CAYMAN ISLANDS
PUBLIC SERVICE PENSIONS BOARD

PUBLIC SERVICE PENSIONS – DEFINED BENEFIT PART

ACTUARIAL VALUATION FOR IAS19 REPORTING

OPENING BALANCE ACCOUNTING AS AT JULY 1, 2004

DETERMINATION OF EXPENSE FOR THE 12 MONTHS ENDING JUNE 30, 2005

December 7, 2006

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1. Introduction and Purpose

1.1 This report presents the results of actuarial calculations made to determine (1) the financial position of the Public Service Pension Plan of the Government of Cayman Islands ("the Government") as at July 1, 2004 and (2) the profit and loss charges associated with the Plan for the financial year ending June 30, 2005 in terms of the IAS19 standard published by the International Accounting Standards Board ("IASB"). We understand that the Government of Cayman Islands follows the International Public Sector Accounting Standards ("IPSAS"). In many areas, such as pension accounting, the International Public Accounting Standards Board has not yet prescribed its own specific standard but has relied on standards developed by the IASB. If and when IPSAS publishes its own pension accounting standards, it is expected that these will replace IAS19.

1.2 After consultation with the Auditor General of the Cayman Islands and the Financial Secretary of the Government, we have assumed that IAS19 will be adopted, retrospectively, for the first time as of July 1, 2004.

1.3 This report exclusively covers the **Defined Benefit Part** of the Public Service Pension Plan ("the Plan"), the provisions of which are detailed under The Public Service Pensions Law (1999), The Public Service Pensions Law (2000) and The Public Service Pensions Law (2004). It does not extend to consideration of other employee benefit arrangements sponsored by the Government. Specifically, it does not cover the defined contribution part of the Plan, nor the retirement provisions for the Parliamentarians or for the Judiciary. It does not also cover the post-retirement medical plan obligations of the Government.

1.4 The results set out in this Report are based on our understanding of IAS19 and its application to the Plan. They have been prepared for the specific requirements of IAS19 and should not be used for any other purpose. In any actuarial assessment there is inherent uncertainty associated with the results as assumptions are made about future events. In particular this Report does not constitute an actuarial valuation of the Plan for funding purposes and does not present any recommendation of contributions or funding levels.

1.5 The Public Service Pensions Board ("PSPB") Trustees have established an investment policy for the Plan's assets. This policy has been determined by reference to the Plan's liabilities and consists of assets that are subject to changes in the market place. One consequence of this investment policy, and the methodology and assumptions used for determining the Plan's liabilities under IAS19, is that the difference between the market value of the Plan's assets and its IAS19 liabilities (i.e. its IAS19 "surplus" or "deficit") is expected to be volatile. Indeed, the amount of any surplus or deficit could change significantly over periods as short as a day (in the event of significant market movements). The results reported in the Tables should not, therefore, be taken as an indication of the Plan's financial position in accordance with IAS19 on any date other than July 1, 2004.

1.6 This Report is provided solely for the use of the Government which is the Plan sponsor, and for the specific purposes indicated above. It may not be suitable for use in any other context or for any other purpose. Except where we expressly agree in writing, it should not be disclosed or provided to any third party, other than as provided below. In the absence of such consent and an express assumption of responsibility, no responsibility whatsoever is accepted by us for any consequences arising from any third party relying on this Report or any advice relating to its contents. The Government may make a copy of this Report available to its auditors, but we make no representation as to the suitability of this Report for any purpose other than that for which it was originally provided and accept no responsibility or liability to the Government's auditors in this regard. The Government should draw the provisions of this paragraph to the attention of its auditors when passing this Report to them

1.7 All monetary amounts shown in this report are expressed in Cayman Island Dollars (CI$).

2. Summary of Results

The table below shows a summary of the key results for financial year 2005.

