



Project	Post-employment Benefits
Topic	Best Practice Disclosures from the ACCA Research Report 100 <i>Adoption of IAS 19R by Europe's Premier Listed Companies</i>

Objective

1. The objective of this paper is to provide extracts of 'best practice' post-employment benefit disclosures from the Association of Chartered Certified Accountants (ACCA) Research Report 100 *Adoption of IAS 19R by Europe's Premier Listed Companies* to stimulate discussion on the questions set out in the rest of the agenda papers for this meeting.

Background

2. The ACCA Research Report 100 *Adoption of IAS 19R by Europe's Premier Listed Companies* is available at http://www.accaglobal.com/publicinterest/activities/research/reports/global_inte_gration/rr_100 or from the IASB staff. The Research Report provides an in-depth analysis and evaluation of the defined-benefit pension plan disclosures provided in 2005 by companies constituting the premier segments of 20 European stock exchanges.

Best Practice Disclosures

3. The Research Report highlighted a few 'best practice' examples of IAS 19 defined-benefit pension plan disclosures that were considered transparent. These examples include, among other things, disclosures of the actuarial assumptions used for valuation purposes, sensitivity analyses of the impact of changes in key actuarial assumptions, disclosures regarding anticipated future payments to the plan, and the financial statement impact of changing accounting policy on the treatment of defined benefit plans.

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.

4. The following are extracts of the ‘best practice’ disclosures and its accompanying discussion from the ACCA Research Report.

Matrix format to combine four IAS 19 tables

5. Under the corridor approach, certain changes in the DBO and plan assets are reported as components of pension costs (eg amortisation of actuarial gains and losses) while others are excluded from recognition (eg unrecognised gains and losses). Under the IAS 19 option, actuarial gains and losses are recognised outside P&L and alternatively go directly to equity via the SORIE. To reveal specifically where amounts are recognised in the financial statements, IAS 19 requires four tables:
 - (a) a reconciliation of the funded status (including a breakdown into the DBO and plan assets) unrecognised amounts to the recognised amounts
 - (b) the components of pension costs
 - (c) the defined-benefit obligation and
 - (d) the plan assets.
6. While most companies satisfy each of these requirements with a separate reconciliation/chart, L’Oreal (see Table 13 (below)) uses a matrix that ties all four disclosures together, thereby enabling the financial statement user to ascertain quickly the articulation of the components of pension expense to the DBO, plan assets and the recognised pension obligation.

Table 13: L'oreal best practice - matrix format used to disclose impact of each component of annual pension expense on projected pension obligations, plan assets, unrealised actuarial gains and losses, and the net pension provision

€ million	Projected pension obligations	Assets	Unrealised gains and losses	Net provisions
Balance at December 31st, 2003	1,993.3	882.7	-20.4	1,130.0
Net charge for the year:				
• Service cost	94.8			94.8
• Interest cost	98.1			98.1
• Expected return on assets		57.2		-57.2
• Amortisation of unrealised gains and losses				
• Reversal of provisions ⁽¹⁾	-34.4		1.2	-35.6
Benefits paid	-86.9	-51.5		-35.4
Contribution paid	6.6	142.6		-136.0
Unrealised gains and losses	193.1	24.4	168.7	
Translation differences	-32.8	-23.3	-2.7	-6.8
Other movements	-54.1	2.4	-0.2	-56.3
Balance at December 31st, 2004	2,177.7	1,035.5	146.6	995.6
Net charge for the year:				
• Service cost	107.2			107.2
• Interest cost	109.8			109.8
• Expected return on assets		66.6		-66.6
• Amortisation of unrealised gains and losses	-12.0		3.6	-15.6
• Reversal of provisions ⁽¹⁾	-0.6			-0.6
Benefits paid	-97.1	-57.1		-40.0
Contribution paid	6.8	156.6		-149.8
Unrealised gains and losses	166.8	43.4	123.5	-0.1
Translation differences	-81.2	57.0	6.3	17.9
Other movements	2.8			2.8
Balance at December 31st, 2005	2,542.6	1,302.0	280.0	960.6

(1) In 2004, other movements include €32.2 million in reversals of provisions previously booked against shareholders' equity at adoption of preferential method pursuant to CRC regulation 99-02. The change in this commitment also resulted in a €35.4 million reduction in expenses for 2004.

