



Project **Post-employment Benefits**

Topic **Defined benefit plan assets—Other disclosure issues**

Objective

1. The objective of this paper is to discuss if any changes should be made to the disclosures about defined benefits plan assets. These changes, if any, will be additional to the disclosures proposed in the forthcoming exposure draft *Fair Value Measurements* for the fair values of plan assets. Those fair value disclosures are discussed in Agenda Paper 6.

Current requirements

2. IAS 19 requires the following disclosures on plan assets of defined benefit plans.

120A An entity shall disclose the following information about defined benefit plans:

...

(e) a reconciliation of the opening and closing balances of the fair value of plan assets and of the opening and closing balances of any reimbursement right recognised as an asset in accordance with paragraph 104A showing separately, if applicable, the effects during the period attributable to each of the following:

- (i) expected return on plan assets,**
 - (ii) actuarial gains and losses,**
 - (iii) foreign currency exchange rate changes on plans measured in a currency different from the entity's presentation currency,**
 - (iv) contributions by the employer,**
 - (v) contributions by plan participants,**
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The views expressed in this paper are those of the staff preparing the paper and do not purport to represent the views of any individual members of the Board or the IASB.

The meeting at which this paper is discussed is a public meeting but it is not a decision-making meeting of the Board. Official pronouncements of the IASB are published only after the Board has completed its full due process, including appropriate public consultation and formal voting procedures.

- (vi) benefits paid,
- (vii) business combinations and
- (viii) settlements.
- ...
- (j) for each major category of plan assets, which shall include, but is not limited to, equity instruments, debt instruments, property, and all other assets, the percentage or amount that each major category constitutes of the fair value of the total plan assets.
- (k) the amounts included in the fair value of plan assets for:
 - (i) each category of the entity's own financial instruments; and
 - (ii) any property occupied by, or other assets used by, the entity.
- (l) a narrative description of the basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets.
- (m) the actual return on plan assets, as well as the actual return on any reimbursement right recognised as an asset in accordance with paragraph 104A.

Disclosed categories of plan assets

3. Currently IAS 19 paragraphs (j) and (k) requires certain disclosures, at a minimum, according to the following categories:
- (a) equity instruments
 - (b) debt instruments
 - (c) property
 - (d) other assets.

Also, certain disclosures proposed in the forthcoming exposure draft *Fair Value Measurements* for the fair values of plan assets will be required according to the categories disclosed as required by IAS 19.

4. The FASB Staff Position No. 132(R)-1 *Employers' Disclosures about Postretirement Benefit Plan Assets* (FSP FAS 132(R)-1) provides the following guidance on the asset categories, for which certain disclosures are required:

Asset categories shall be based on the nature and risks of assets in an employer's plan(s).

Examples of major categories include, but are not limited to, the following: cash and cash equivalents; equity securities (segregated by industry type, company size, or investment objective); debt securities issued by national, state, and local governments; corporate debt securities; asset-backed securities; structured debt; derivatives on a gross basis (segregated by type of underlying risk in the contract, for example, interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, credit contracts, and other contracts); investment funds (segregated by type of fund); and real estate. Those examples are not meant to be all inclusive. An employer should consider the overall objectives in this FSP in determining whether additional categories of plan assets or further disaggregation of major categories should be disclosed.

Discussion questions

1. Are the current minimum categories of plan assets in IAS 19 appropriate?
2. If not, what categories would you suggest? Why?

Disclosures by categories of plan assets

5. IFRSs requires, or proposes to require, the following to be disclosed by categories of plan assets:
 - (a) the percentage or amount that each major category constitutes of the fair value of the total plan assets in IAS 19
 - (b) the fair value disclosures to be proposed in the forthcoming Exposure Draft *Fair Value Measurements*.
6. Submitters on the IASB discussion paper would like further disclosures by categories of plan assets. For example:
 - (a) the investment strategies for plan assets. For example, FSP FAS 132(R)-1 requires a narrative description of investment policies and strategies including target allocation percentages or range of percentages for each major category of plan assets.
 - (b) concentrations of risk. For example, one of the objectives of FSP FAS 132(R)-1 is that the employer shall provide users an understanding of significant concentrations of risk in plan assets.
 - (c) weighted average of the expected return.

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7. Because of the growth in ‘liability driven investment approaches’ which seek to match liabilities to pay pension benefits using more complex financial instruments, the PAAinE discussion paper proposed the following disclosures specifically for financial instruments held as plan assets:

For each type of risk arising from financial instruments held to fund pension liabilities, an entity should disclose:

- (i) the exposure to risk and how they arise;
- (ii) the objectives, policies and processes undertaken by the pension plan or the entity for managing the risk and the methods used to measure the risk; and
- (iii) any changes in (i) and (ii) from the previous period.

Discussion questions

- 3. Do you think that the current disclosures for each category of plan assets are appropriate?
- 4. Is there a particular category of plan assets that should be subject to future disclosures?
- 5. Are there any other disclosures you would recommend for plan assets?