Balance Sheet at Beginning of Year	July 1, 2004 (CI$ '000)
1. Defined Benefit Obligation (DBO)	293,362
2. Assets at Fair Value	106,984
3. Defined Benefit Asset / (Liability)	(186,378)
4. Net Unrecognized Liabilities (Assets) (1) - (2) + (3)	0
Pension Expense for Year	**Financial Year 2005 (CI$ '000)**
1. Employer Service Cost, net of Participant Contributions	6,889
2. Employer Pension Expense	18,020

Employer Service Cost represents the pension cost to the Government associated with financial year benefit accruals and is net of participant contributions. Although the Government reimburses the participant contributions, this reimbursement is accounted elsewhere in the Government's accounts. Pension Expense is the expense under IAS19, inclusive of Employer Service Cost, amortizations and net interest (Financial Year 2005 details are shown in Table 2).

Table 1 shows the results of the calculations and the reconciliation of funded status at July 1, 2004. The actuarial liabilities are presented using the actuarial methods and assumptions prescribed by IAS19.

Table 2 shows the calculation of Pension Expense for the financial year 2005, according to the procedures set out in IAS19.

3. Data

3.1 The starting point for our calculations is the membership information for the Plan as at January 1, 2005, supplied by the PSPB for purposes of the actuarial valuation carried out for funding purposes. The results were then adjusted by backward projection to reflect the position as of July 1, 2004. This process was discussed and agreed with the Auditor General. A summary of the January 1, 2005 data can be found in Appendix A.

3.2 Reliance has been placed on financial statements and cash flow information for the Plan provided by the PSPB that has not yet been audited. If the auditing process reveals substantial changes, the results presented in this report may need to be revised.

3.3 In preparing this Report we have relied on the completeness and accuracy of the information provided to us orally and in writing by or on behalf of the PSPB. We have not completed any detailed validation checks on the information provided. We have, however, carried out broad consistency checks on the membership data prior to carrying out the January 1, 2005 valuation for funding purposes.

4. Funding Arrangements

4.1 The assets of the Plan are held as a part of the Public Service Pension Fund (the "Fund") and managed by the PSPB. The assets of two other plans are pooled together to constitute the Fund, as well as the assets pertaining to the Defined Contribution Part of the Plan. The assets are allocated to each of the three participating plans through an internal accounting mechanism that tracks, for each accounting period, the incoming contributions and outgoing benefit payments and credits the fund earnings and debits the ongoing expense in proportion to the opening value of assets allocated and the cash flow for the period.

4.2 Reliance has been placed on financial statements and cash flow information for the Plan provided by the PSPB that has not yet been audited. If the auditing process reveals substantial changes, the results presented in this report may need to be revised.

4.3 Contributions to the Fund are based on actuarial valuations that are required, at least once every three years.

4.4 The Fund currently has an investment policy under which the targeted exposure to equities is 60%-65%, and to high quality long-term bonds 30%-35%, with the balance being held in short-term cash positions. As of June 30, 2004, the fund portfolio's composition was as follows:

Global Equities	CI$ 32,943,476.14
US Equities	1,577,437.50
Bonds	60,513,728.33
Other	4,242,271.67
Cash	5,361,005.08
Cash - Term Deposits	25,340,894.50
TOTAL Fund as of June 30, 2004	**CI$ 129,978,813.22**

4.5 The above represents the total fund assets as of June 30, 2004. As this report concerns the valuation of the Defined Benefit Part, the above amount should be adjusted to remove the value of assets allocated to the Defined Contribution Part of the Plan, the Parliamentarian Pension Plan and the Judicial Pension Plan. This adjustment is as follows:

TOTAL Fund as of June 30, 2004	**CI$ 129,978,813**
Defined Contribution Account Balances of the Plan	19,863,330
Parliamentarian Pension Plan Share of Fund	2,539,511
Judicial Pension Plan Share of Fund	592,271
Balance of Fund Available to Defined Benefit Part of Plan	**CI$ 106,983,701**

5. Actuarial Basis

5.1 The principal plan provisions, as used for purposes of this valuation, are outlined in Appendix C.

5.2 Appendix B summarizes the actuarial cost method and assumptions used. These are intended to satisfy IAS19 requirements. Appendix D of this report is a glossary of common terms used under IAS19 reporting and Appendix E provides a summary of the IAS19 provisions.