Source: L'Oreal (2006).

Sensitivity analysis

7. IAS 19 (para. 120A (o)) requires disclosure of a sensitivity analysis indicating the effect of an increase/decrease of one percentage point in the assumed medical cost trend rates on the aggregate of the current service cost and interest cost components of net periodic post-employment medical costs and the accumulated post-employment benefit obligation for medical costs. While sensitivity analysis is not additionally required for defined-benefit pension plans, given the significance and materiality of the defined-benefit pension obligation for many sample companies and the potential impact of even a small change in key actuarial assumptions, this information may be very useful to financial statement users. Yet, few sample companies volunteered this information. An exception is Bayer. Table 14 (below) presents Bayer's sensitivity analysis for both other post employment benefits (OPEBs) and pensions. In the sensitivity analysis, Bayer discloses the impact of a 0.5% increase in the discount (interest) rate, future remuneration (salary progression) increases, projected future benefit increases, and expected return on plan assets on both the benefit obligation and

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benefit expense. As the IASB and FASB jointly revisit pensions, requiring a sensitivity analysis for both OPEBs and pension obligations should be considered. Table 15 (below) includes Bayer's thorough explanation of the key actuarial assumptions used. As shown in the next paragraph, few companies provided this level of detail.

Table 14: Bayer best practice - sensitivity analysis

As already mentioned, all defined benefit plans necessitate actuarial computations and valuations. The following table shows the impact of a change in any of these parameters, assuming the other parameters remain unchanged, on the defined benefit obligation at the end of fiscal 2005 and expense for 2006:

Germany	Pension obligations		Other post-employment benefit obligations	
€ million	0.5 percentage point increase	0.5 percentage point decrease	0.5 percentage point increase	0.5 percentage point decrease
Change in discount rate				
Benefit obligation 2005	(730)	827	(1)	1
Benefit expense 2006	7	(7)	0	0
Change in projected future remuneration increases				
Benefit obligation 2005	89	(81)	0	0
Benefit expense 2006	10	(9)	0	0
Change in projected future benefit increases				
Benefit obligation 2005	549	(504)	-	-
Benefit expense 2006	34	(31)	-	-
Change in expected return on plan assets				
Benefit expense 2006	(23)	23	-	-
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Other countries	Pension obligations		Other post-employment benefit obligations	
€ million	0.5 percentage point increase	0.5 percentage point decrease	0.5 percentage point increase	0.5 percentage point decrease
Change in discount rate				
Benefit obligation 2005	(292)	328	(58)	46
Benefit expense 2006	5	(6)	3	(4)
Change in projected future remuneration increases				
Benefit obligation 2005	42	(39)	0	0
Benefit expense 2006	5	(5)	0	0
Change in projected future benefit increases				
Benefit obligation 2005	71	(45)	-	-
Benefit expense 2006	4	(3)	-	-
Change in expected return on plan assets				
Benefit expense 2006	(17)	17	(2)	2
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Total	Pension obligations		Other post-employment benefit obligations	
€ million	0.5 percentage point increase	0.5 percentage point decrease	0.5 percentage point increase	0.5 percentage point decrease
Change in discount rate				
Benefit obligation 2005	(1,022)	1,155	(59)	47
Benefit expense 2006	12	(13)	3	(4)
Change in projected future remuneration increases				
Benefit obligation 2005	131	(120)	0	0
Benefit expense 2006	15	(14)	0	0
Change in projected future benefit increases				
Benefit obligation 2005	620	(549)	-	-
Benefit expense 2006	38	(34)	-	-
Change in expected return on plan assets				
Benefit expense 2006	(40)	40	(2)	2

(Source Bayer 2006)

Disclosure of actuarial assumptions

8. As shown in Table 16, Panel A (below) in line with 120A (n), WPP discloses the company's weighted average actuarial assumptions (discount/interest rate, expected salary increase, inflation rate and expected rate of return on assets). Using a matrix format this information is provided for each primary investment grouping (equities, bonds and cash) by geographic area (North America; UK; Continental Europe; Asia Pacific; Latin America; Africa and Mid-East) for 2005 and the two preceding years.
9. As shown in Panel B, WPP furthermore discloses the value of the plan assets by investment category as well as the assessed value of the plan liabilities covered by each investment category. The company clarifies that some of the plan schemes are largely unfunded owing to 'common custom and practice' in certain jurisdictions. Thus, benefit payments are made to the pensioners when they fall due. For the new information required by 120A (q), WPP clearly differentiates 2006 expected payments for employer contributions to schemes and benefit payments.

