



Project **Post-employment Benefits**

Topic **Proposed disclosures in the UK ASB Reporting Statement
*Retirement Benefits—Disclosures***

Objective

1. The objective of this paper is to provide a summary of the disclosures proposed in UK Accounting Standards Board (ASB) Reporting Statement *Retirement Benefits—Disclosures* to stimulate discussion on the questions set out in the rest of the agenda papers for this meeting.

Background

2. The ASB published the Reporting Statement in January 2007. The Reporting Statement is a best practice guide and is not mandatory.
3. Following the implementation Financial Reporting Standard 17 *Retirement Benefits* (FRS 17), some commentators expressed a concern that the financial statements do not contain sufficient information in relation to defined benefit schemes to allow users of the financial statements to obtain a clear view of the risks and rewards arising from defined benefit schemes.
4. In 2006, the ASB amended the disclosures in FRS 17 by replacing the disclosure requirements set out in the previous version of FRS 17 with those of IAS 19 *Employee Benefits* (IAS 19). The ASB considered the amended FRS 17 addressed many, but not all, of the concerns of commentators and so decided to develop the Reporting Statement.
5. The Reporting Statement builds on FRS 17 (as amended in December 2006) and sets out additional disclosures that complement the disclosure requirements of FRS 17. The ASB noted the Reporting Statement can be applied by entities

This paper has been prepared by the technical staff of the IASB for the purposes of discussion at a public meeting of the IASB working group identified in the header of this paper.

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.

adopting either UK GAAP or International Financial Reporting Standards (IFRS).

Reporting Statement

6. The following is an extract of the objective and principles in the Reporting Statement:

OBJECTIVE

1. The objective of this Reporting Statement is to recommend disclosures for defined benefit schemes such that:
 - a. the financial statements contain adequate disclosure of the cost of providing retirement benefits and the related gains, losses, assets and liabilities;
 - b. the users of financial statements can obtain a clear view of the risks and rewards arising from defined benefit schemes; and
 - c. the funding obligations of the entity in relation to liabilities of a defined benefit scheme are clearly identified.

PRINCIPLES

4. The financial statements should disclose information that enables the users of the financial statements to understand the relationship between the reporting entity and the trustees (managers) of defined benefit schemes.
..
8. The financial statements should include sufficient information about the principal assumptions the entity has used to measure scheme liabilities to allow users to understand the inherent uncertainties affecting the measurement of scheme liabilities. These assumptions should include, where this is not otherwise required by FRS 17 (or IAS 19), mortality rates.
..
12. The financial statements should disclose a sensitivity analysis for the principal assumptions used to measure the scheme liabilities, showing how the measurement of scheme liabilities would have been affected by changes in the relevant assumption that were reasonably possible at the balance sheet date.

For the purposes of this disclosure, all other assumptions should be held constant.

IASB Staff paper

..

15. The financial statements should disclose information that enables users to understand the method of measurement used to measure scheme liabilities arising from defined benefit schemes.

..

19. The financial statements should disclose information that enables the users of financial statements to understand the funding obligations (estimated where applicable) that the entity has in relation to defined benefit schemes.

..

26. The financial statements should disclose information that enables users of financial statements to evaluate the nature and extent of the risks and rewards arising from the financial instruments held by defined benefit schemes at the balance sheet date.

..