5.3 Under IAS19 the assumptions are the responsibility of the Plan sponsor. The assumptions used in this report were recommended by us and have been accepted by the Financial Secretary.

5.4 One of the principal assumptions is the discount rate, which should be based upon the yields available on high quality (typically "AA") corporate bonds at the accounting date with a term that matches that of the liabilities.

5.5 The assumptions made for the expected rates of return on assets have been derived by considering best estimates for the expected long-term real rates of return from the main asset classes and the investment policy targets.

5.6 The other assumptions should be chosen to reflect a best estimate of the future long-term experience. In practice there is some flexibility in the choice of assumptions, albeit limited, and we have discussed this flexibility with the Financial Secretary. Except for the discount rate, all of the other assumptions adopted are the same as those employed for the actuarial valuation carried out as at January 1, 2005.

5.7 A summary of the principal economic assumptions is as follows:

	July 1, 2004
Discount Rate	6.50%
Expected Long-Term Rate of Return	7.00%
Salary Increases	4.00%
Pension Increases	2.50%

6. Results

6.1 The main results of the valuation are shown in Tables 1 and 2 for the Defined Benefit Part of the Plan.

6.2 Table 1 shows the opening IAS19 balance sheet as of July 1, 2004, the date of adoption of the IAS19 standard.

6.3 Table 2 shows the determination of expense for the twelve months ending June 30, 2005. The amount shown is net of expected participant contributions. Although in the majority the participant contributions are reimbursed to the participants, we understand that the cost of the contribution reimbursement is accounted for elsewhere.

6.4 For the Defined Contribution Part of the plan, the obligations and assets are both equal to the account balances held on behalf of the participants and no actuarial valuations are required. The expense for the twelve months ending June 30, 2005 is just the actual contribution made by the employer for that period.

6.5 The results are particularly sensitive to some assumptions, such as the discount rate, level of salary inflation, level of assumed price inflation and mortality. A decrease in the discount rate assumed or an increase in salary inflation or price inflation will lead to an increase in reported cost.

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We would be pleased to answer questions concerning this report, or to provide any additional information or analysis that may be required.

Respectfully submitted,

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The undersigned was formerly a Senior International Consultant with Watson Wyatt Worldwide and is currently a full time employee of the Public Service Pensions Board of the Cayman Islands. The undersigned participated extensively in the development of this report and the results therein, during both his employment with Watson Wyatt Worldwide and his subsequent employment with the Public Service Pensions Board.

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TABLE 1

FUNDED STATUS AT JULY 1, 2004

		Total (CI$ 000)
A.	**Actuarial Value of Benefit Obligations**	
1.	Defined Benefit Obligation	293,362
B.	**Funded Status**	
1.	Defined Benefit Obligation	(293,362)
2.	Assets at Fair Value	106,984
3.	Funded Status	(186,378)
4.	Unrecognized Net Transitional Liability	0
5.	Unrecognized Past Service Cost	0
6.	Unrecognized Net (Gain) or Loss	0
7.	Restriction to Defined Benefit Asset due to the Asset Ceiling	0
8.	Defined Benefit Asset / (Liability)	(186,378)
9.	Fair Value of Reimbursement Rights	0
10.	Average Remaining Service (Years)	13.48

TABLE 2

DETERMINATION OF PENSION EXPENSE FOR FINANCIAL YEAR 2005

				Total (CI$ 000)
A.	**Components of Pension Expense**			
1.	Service Cost			6,889
	a.	Total Service Cost	10,544	
	b.	Expected Participant Contributions	(3,655)	
	c.	Net Employer Service Cost	6,889	
2.	Past Service Costs			0
3.	Cost of Settlements, Curtailments, Termination Benefits			0
4.	Subtotal: (1)+(2)+(3)			6,889
5.	Interest Cost			18,797
6.	Expected Return on Assets			(7,666)
7.	Expected Return on Reimbursement Rights			0
8.	Subtotal: (5)+(6)+(7)			11,131
9.	Recognition of Net Transitional Liability			0
10.	Recognition of Net (Gain)/Loss			0
11.	Change in the Effect of the Asset Ceiling			0
12.	Other Adjustments			0
13.	Subtotal: (9)+(10)+(11)+(12)			0
14.	Pension Expense (Income): (4)+(8)+(13)			18,020
B.	**Expected Financial Year 2005 Contributions and Benefit Payments**			
1.	Employer Contributions			9,748
2.	Employee Contributions			3,655
3.	Benefit Payments			8,348

