ASCG Implementation Guidance 1 (IFRS)* (near final)

ASCG IG 1 (IFRS)

Specific Issues Relating to Accounting for Partial Retirement Arrangements in Accordance with IFRSs

*ASCG Implementation Guidance 1 (IFRS) was published on 11 December 2012.

***The Implementation Guidance was adopted by the IFRS Committee at its meeting on 12 July 2013 with amendments to the introduction of the pronouncement.**

Introduction

Accounting Standards Committee of Germany

The Accounting Standards Committee of Germany (ASCG) has been mandated to develop principles for financial reporting in consolidated financial statements, to advise the legislature on the development of financial reporting, to represent the Federal Republic of Germany on international accountancy bodies and to develop interpretations of international financial reporting standards within the meaning of section 315a(1) of the *Handelsgesetzbuch* (HGB – German Commercial Code).

Note on application

'ASCG Implementation Guidance (IFRS)' or 'Implementation Guidance' differs from interpretations of the international financial reporting standards within the meaning of section 315a(1) of the HGB (ASCG Interpretations (IFRS)) in that it is not interpretative, but instead offers guidance on international accounting issues by providing descriptive guidance and clarifications on the appropriate application of IFRSs. Such pronouncements may address issues that extend beyond those of predominantly national relevance.

Implementation Guidance is adopted after careful consideration of all relevant circumstances, in particular taking account of all effective IFRSs, the IASB Framework, any Observer Notes and the deliberations of the IFRS Interpretations Committee, as well as the comments received, and after holding public hearings.

Implementation Guidance adopted by the ASCG applies unless and until other specific pronouncements to the contrary are issued by the IFRS Interpretations Committee or the IASB. It serves as guidance for the accounting treatment of the relevant issues in financial statements prepared in accordance with the applicable pronouncements of the IASB.

Entities in Germany which state that their financial statements have been prepared in accordance with IFRSs are recommended to consider the Implementation Guidance when assessing individual cases.

Editor

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List of Abbreviations

ASCG	Accounting Standards Committee of Germany
AltTZG	*Altersteilzeitgesetz vom 23. Juli 1996 (BGBl. I S. 1078), zuletzt durch Artikel 13 Absatz 7 des Gesetzes vom 12. April 2012 (BGBl. I S. 579) geändert* (German Partial Retirement Act of 23 July 1996 (Federal Gazette I p. 1078), most recently amended by Article 13(7) of the Law of 12 April 2012 (Federal Gazette I p. 579))
ATZ	*Altersteilzeit* (partial retirement)
BGB	*Bürgerliches Gesetzbuch* (German Civil Code)
CU	currency units
f., ff.	and the following
HGB	*Handelsgesetzbuch* (German Commercial Code)
IAS	International Accounting Standard(s)
IASB	International Accounting Standards Board
IFRS(s)	International Financial Reporting Standard(s)
para(s).	paragraph(s)

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Relevant IFRSs:

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
IAS 19 Employee Benefits (revised 2011)

Background

1.
The AltTZG of 23 July 1996 is designed to provide a smooth transition from employment to retirement for older employees by establishing a framework for partial retirement arrangements. Partial retirement arrangements within the meaning of the AltTZG also exist, irrespective of any support programmes established by the Bundesagentur für Arbeit (German Federal Employment Agency), in the case of part-time working by older employees who reduce their working hours once they have reached the age of 55 after 31 December 2009.

2.
Section 2 of the AltTZG provides for two partial retirement models:

(1) Under the 'continuous reduced working hours model', the employee continues to work for the employer, but his or her working hours for the entire partial retirement period before retirement are reduced by 50% compared with the weekly working hours before the commencement of partial retirement.

(2) Under the 'block model', the partial retirement period is divided into the following two phases. In the first phase of partial retirement – the 'active' or 'employment' phase – the employee continues to render his or her service in the number of hours agreed prior to commencement of partial retirement. In the second phase – the 'passive' or 'release' phase – the employer is completely released from his or her obligation to work.

In both models, the remuneration and the bonus payments are made equally over the entire partial retirement period.

3.
The term 'bonus payment' refers to top-up payments on the regular remuneration for partial retirement, including any additional remuneration components and additional contributions to the employee's statutory pension insurance scheme1 (see section 3(1) no. 1 of the AltTZG).