Table 15: Bayer best practice - comprehensive explanation of actuarial assumptions used for valuation of defined-benefit obligations

Statistical and actuarial methods are used to anticipate future events in calculating the expenses and liabilities related to the plans. These calculations include assumptions about the discount rate, expected return on plan assets and rate of future compensation increases.

The interest rate used to discount post-employment benefit obligations to present value is derived from the yields of senior, high-quality corporate bonds in the respective country at the balance sheet date. These generally include AA-rated securities. The discount rate is based on the yield of a portfolio of bonds whose weighted residual maturities approximately correspond to the duration necessary to cover the entire benefit obligation. If AA-rated corporate bonds of equal duration are not available, a discount rate equivalent to the effective interest rate for government bonds at the balance sheet date is used instead, increased by about 0.5 to 1.0 percentage point since corporate bonds generally give higher yields by virtue of their risk structure. Determination of the discount rate is also based on the average yield for a bond portfolio corresponding to the expected cash outflows from the pension plans.

The assumption for the expected return-on-assets reflects a long-term outlook for global capital market returns that match the duration of the pension obligation, and a diversified investment strategy. The investment policy of Bayer Pensionskasse is geared to regulatory compliance and to the risk structure associated with the benefit obligations. On this basis, Bayer Pensionskasse has developed a strategic target portfolio commensurate with the risk profile. This investment strategy focuses principally on stringent management of downside risks rather than on maximizing absolute returns. In other countries, too, the key criteria for the funds' investment strategies are the structure of the benefit obligations and the risk profile. Other determinants are risk diversification, portfolio efficiency and a country-specific and global risk/return profile capable of ensuring the payment of all future benefits. The expected return is applied to the fair market value of plan assets at each year end.

Statistical information such as withdrawal and mortality rates is also used in estimating the expenses and liabilities under the plans. Because of changing market and economic conditions, the expenses and liabilities actually arising under the plans in the future may differ materially from the estimates made on the basis of these actuarial assumptions. The plan assets are partially comprised of equity and fixed-income instruments. Therefore, declining returns on equity markets and markets for fixed-income instruments could necessitate additional contributions to the plans in order to cover future pension obligations. Also, higher or lower withdrawal rates or longer or shorter life of participants may have an impact on the amount of pension income or expense recorded in the future. On December 31, 2005, the present value of provisions for pensions and other post-employment benefits payable under defined benefit plans was € 15,561 million. Further details of pension provisions and their interest rate sensitivity are given in Note 128).

Table 16: WPP best practice
Panel A - disclosure of actuarial assumptions and return on assets by country for current and two preceding years

(a) Assumptions

The main weighted average assumptions used for the actuarial valuations at 31 December are shown in the following table:

	2005 % pa	2004 % pa	2003 % pa
North America			
Discount rate	5.5	5.7	6.3
Rate of increase in salaries	4.0	4.0	3.2
Inflation	2.5	3.0	3.0
Expected rate of return on equities	7.9	7.9	8.2
Expected rate of return on bonds ¹	4.7	4.8	4.8
Expected rate of return on cash	3.0	1.8	3.1
Weighted average return on assets	6.7	6.9	7.0
UK			
Discount rate	4.7	5.3	5.5
Rate of increase in salaries	4.3	4.3	3.6
Rate of increase in pensions in payment	3.8	3.8	3.8
Inflation	2.8	2.8	2.8
Expected rate of return on equities	7.3	7.5	7.5
Expected rate of return on bonds ¹	4.5	5.0	5.0
Expected rate of return on insured annuities	4.7	5.3	5.5
Expected rate of return on property	7.0	7.0	7.0
Expected rate of return on cash	4.3	3.0	3.0
Weighted average return on assets	5.2	5.7	5.8
Continental Europe			
Discount rate	4.2	4.5	5.3
Rate of increase in salaries	2.9	3.1	3.2
Rate of increase in pensions in payment	1.6	1.7	1.7
Inflation	2.0	2.0	2.0
Expected rate of return on equities	6.7	7.0	7.5
Expected rate of return on bonds ¹	4.3	4.5	5.0
Expected rate of return on property	6.2	6.4	7.0
Expected rate of return on cash	2.5	2.6	3.0
Weighted average return on assets	5.4	5.5	5.9
Asia Pacific, Latin America, Africa & Middle East			
Discount rate	3.5	3.1	2.8
Rate of increase in salaries	3.6	3.1	2.7
Inflation	2.0	1.5	1.6
Expected rate of return on bonds ¹	3.2	3.1	2.6
Expected rate of return on property	11.0	10.0	10.0
Expected rate of return on cash	7.5	7.3	7.3
Weighted average return on assets	3.3	3.1	2.7

