

IAS 19 : Interest credit assumption

The SKPE/CSEP international accounting group knows that clients sometimes set the interest credit assumption equal to the discount rate.

Should your clients have such practice to set the interest credit assumptions for IAS19 purposes then we draw your attention to the following:

We have been made aware that auditors do not consider this short-cut method to be compliant with IAS 19 principles requiring a best estimate and that they are evaluating the opportunity to publish their view on Expert focus.

We remind you our view published in September 2022 on that respect:

There are mainly 2 approaches in the market:

a) Expected return on assets reduced by specific plan needs (required return; conversion rate losses, ...)

b) BVG interest credit on BVG retirement account and discount rate on over-mandatory part of the retirement account

The conclusion was that approach a) is the usual default one.

When justified by the characteristics of the pension plan, a different approach may be used. Further, the interest credit assumption could be, in some justified situation, lower than the discount rate.

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