4.
If the block model is agreed for the partial retirement arrangement, the employee renders his or her full service in the active phase, although the remuneration and bonus payments are only paid for 50% of the service (the remaining 50% is paid in the passive phase without the employee being required to render any service). This approach results in the accumulation during the active phase of an 'outstanding settlement amount' at the employer in the amount of the unremunerated portion of the employee's service.

[1] Bonus payments in the form of additional contributions to the employee's statutory pension insurance scheme are not addressed in any further detail in this Implementation Guidance.

Scope

5.
This Implementation Guidance refers to the revised version of IAS 19 Employee Benefits issued by the IASB on 16 June 2011 (IAS 19 (2011)) and addresses the accounting treatment of bonus payments and outstanding settlement amounts under partial retirement agreements within the meaning of the AltTZG. The provisions of this Implementation Guidance are also applicable to agreements that have not been entered into under partial retirement arrangements within the meaning of section 1(3) of the AltTZG, but that correspond to them structurally and constructively.

6.
By contrast, the provisions of this Implementation Guidance are not applicable to agreements governing bonus payments to which employees are entitled without rendering any service.

7.
The provisions of this Implementation Guidance refer as a general principle to arrangements structured using the block model in which a partial retirement agreement modifies an existing employment relationship. Unless provisions are made available specifically for the continuous reduced working hours model, the provisions for the block model apply, with the necessary modifications.

Issues, Consensus and Basis for Conclusions

8.
Question 1: *How should the 'outstanding settlement amount' that has to be reflected in the block model be accounted for?*

9.
In the case of the block model, an outstanding settlement amount is accumulated at the employer during the active phase whose amount corresponds to the unremunerated portion of the service rendered. A liability is accumulated for this outstanding settlement amount in accordance with IAS 19 (2011) (as a rule, this will be classified as 'other long-term employee benefits'). The liability must then be reduced or reversed after the end of the active phase and during the reporting periods of the passive phase in which the employee receives remuneration in accordance with the part-time employment contract without actually rendering any further service.

10.
Question 2: *What category of employee benefits within the meaning of IAS 19.5 (2011) are bonus payments under partial retirement agreements?*

11.
Bonus payments under partial retirement agreements are 'other long-term employee benefits' within the meaning of IAS 19.8 (2011) and IAS 19.153 ff. (2011). The bonus payments may only be classified as 'short-term employee benefits' in accordance with IAS 19.8 (2011) and IAS 19.9 ff. (2011) if they are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employee renders the related service. Bonus payments may not be classified as 'post-employment benefits' or 'termination benefits'.

12.
Aspects to be taken into consideration when classifying bonus payments as 'short-term employee benefits' are in particular any minimum service requirements stipulated as a condition for employment under partial retirement arrangements, the period between the effective date of the partial retirement agreement and the beginning of the active phase, and the period of the passive phase.

For example, a partial retirement agreement with an active phase that runs from 1 January 20X1 to 30 June 20X1 and a subsequent passive phase until 31 December 20X1, with equal distribution of the bonus payments, may not be classified as a 'short-term employee benefit' at any reporting date before or during the period of the partial retirement arrangement if the entity only enters into partial retirement agreements subject to the condition that the period of the partial retirement arrangement is immediately preceded by a minimum service requirement of two years. The service rendered by the employee in return for the bonus payments in this case is rendered over a period of two-and-a-half years, so the bonus payments are not settled wholly before twelve months after the end of the annual reporting period in which the related service is rendered.

13.
Bonus payments under partial retirement agreements cannot be classified as 'post-employment benefits' paid under a defined benefit plan (IAS 19.8 (2011) and IAS 19.55 ff. (2011)) because the benefits are not normally payable by the entity to the employee after the completion of employment. The employment relationship only ends at the end of the passive phase because the employee is still employed during the passive phase (a valid employment contract is still effective during this period). Another reason is that the bonus payments are considered to be remuneration within the meaning of sections 611 and 612 of the BGB. However, the bonus payments have normally been paid out in full to the employee by the end of the passive phase.

14.
The IFRS Interpretations Committee decided in January 2012 that bonus payments granted under partial retirement agreements also do not qualify as 'termination benefits' in accordance with IAS 19.8 (2011) because their grant is conditional upon completion of employee service after the partial retirement arrangement has been agreed. IAS 19.162 (2011) lists indicators that an employee benefit is provided in exchange for services, meaning that it is not a termination benefit. The first illustrative indicator given in IAS 19.162 (2011) is that the benefit is conditional on future service being rendered. Based on this indicator, it can be assumed in the case of partial retirement agreements that bonus payments are not termination benefits.