Notes

¹ Expected rate of return on bonds assumptions reflect the yield expected on actual bonds held, whereas the discount rate assumptions are based on high-quality bond yields.

Panel B - disclosure of fair value of plan assets and present value of plan liabilities

(b) Assets and liabilities

At 31 December, the fair value of the assets in the schemes, and the assessed present value of the liabilities in the schemes are shown in the following table:

Group	2005		2004	
	£m	%	£m	%
Equities	164.2	36.2	148.8	37.9
Bonds	191.1	42.2	157.7	40.1
Insured annuities	73.2	16.1	66.8	17.0
Property	17.5	3.9	14.6	3.8
Cash	7.2	1.6	4.8	1.2
Total fair value of assets	453.2	100.0	392.9	100.0
Present value of scheme liabilities	(684.6)		(595.2)	
Deficit in the schemes	(231.4)		(202.3)	
Deficit in schemes by region				
North America	(117.6)		(102.9)	
UK	(54.4)		(54.6)	
Continental Europe	(55.1)		(41.3)	
Asia Pacific, Latin America, Africa & Middle East	(4.3)		(3.5)	
Deficit in the schemes	(231.4)		(202.3)	

Some of the Group's defined benefit schemes are unfunded (or largely unfunded) by common custom and practice in certain jurisdictions. In the case of these unfunded schemes, the benefit payments are made as and when they fall due. Pre-funding of these schemes would not be typical business practice.

Expected employer contributions and benefit payments in 2006 are £35.7 million and £31.5 million, respectively.

Source: WPP (2006).

Best estimate of expected contributions to be paid to the plan

10. Para. 120 (q) of IAS 19 requires that employers disclose the best estimate, as soon as it can reasonably be determined, of contributions expected to be paid to the plan during the annual period beginning after the balance sheet date. This new disclosure requirement was added during the most recent revision of IAS 19. In several instances, the disclosure provided by the sample companies is not clear as to whether the cash outflows are to be paid to plan trustees, or retirees/pensioners, or both. This is problematic, given the diversity of corporate pension funding globally. In countries such as the US, where funding is required, the assumption is that the cash payments normally go to the plan, but for unfunded plans, which are the norm in some European countries, payments go to the pensioners. Thus, clearly specifying the payee enhances transparency.
11. For example, as shown in at the bottom of Table 16, Panel B (above) WPP states that ‘some of the Group’s defined-benefit schemes are unfunded (or largely unfunded) by common custom and practice in certain jurisdictions. In the case of these unfunded schemes, the benefit payments are made as and when they fall due. Pre-funding of these schemes would not be typical business practice’. In Table 17 (below), alternatively, Scottish Power specifies that the Company’s payments are made to the pension scheme. The table also clearly illustrates how Scottish Power’s plan assets are allocated in line with para. 120 (j).

Table 17: Scottish Power best practice - disclosure of anticipated payments to pension schemes and allocation of plan assets.

ScottishPower made an aggregate lump sum payment of £28.2 million during March 2006 into the relevant schemes. On completion of the return of cash to shareholders, an aggregate lump sum contribution of £100.0 million will be made to the relevant schemes and four further aggregate annual payments of £13.2 million will be made to the relevant schemes commencing on 31 March 2007, subject to a deficit continuing in those schemes at each due payment date. ScottishPower has received a clearance statement from the Pensions Regulator, that it would not be reasonable to impose liability for a contribution notice on the applicants to the clearance application in respect of the proposed return of cash.