Notes:

- Interest Cost allows for the expected benefit payments.
- Expected Return on Assets allows for the expected employer and employee contributions and benefit payments.
- Recognition of Unrecognized Net (Gain) or Loss is based on accumulated gains and losses in excess of 10% of the larger of the Defined Benefit Obligation and the Fair Value of Assets as of the beginning of the year. There is no amortization required for FY 2005.

SUMMARY OF MEMBERSHIP DATA AT JANUARY 1, 2005

A. Active Members

1.	Number	1,545
2.	Total Annual Payroll (CI$ ‘000)	60,925
3.	Average Age (years)	41
4.	Average Total Past Service (years)	15

B. Terminated Vested

1.	Number	372
2.	Total Annual Accrued Benefits (CI$ ‘000)	1,593

C. Retirees and Beneficiaries

1.	Number	611
2.	Total Annual Pension Benefits (CI$ ‘000)	6,366

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

		IAS19 Basis
A.	**Cost Method:**	Projected Unit Credit (as required by IAS19)
B.	**Economic Assumptions:**	
1.	Discount Rate	6.50%
2.	Expected Long-Term Rate of Return	7.00%
3.	Salary Increases	4.00%
4.	Pension Increases	2.50%

C. Other Assumptions:

1. Mortality:

It is not anticipated that the mortality rates of the participants will be significantly different to that of employees of U.S. corporations. Standard U.S. mortality rates have been used for the valuation. The rates used are based on the UP-1994 Table and sample rates are shown below:

Age	**Males**	**Females**
20	.000545	.000305
30	.000862	.000377
40	.001153	.000763
50	.002773	.001536
60	.008576	.004773
70	.025516	.014763
80	.066696	.042361
90	.164442	.125016

C. Other Assumptions (continued):

2. Disability: No disability incident rates have been used.

3. Turnover: The rates at the following illustrative ages indicate the turnover assumptions, excluding mortality and disability:

Age	**Males**	**Females**
20	.075	.125
25	.050	.125
30	.035	.075
35	.025	.045
40	.015	.025
45	.005	.005
50	.000	.000

4. Retirement Age: Completion of age 55 and 10 years of service.

5. Family Assumptions:

   a. Percentage of Employees with Spouse - 80%.

   b. Age of Wife - 3 years younger than husband.

   c. Percentage of Employees with Dependent Children -

      Males: 65% pre-retirement
      5% post-retirement

      Females: 20% pre-retirement
      0% post-retirement

D. Asset Valuation: Fair (Market) Value.

OUTLINE OF PRINCIPAL PLAN PROVISIONS

1. Eligibility: Public service employees are immediately eligible for participation in the Plan.

2. Pensionable Service: Continuous service from date of hire.

3. Pensionable Earnings: Pensionable Earnings include monthly basic salary, acting allowances, and duty allowances.

   The retirement pension computation is generally based on the monthly Pensionable Earnings at the time of retirement, unless there are transfers from one office to another, in which case the computation may be based on one-third of the aggregate Pensionable Earnings during the final three years.

4. Employee Contributions: Employee contributions are currently pitched at a rate of 6% of Pensionable Earnings.

5. Eligibility for Retirement Pension: Generally, on or after attaining age 50 and completing 10 years of service. There are special cases under which these conditions may be relaxed.