15.
Question 3: *Which requirements of IAS 19 (2011) are applicable to bonus payments under partial retirement agreements that must be classified as other long-term employee benefits?*

16.
IAS 19.155 f. (2011) refers to the application of IAS 19.56–119 (2011) and IAS 19.123–130 (2011), which govern the recognition and measurement of termination benefits (in this case: defined benefit plans), with regard to recognising and measuring partial retirement agreements as other long-term employee benefits.

17.
Question 4: *When does the obligation arise to make bonus payments under partial retirement arrangements?*

18.
The obligation to grant bonus payments for which a corresponding liability must be recognised in accordance with IAS 19 (2011) arises in the case of:

a) Collective agreements, at the time when the claim by the affected employees to enter into a partial retirement agreement is established (for example under a works agreement or a collective wage agreement). This is the time when the reporting entity is constructively or legally unable to avoid an obligation to grant bonus payments if affected employees were to require a partial retirement arrangement to be agreed.
However, the time from which the future bonus payments are earned and thus accumulated as a liability is not always the same as the time when the obligation arises (see the following guidance on Questions 6 and 7).

b) Individual agreements that are not entered into under a collective agreement, at the latest when the partial retirement agreement is entered into by the employer and the employee, or at an earlier date when the employer makes the employee a binding offer, and the reporting entity cannot avoid the obligation.

19.
Question 5: *How does the entity measure a liability (category: other long-term employee benefits) for agreed bonus payments under a partial retirement arrangement?*

20.
Based on the aggregate agreed bonus payments for the entire period of the partial retirement agreement, the liability for bonus payments is measured in the case of an individual agreement in accordance with IAS 19.155 f. (2011) in conjunction with IAS 19.56 ff. (2011).

21.
The liability for bonus payments arising from collective agreements – to the extent that these have not been specified in greater detail by agreements entered into with individual employees – is measured using an approach that is comparable to that described in para. 20 for individual agreements. Due to the existing option open to the employees to agree future partial retirement arrangements, the likelihood of probable utilisation of this option must be accounted for appropriately (classified as a ‘potential provision’ (Potentialrückstellung)). This must reflect existing possibilities for the employer to refuse to enter into partial retirement arrangements if a certain number of entitled employees has already taken up the partial retirement offer (‘overload quotas’). Reference is made in this context in particular to the requirements of IAS 19.155 f. (2011) in conjunction with IAS 19.75 ff. (2011) regarding actuarial assumptions.

22.
Question 6: *From what time are agreed bonus payments earned under a partial retirement arrangement such that the corresponding liability starts to be accumulated?*

23.
Determining the time from which the agreed bonus payments are earned and the liability starts to be accumulated is governed by the requirements of the plan’s benefit formula (see IAS 19.153 ff. (2011) in conjunction with IAS 19.70 (2011)). The time from which the employees must render service in order to earn an entitlement to the bonus payments can either be expressly defined in the plan or may arise from the actual circumstances of the agreement.

24.
The plan’s benefit formula is determined on the basis of the relevant contractual arrangements, with a distinction being made between

a) collective agreements and individual agreements entered into on the basis of such collective agreements, and

b) individual agreements not entered into under collective agreements.

In particular, the requirements of IAS 19.153 ff. (2011) in conjunction with IAS 19.73 – Example 2 (2011) should be observed in this context.

25.
In the case of individual agreements that are not entered into under a collective agreement, the liability always starts to be accumulated at the same time as the obligation arises because the entitlement to receive bonus payments results directly and exclusively from such an individual agreement on the basis of the understanding that the employee must be employed at the entity without interruption from the date on which the obligation arises until the start of partial retirement.

26.
The effects of agreed minimum periods of service must be taken into account in determining the plan’s benefit formula such that past service cost within the meaning of IAS 19.153 ff. (2011) in conjunction

with IAS 19.103 (a) (2011) may be recognised if the period of minimum service wholly or partly covers the period before the liability arises.

27.
Entities are required to comply with disclosure requirements resulting from IAS 19.158 (2011) in conjunction with IAS 1.117 ff. in connection with the question of the time from which bonus payments are earned and when the corresponding liability starts to be accumulated, as well as the extent to which the plan's benefit formula contains corresponding provisions.

