls due to be paid
- h) Issue 7** – minimum service period (MSP)
- MSP does not lead to past service cost
- i) Issue 8** – impact on other plans
- N.A.



### 3. Discussion of selected aspects taken from comment letters

**j) Issue 9 – transition**

N.A.

**k) Other Comments**

- **Title of the IG** („Selected issues on the accounting for Additional Compensation under German *Altersteilzeit* (ATZ) Partial and Early Retirement Arrangements in accordance with IFRS)
- **German GAAP accounting for AC-ATZ**



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