6. Retirement Benefits:

   a. Pension at Retirement - A monthly pension equal to 1/720 times the number of completed months of Pensionable Service times the final month's Pensionable Earnings. For officers first appointed to a pensionable office prior to July 10, 1980, the monthly pension is computed as 1/600 times the number of completed months of Pensionable Service times the final month's Pensionable Earnings. The pension cannot exceed two-thirds of the highest Pensionable Earnings received during the officer's service.

6. Retirement Benefits (continued):

b. Commutation -	Up to ¼ of the retirement pension can be commuted for a lump sum. The pension to lump sum conversions will be determined by the Plan's actuarial factors. At age 57, these factors call for a lump sum conversion rate equal to 14.59 times the annual pension surrendered.
c. Pension Increases -	Pensions in payment may be increased, once a year. The Pensions Law (1999) calls for these pension increases to match annual cost-of-living increases up to 5% and on a sliding scale thereafter.
d. Early Retirement -	Early retirement reduction factors apply to retirement pensions prior to completion of age 55 and 10 years of service. For deferred vested participants, early retirement reduction factors apply for pension commencement prior to age 60. Police officers are allowed to retire with full benefits after completing 21 years of service.
7. Benefits on Death After Retirement or While Eligible to Retire:	A spouse's pension equal to 50% of the pensioner's benefit, payable until remarriage. A dependent children's pension payable up to age 18 (or age 23 if in full-time education) equal to 50% of the pension received by the participant, divided by the number of dependent children. These amounts are doubled if there is no spouse.
8. Benefits on Disablement:	A pension based on accrued normal retirement pension is payable upon receipt of medical evidence of permanent disability and incapacity to perform duties. In addition, a pension is payable to an officer who is permanently injured in discharge of duty and who is not entitled to compensation under any Workmen's Compensation Law. The amount of the pension depends on the extent of disablement.

9. Benefits on Death in Service:	A spouse's pension equal to 50% of the member's pension accrued as of the date of death, based on pay and service at the date of death. An additional equivalent amount is divided equally among any children under the age of 18 or 23 (if in full-time education). In addition, there will be paid an amount equal to the excess, if any, of the greater of: (a) a lump sum equal to 12 months' Pensionable Earnings (b) the participant's contribution account balance over the actuarially equivalent present value of the pension benefits payable to the beneficiaries. An additional pension is paid to the beneficiaries of participants killed as a result of injuries received while in the actual discharge of duty.
10. Termination Benefits:	An employee who terminates his employment can expect to receive a pension commencing at age 60, based on benefits accrued at the time of termination or alternatively to receive the participant contribution account balance. The pension has the same features of commutation, post-retirement death benefit, and post-retirement pension increases as for active employees eligible for retirement benefits.
11. Other Benefits (Not Valued):	Supplementary pensions on abolition of office and re-organization.

GLOSSARY

Actuarial Gain or Loss	From one plan year to the next, if the experience of the plan differs from that anticipated using the actuarial assumptions, an actuarial gain or loss occurs. For example, an actuarial gain would occur if the plan assets earned 12% for the year while the assumed rate of return used in the valuation was 8%. Other causes of actuarial gains or losses would include changes in actuarial assumptions and/or demographic changes in the population profile.
Balance Sheet Asset (Liability)	The sponsor's balance sheet asset/ (liability) entry, the net recognized amount, is the sum of the cumulative excess of contributions to the plan over the cumulative plan expenses, Net Periodic Benefit Cost and other plan-related charges to income due either to business combination or accelerated recognition pursuant to the accounting standard. The difference between this account and the Funded Status is the unrecognized net loss/(gain) (subject to adjustment for unrecognized prior service costs and transition obligation).
Curtailment	An event that significantly reduces the expected years of future service of present employees or eliminates for a significant number of employees the accrual of defined benefits for some or all of their future service.
Expected Return on Assets	The expected return on plan assets over the accounting period, based on an assumed rate of return.
Funded Status	This is the excess/(shortfall) of the fair value of plan assets over the plan liability.
Interest Cost	The increase in the plan liability over the accounting period due to interest (the time value of money).
Plan Expense / Net Periodic Benefit Cost	This is the profit and loss charge for the accounting period, and comprises the sum of the service and interest costs less the expected return on assets, plus allowance for amortization of any net liabilities not recognized in the balance sheet.
Plan Liability (DBO)	This quantity is the discounted present value of all benefits attributed by the plan's benefit formula to service rendered prior to the measurement date. It is measured using an assumption as to future pay levels (if the benefit formula is based on future pay levels).