28.
Question 7: *Until what time are the agreed bonus payments earned and the liability accumulated or reduced under a partial retirement arrangement?*

29.
The following distinction must be made, depending on the agreement entered into by the employee and the employer: the agreed bonus payments

a) vest when service is rendered during the active phase such that, in the event of any interruption (ie in the event of premature termination of the partial retirement arrangement, for example because of the dissolution of the contract of employment or the death of the employee), the employer is not entitled to offset bonus payments already paid against the outstanding settlement amount recognised, or

b) they only vest if the partial retirement period is completed without interruption, ie in the event of an interruption, the employer is entitled to offset bonus payments already made against the outstanding settlement amount recognised.

a) Bonus payments vest as soon as the service is rendered

30.
A feature of partial retirement agreements under which the agreed bonus payments vest as soon as the employee renders the agreed service is that the accumulation periods for the individual bonus payments end when this service is rendered. The resulting differences in the times when the individual bonus payments stop being accumulated mean that the amount recognised as an expense diminishes over the accumulation period ('graded vesting'; see the example in Appendix 1).

31.
Under the block model, the liability is accumulated
- in the case of bonus payments in the active phase, until they vest, and
- in the case of bonus payments in the passive phase, until the end of the active phase.

32.
Under the block model, the period until the end of the active phase must be taken into account when recognising the full amount of the liability for bonus payments during the passive phase, because the bonuses are classified by IAS 19 (2011) as additional remuneration in exchange for service rendered by the employee. The other (ancillary) obligations of the employee during the passive phase – including an obligation not to work for other employers as part of an employment relationship – are irrelevant in this respect. In particular, the ban on working for other employers during the passive phase does not normally constitute a non-compete obligation for the employee constituting service within the meaning of IAS 19 (2011).

33.
In the continuous reduced working hours model, the liability is accumulated until the relevant bonus payment vests during the partial retirement period (no distinction between active and passive phases).

34.
The liability must be reduced accordingly for bonus payments that have already been made. At the end of each reporting period, the liability thus comprises only those bonus payments that are payable in future periods in the amount of the portion already earned in each case. This applies equally to the block model and the continuous reduced working hours model.

b) Bonus payments vest only if the partial retirement period is completed without interruption

35.
In the case of partial retirement agreements under which the entire bonus payments only vest after all of the required service has been rendered, the accumulation periods for all of the individual bonus payments end at the same time. Because the accumulation periods for all bonus payments end at the same time, equal accumulation amounts – net of any actuarial and discount-related aspects – must be allocated to all reporting periods in the accumulation period (in each case cumulatively for all the agreed bonus payments).

36.
Under the block model, the bonus payments are accumulated over the accumulation period until the end of the active phase; under the continuous reduced working hours model, they are accumulated until the end of the partial retirement period.

37.
It is not possible to derive any unequivocal guidance from the standard for this scenario with regard to the concrete approach to be adopted for accumulating and reducing the liability. The following two approaches are presented as examples:

b1) The aggregate amount of bonus payments represents a single unit of benefit entitlement, and the liability is reduced by making the bonus payments (see the example in Appendix 2).

b2) The individual bonus payments represent separate units of benefit entitlement, and the liability is reduced by making the bonus payments in each case only up to a maximum of the amounts of the liability already accumulated (see the example in Appendix 3).

b1) The aggregate amount of bonus payments represents a single unit of benefit entitlement, and the liability is reduced by making the bonus payments

38.
Based on this approach, the aggregate bonus payments agreed (before reflecting actuarial assumptions and before discounting) represent a single unit of benefit entitlement within the meaning of IAS 19.155 f. (2011) in conjunction with IAS 19.68 (2011), because the employee either earns an entitlement to them collectively or – equally collectively – loses it when an interruption occurs. This aggregate unit of benefit entitlement is attributable pro rata to the individual periods of service on a straight-line basis over the accumulation period. The liability is determined at the end of each reporting period in the accumulation period by funding the next bonus payment amounts scheduled for payment first (first in, first out). Additionally, the liability amounts accumulated up to the end of a certain reporting period are deemed to have already been earned for accounting purposes (even though they have not yet vested).

