Abstract
The international standards established by the International Accounting Standards Board (IFRS) and the defined benefit pension plans of Apollo Vredestein B.V. lead to volatility of the pension liability, which leads to large undesirable fluctuations in equity and solvency position. This study seeks to understand the impact of the pension plans and the IFRS standards on the volatility of the pension liability in order to ascertain how the volatility of the pension liability of Apollo Vredestein B.V. can be reduced. Volatility of the pension liability arises due to the defined benefit nature of the pension plans and the so-called actuarial gains and losses that are related to defined benefit pension plans. At the beginning of each reporting period, pension expenses are determined by an actuarial calculation that includes assumptions related to future developments like future wages and the life expectancy of participants (IAS 19.54; 19.73). Actuarial gains and losses comprise the effects of differences between the previous actuarial assumptions and what has actually occurred. These actuarial gains and losses are recognized at the end of the reporting period (IAS 19.07 & 19.54). This research identifies possible solutions for the volatility of the pension liability. Possible solutions include: transforming the defined benefit plans into (collective) defined contribution plans or transferring the pension plans to an insurance company or the usage of an accounting exemption by transferring the pension plans to a multi-employer plan (IAS 19.30). To illustrate how a solution is chosen and which factors affect this process, the research took the form of a case study in an organization that had to deal with volatility of the pension liability. The results of this research indicate that, similar to the (for reasons of confidentiality the name of the company is not disclosed) organization in the case study, the most favourable solution for Apollo Vredestein B.V. would likely be a transfer of the pension plans to a multi-employer plan. This solution is more cost effective than transfer into a collective defined contribution plan or an insurance company. It will also encounter less resistance from unions and solve the problems of pension fund managers expertise and their time constraints.

Key words: pension liability, volatility, IFRS, IAS 19, case study