Service Cost	This is the discounted present value of benefits attributed by the plan's benefit formula to services rendered by employees during the accounting period. It is measured using an assumption as to future pay levels (if the benefit formula is based on those future pay levels).
Settlement	An irrevocable action that relieves the employer (or the plan) of primary responsibility for a pension benefit obligation and eliminates significant risks related to the obligation and the assets used to effect the settlement.

INTERNATIONAL ACCOUNTING STANDARD NUMBER 19 (IAS19) – A BRIEF DESCRIPTION

The International Accounting Standard IAS19 is applicable to all short-and long-term employee benefits and not only to retirement benefits. Its scope is thus very much wider than the corresponding statements under U.S. GAAP, FAS 87, 88, 106, 112 and 132 combined. It is irrelevant whether the plans are formal or informal, funded or unfunded. Further, the standard also applies to national, state, industry or other multi-employer retirement benefit plans, and to employment termination indemnity arrangements which meet the definition of an employee benefit arrangement. Until recently IAS19 also covered stock plans but, as there is now a separate standard, IFRS2, that deals with this issue, IAS19 no longer covers these benefits.

Limited revisions to IAS19, focusing on the definition of plan assets, were introduced in October 2000. Further changes were introduced in May 2002 which altered the calculation of the effect of the Asset Ceiling. Further changes were made in December 2004, which introduced a further option to recognize gains and losses, clarified reporting aspects of group and multi-employer plans and increased the disclosure requirements.

MEASURES OF COSTS AND OBLIGATIONS

The scope of the statement includes all employee benefits, including short-term employee benefits, post-employment benefits, other long-term employee, termination but not equity compensation benefits. IAS19 stipulates detailed guidelines on measurement, balance sheet and income recognition as well as disclosure requirements.

SHORT-TERM EMPLOYEE BENEFITS

These include wages, salaries, short-term compensated periods of absence, death-in-service benefits and profit sharing and bonus plans payable not more than twelve months after the balance sheet date.

Essentially, the employer must measure, recognize and disclose the cost as the undiscounted amount of such benefits expected to be paid after the close of the accounting period in exchange for services rendered during that period. In particular, the cost of accumulating periods of compensated absences is to be recognized.

POST-EMPLOYMENT BENEFITS

Under the provisions of IAS19 the first step is to consider whether a post-employment employee benefit arrangement is defined contribution or defined benefit in character. If the arrangement is defined contribution in character, then the annual cost to be recognized for this arrangement will simply be the contributions due during the measurement period. If there are defined benefit elements, however, the Statement requires the following rules to be followed:

Components of costs
Under a defined benefit plan, the annual cost consists of the following components:

- The current service cost is the actuarial present value of benefits attributed by the plan's benefit formula to employee service in that year.
- Interest cost less expected return on plan assets.
- Amounts recognized in the current year related to past service costs of current and retired employees, experience adjustments, changes in actuarial assumptions and the effect of plan amendments.

Deferral of costs
The Standard now allows various options for recognizing actuarial gains and losses (the combined effect of experience adjustments and changes in assumptions):

- Recognition over the average remaining service of active employees, to the extent that at the beginning of the financial period they exceed the greater of 10% of the present value of the defined benefit obligation and plan assets;
- Any other systematic and consistent method which leads to a quicker recognition of gains and losses, including
  - Full and immediate recognition through profit and loss
  - (Following the December 2004 amendment) full and immediate recognition through a Statement of Recognized Income and Expense (SORIE) separate to the profit and loss account but which impacts shareholder equity

The standard requires consistency of application for all benefit plans and all gains and losses.