39.
Bonus payments that have been made to employees are accounted for by reducing the liability in the amount of the bonus payments. At the end of each reporting period, the liability thus comprises only those bonus payments that are payable in future periods in the amount of the portion already accumulated.

b2) The individual bonus payments represent separate units of benefit entitlement, and the liability is reduced by making the bonus payments in each case only up to a maximum of the amounts of the liability already accumulated

40.
Based on this approach, the individual bonus payments represent discrete units of benefit entitlement within the meaning of IAS 19.155 f. (2011) in conjunction with IAS 19.68 (2011) that must be accounted for separately and attributed on a straight-line basis over the periods of service until the end of the active phase. Because the bonus payments that have been made when they fall due have not yet vested, they are only treated as earned for accounting purposes to the extent that the liability for the individual bonus payment in question has already been accumulated.

41.
Bonus payments that have been made thus reduce the liability to the extent that a liability amount has already been accumulated for the relevant period for which the payment is made. The portion of the bonus payment that exceeds this accumulated liability is recognised as a prepaid expense by analogy with IAS 19.11 (2011). When applying this approach, this excess amount is treated as a prepayment by the employer on bonus payments that have not yet been earned and represents a claim by the employer for the rendering of service. This claim for the rendering of a non-cash service is adjusted in the course of subsequent measurement and does not bear any interest.

Joint guidance on a) and b)

42.
For all the scenarios described above, the bonus payments are attributed to the periods of service on a straight-line basis over the respective accumulation period of the liability either individually (scenarios a and b2)) or collectively (scenario b1)) in accordance with IAS 19.155 f. (2011) in conjunction with IAS 19.56 ff. (2011) (even if the different end dates of the accumulation periods for the individual bonus payments under method a) mean that, when viewed cumulatively, there appears technically to be a departure from straight-line attribution, this is still a case of straight-line attribution because it is based on the individual payments). However, if it is clear from the way in which benefits are acquired under the plan’s benefit formula that another formula must be applied (IAS 19.155 f. (2011) in conjunction with IAS 19.70 (2011)), the benefit must be attributed accordingly.

43.
In addition to the application of the projected unit credit method under IAS 19.155 f. (2011) in conjunction with IAS 19.57 (a) (i) (2011), the liability for both scenarios a) and b) is also measured by discounting the accumulated bonus payments in order to determine the present value (IAS 19.155 f. (2011) in conjunction with IAS 19.57 (a) (ii) (2011)).

44.
Question 8: *Can partial retirement agreements also have effects on other defined benefit plans of the entity?*

45.
Yes. Partial retirement arrangements often have indirect effects on an entity’s pension plan, for example because affected employees can claim occupational pension benefits at an earlier date than would be the case without a partial retirement agreement. This must be factored into the measurement of the other defined benefit plans concerned.

46.
Question 9: *What are the transitional arrangements for the new requirements of IAS 19 (2011) applicable to partial retirement agreements?*

47.
Under IAS 19.173 (2011), IAS 19 (2011) must be applied retrospectively in accordance with IAS 8.

Appendix 1

Example: accumulating and reducing the liability if bonus payments vest as soon as the service is rendered
(refers to paras. 30 – 34 of the Implementation Guidance)

On 1 January 20X1, an employee enters into the following partial retirement agreement with the employer under the terms of an individual agreement that is not entered into as part of a collective agreement:

- Duration of the partial retirement arrangement from 1 January 20X3 to 31 December 20X8
- Block model – three years active phase, three years passive phase
- Salary per reporting period before commencement of partial retirement: CU 800.00
- Salary per reporting period after partial retirement commences: CU 400.00 (or 50% of the remuneration before commencement of partial retirement)
- Bonus payment per reporting period during partial retirement: CU 100.00 (or 25% of the time-proportionate remuneration before commencement of partial retirement).

The liability is accumulated and reduced as shown in the following, whereby

- actuarial and discount-related aspects are ignored, and
- the bonus payments are made at the end of each reporting period.

Bonus payment	Due at end of reporting period:	Amount accumulated at end of reporting period							
		Period before ATZ		Active phase			Passive phase		
		31 Dec. 20X1	31 Dec. 20X2	31 Dec. 20X3	31 Dec. 20X4	31 Dec. 20X5	31 Dec. 20X6	31 Dec. 20X7	31 Dec. 20X8
100.00	**20X3**	33.33	66.67						
100.00	**20X4**	25.00	50.00	75.00					
100.00	**20X5**	20.00	40.00	60.00	80.00				
100.00	**20X6**	20.00	40.00	60.00	80.00	100.00			
100.00	**20X7**	20.00	40.00	60.00	80.00	100.00	100.00		
100.00	**20X8**	20.00	40.00	60.00	80.00	100.00	100.00	100.00	
Total liability		**138.33**	**276.67**	**315.00**	**320.00**	**300.00**	**200.00**	**100.00**	**0.00**
Bonus payments made		**0.00**	**0.00**	**-100.00**	**-100.00**	**-100.00**	**-100.00**	**-100.00**	**-100.00**
Current service cost		**138.33**	**138.33**	**138.33**	**105.00**	**80.00**	**0.00**	**0.00**	**0.00**

The figures may not add up precisely to the totals shown due to rounding.