Balance Sheet
The balance sheet asset / (liability) is equal to the plan surplus / (deficit) plus any unrecognized (gains) / losses and past service costs. If this value is a positive value, it is limited by the Asset Ceiling.

Attribution
The Standard requires that the cost of providing retirement benefits under a defined benefit plan be determined using the Projected Unit Credit Method. The Standard does not allow alternative use of other actuarial valuation methods such as the Entry Age Normal or Aggregate methods. The attribution of cost to service is to follow the plan formula in principle, unless a plan has a "back-loaded" accrual pattern, in which case the project and prorate method should be used.

Assumptions
The Standard stipulates that unbiased i.e. best estimate and compatible assumptions, using projected salary levels to the date of termination of employment, should be used in determining the cost of post employment benefits. The discount rate to be used is to be selected with reference to market yields at the balance sheet date on high quality fixed-rate corporate bonds with a corresponding duration and currency. In countries where there is no deep market in such bonds, the interest rate on government bonds should be used. The maturity of the corporate or government bonds should be consistent with the estimated maturity of the benefits.

The plan assets are valued at bid value. Salary increases must reflect inflation, promotion, seniority and other relevant factors. Automatic retirement benefit increases are also taken into account to the extent that there is reliable evidence that such increases shall occur.

Cost classification
The Statement allows recognition of the financial components of cost i.e. interest cost and return on plan assets, either as a financial or, alternatively, as an operational cost along with disclosure of where the costs are recognized.

Asset ceiling
The Standard limits the size of an asset that a company may recognize in its balance sheet with respect to a post-employment benefit plan. This limit is defined as the sum of the accumulated unrecognized losses plus any (net) past service cost plus the economic value of the surplus to the company (i.e. the value that the company has access to either through refunds or reductions in future contributions).

Furthermore, the company may not recognize any new gain (or increase the value of the asset in its balance sheet) in an accounting period that arises from an actuarial loss (or unrecognized past service cost) during that period that it cannot offset against a change in its economic value. This applies the other way around to the recognition of any new loss.

Disclosure requirements
In general, the disclosure requirements are such that the reader is to be given full and complete information in order to enable a thorough understanding of the employee benefit arrangements and their cost. The December 2004 amendment changed and expanded the key requirements to include information on:

- how assets and liabilities developed over the reporting period
- the breakdown of assets by major asset classes and how the overall expected rate of return assumption was derived
- key historic information over a 5 year period
- investments in the sponsoring entity’s financial instruments or self-occupied properties
- contributions expected to be paid during the next financial year
- amounts recognized through statement of recognized income and expense
- sensitivity to medical cost trend rates

Group and multi-employer plans

Following the amendment to IAS19 in December 2004, related companies under common control participating in a DB plan where risks are shared (i.e. group plans) should account for their plan on a defined benefit basis in such a way that in aggregate the total cost of the plan is recognized according to IAS19. The participants may enter into an agreement as to how the costs are shared, but in the absence of any such agreement, all but one will account solely on the basis of the contributions paid by that company. The remaining participant, being the one that is legally the sponsoring employer, will account for the difference between the aggregate IAS19 cost of the entire plan and the sum of contributions paid by the other participating companies.

Unrelated companies participating in a single DB plan (multi-employer plans), should account for their share in the multi-employer plan on a defined benefit basis unless this is not possible through a lack of available information, in which case they may account for the plan on the basis of contributions paid.

OTHER LONG-TERM EMPLOYEE BENEFITS

Other long-term employee benefits include long-term compensated periods of absence such as sabbatical leave, jubilee or other long-service benefits, profit sharing, deferred compensation or bonuses payable more than twelve months after the balance sheet date. Measurement, recognition and disclosure is to be performed along the same rules as for post-employment benefits, but with no deferral of gains or losses and no option to use the SORIE – recognition is full and immediate through the profit and loss account.

TERMINATION BENEFITS

An employer must recognize termination benefits when the demonstrable obligation arises to either terminate the employment of an employee or group of employees or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Recognition is immediate. Appropriate disclosure is required to provide information on any termination arrangements. There are proposals to make some changes in the recognition requirements.