For this scenario, the liability at the end of a reporting period is in each case exactly the same as the bonus payments still outstanding, provided that they have been earned and attributed to the periods of service on a straight-line basis, based on the relevant due date (referred to in German actuarial techniques as a ‘degressive m-/n-tel’ present value).

Appendix 2

Example: accumulating and reducing the liability if bonus payments vest only if the partial retirement period is completed without interruption

Scenario b1)
The aggregate amount of bonus payments represents a single unit of benefit entitlement, and the liability is reduced by paying the bonus payments.
(refers to paras. 38 – 39 of the Implementation Guidance)

The same initial criteria apply as shown for Appendix 1.

The liability is accumulated and reduced as shown in the following, whereby
- actuarial aspects and discount-related aspects are ignored, and
- the bonus payments are made at the end of each reporting period.

Bonus payment	Due at end of reporting period:	Amount accumulated at end of reporting period							
		Period before ATZ		Active phase			Passive phase		
		31 Dec. 20X1	31 Dec. 20X2	31 Dec. 20X3	31 Dec. 20X4	31 Dec. 20X5	31 Dec. 20X6	31 Dec. 20X7	31 Dec. 20X8
100.00	**20X3**	120.00	240.00	260.00	280.00	300.00	200.00	100.00	
100.00	**20X4**								
100.00	**20X5**								
100.00	**20X6**								
100.00	**20X7**								
100.00	**20X8**								
Total liability		**120.00**	**240.00**	**260.00**	**280.00**	**300.00**	**200.00**	**100.00**	**0.00**
Bonus payments made		**0.00**	**0.00**	**-100.00**	**-100.00**	**-100.00**	**-100.00**	**-100.00**	**-100.00**
Current service cost		**120.00**	**120.00**	**120.00**	**120.00**	**120.00**	**0.00**	**0.00**	**0.00**

Explanation:

The amount of the liability to be disclosed and of the individual cost components for the relevant reporting periods is calculated as follows: based on the unit of benefit entitlement in the amount of CU 600.00 for the aggregate agreed bonus payments (20X3 to 20X8) and on a straight-line attribution of this unit of benefit entitlement to the accumulation periods 20X1 to 20X5 in the amount of CU 120.00, the current service cost is determined on the basis
- of the maximum funded amount for the next scheduled payment and
- of the additional topping-up of the proportionate unit of benefit entitlement attributable to the period on the basis of the following payments.

For example, the current service costs for the 20X1 period is calculated as follows:
- next scheduled payment of CU 100.00 as at 31 December 20X3;
- plus the remaining difference to the proportionate unit of benefit entitlement attributable to the 20X1 period in the amount of CU 120.00 = CU 20.00 (or 1/5 of the next bonus payment that is payable as at 31 December 20X4 in the amount of CU 100.00).

The details of the calculation are shown in the following:

Bonus payment	Due at end of reporting period	Amount accumulated at end of reporting period															
		Period before ATZ				Active phase						Passiv Phase					
		31 Dec. 20X1		31 Dec. 20X2		31 Dec. 20X3		31 Dec. 20X4		31 Dec. 20X5		31 Dec. 20X6		31 Dec. 20X7		31 Dec. 20X8	
		Portion	Amount	Portion	Amount	Portion	Amount	Portion	Amount	Portion	Amount	Portion	Amount	Portion	Amount	Portion	Amount
100.00	**3**	5/5	100.00	5/5	100.00												
100.00	**4**	1/5	20.00	5/5	100.00	5/5	100.00										
100.00	**5**			2/5	40.00	5/5	100.00	5/5	100.00								
100.00	**6**					3/5	60.00	5/5	100.00	5/5	100.00						
100.00	**7**							4/5	80.00	5/5	100.00	5/5	100.00				
100.00	**8**									5/5	100.00	5/5	100.00	5/5	100.00		
Total liability			**120.00**		**240.00**		**260.00**		**280.00**		**300.00**		**200.00**		**100.00**		**0.00**

Appendix 3

Example: accumulating and reducing the liability if bonus payments vest only if the partial retirement period is completed without interruption

Scenario b2)
The individual bonus payments represent separate units of benefit entitlement, and the liability is reduced by paying the bonus payments in each case only up to a maximum of the amounts of the liability already accumulated.
(refers to paras. 40 – 41 of the Implementation Guidance)

The same initial criteria apply as shown for Appendix 1.

The liability is accumulated and reduced as shown in the following, whereby
- actuarial aspects and discount-related aspects are ignored, and
- the bonus payments are made at the end of each reporting period.

Bonus payment	Due at end of reporting period	Amount accumulated at end of reporting period							
		Period before ATZ		Active phase			Passiv Phase		
		31. Dec. 20X1	31. Dec. 20X2	31. Dec. 20X3	31. Dec. 20X4	31. Dec. 20X5	31. Dec. 20X6	31. Dec. 20X7	31. Dec. 20X8
100.00	**20X3**	20.00	40.00						
100.00	**20X4**	20.00	40.00	60.00					
100.00	**20X5**	20.00	40.00	60.00	80.00				
100.00	**20X6**	20.00	40.00	60.00	80.00	100.00			
100.00	**20X7**	20.00	40.00	60.00	80.00	100.00	100.00		
100.00	**20X8**	20.00	40.00	60.00	80.00	100.00	100.00	100.00	
Total liability (A)		**120.00**	**240.00**	**300.00**	**320.00**	**300.00**	**200.00**	**100.00**	**0.00**
Bonus payments made		**0.00**	**0.00**	**-100.00**	**-100.00**	**-100.00**	**-100.00**	**-100.00**	**-100.00**
Current service cost		**120.00**	**120.00**	**120.00**	**120.00**	**120.00**	**0.00**	**0.00**	**0.00**
Total amount paid out (accum.)		0.00	0.00	100.00	200.00	300.00	400.00	500.00	600.00
less: share of payout (accum.) for which expense (accum.) was already recognised*		0.00	0.00	60.00	160.00	300.00	400.00	500.00	600.00
Total asset (B)		**0.00**	**0.00**	**40.00**	**40.00**	**0.00**	**0.00**	**0.00**	**0.00**
Net amount (A - B)**		**120.00**	**240.00**	**260.00**	**280.00**	**300.00**	**200.00**	**100.00**	**0.00**

* This figure refers in each case to the accumulated expense relating to the bonus payments of individual partial retirement periods for which the bonus payments have already been made.

Example:
The portion of the payments for which an expense of CU 160.00 has already been recognised as at 31 December 20X4 relates to the expense recognised up to this point in respect of the bonus payments already made at this point for reporting periods 20X3 and 2X04; the associated bonus payments each in the amount of CU 100.00 were made on 31 December 20X3 and 31 December 20X4 respectively. For these bonus payments relating to reporting periods 20X3 and 20X4, the expense in the amount of CU 160.00 was recognised up to 31 December 20X4 and is composed of the following amounts:

(1) for the bonus payment that will be made at the end of the third accumulation period on 31 December 20X3:
    - 3 x CU 20.00, which is recognised as an expense until it is paid

- 1 x CU 20.00; this is the amount by which the asset item of CU 40.00 recognised when the bonus payment made at the end of the 20X3 period (prepayment of future service to be rendered) is reduced through profit or loss in the 20X4 period because the service is rendered as scheduled (the asset item is non-interest-bearing),

(2) for the bonus payment that will be made at the end of the fourth accumulation period on 31December 20X4:
  - 4 x CU 20.00, which is recognised as an expense until it is paid.

The expense already recognised for the bonus payments relating to period 20X5 (active phase) and for all periods of the passive phase is not taken into consideration here because the bonus payments for these periods have not yet been made as at 31 December 20X4.

** This ‘net amount’ is not the same as the net liability from other long-term employee benefits within the meaning of IAS 19.153 ff. (2011) in conjunction with IAS 19.58 (2011), because the prepayments are not plan assets within the meaning of IAS 19.8; the net amount is shown merely for illustrative purposes.

For this scenario, the liability at the end of a reporting period is in each case exactly the same as the bonus payments still outstanding, provided that they have been earned and attributed to the periods of service on a straight-line basis, based on end of the active phase (referred to in German actuarial techniques as an ‘m-/n-tel’ present value).