Each of the pension schemes are invested in an appropriately diversified range of equities, bonds, property and private markets. The broad proportions of each asset class in which the schemes aim to be invested are as follows, however it is important to note that this may vary from time to time as markets change and as cash may be held for strategic reasons.

	Equities %	Bonds %	Property %	Private markets %	Total %
ScottishPower	66	26	8	–	100
Manweb	60	40	–	–	100
Final Salary LifePlan	100	–	–	–	100
US pensions	58	35	–	7	100
US other post-retirement benefits	64	35	–	1	100

In broad terms, the investment strategies adopted by the schemes aim to ensure that sufficient assets are available to meet scheme liabilities as they fall due. The ScottishPower and Manweb schemes' investment strategies reflect the large and growing proportion of their liabilities which relate to pensions in payment and therefore include a growing bond element. A significant equity element is still retained, however, to provide potential for long-term outperformance relative to bonds and therefore to reduce the group's contribution requirements. This strategy will be reviewed on an ongoing basis by the trustees and they will continue to seek the company's views and comments on asset allocation.

US arrangements are managed and invested in accordance with all applicable requirements, including the Employee Retirement Income Security Act ("ERISA") and the Internal Revenue Service ("IRS") revenue code. The ERISA is the US legislation which regulates pension institutions in a number of areas. The US arrangements employ an investment approach whereby a mix of equities and fixed income investments are used to maximise the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed income investments. Equity investments are diversified across US and non-US stocks, as well as growth, value, small and large capitalisation. Fixed income investments are diversified across US and non-US bonds. Other assets such as private equity are used judiciously with a view to enhancing long-term returns while improving portfolio diversification. The US arrangements primarily minimise the risk of large losses through diversification but also monitors and manages other aspects of risk through quarterly investment portfolio reviews, annual liability measurements and periodic asset/liability studies.

ScottishPower

Scottish Power UK plc operates a funded pension scheme of the company providing defined retirement and death benefits based on final pensionable salary. This scheme was open prior to 1 January 1999 to employees of ScottishPower. Members are required to contribute to the Scheme at a rate of 5% of pensionable salary. Scottish Power UK plc meets the balance of cost of providing benefits, and company contributions paid are based on the results of the formal actuarial valuation of the Scheme and are agreed by Scottish Power UK plc and the Scheme Trustees.

Source: Scottish Power (2006).

Allocation of plan assets

- IAS 19 para. 120A (j) indicates that for each major category of plan assets, the company must disclose the percentage or amount the category constitutes of the fair value of the total plan assets. As illustrated in Table 18 (below), for the company's US, UK and other funded plans, Smith & Nephew discloses the information required in para. 120A (j) for 2005 and the preceding two years, and in addition voluntarily indicates the target allocation for 2006.

Table 18: Smith & Nephew best practice - plan asset allocations by country and target allocation**34. Retirement Benefit Obligation — (continued)**

The following table sets out the Company's pension plan asset allocations in the funded UK, US and Other Plans for the last three years, together with the target allocations for 2006:

	Target Allocation	Percentage of Plan Assets at 31 December		
	2006	2005	2004	2003
		(%)		
UK Plan				
Asset Category:				
Equity securities	60 – 80	77	74	75
Debt securities	15 – 25	15	17	17
Property	0 – 8	5	5	5
Other	0 – 5	3	4	3
Total		<u>100</u>	<u>100</u>	<u>100</u>
US Plan				
Asset Category:				
Equity securities	68 – 80	79	78	76
Debt securities	20 – 26	20	22	21
Other	0 – 5	1	–	3
Total		<u>100</u>	<u>100</u>	<u>100</u>
Other Plans				
Asset Category:				
Equity securities	40 – 70	50	59	57
Debt securities	20 – 60	48	36	38
Property	0 – 10	1	1	1
Other	0 – 10	1	4	4
Total		<u>100</u>	<u>100</u>	<u>100</u>

Source: Smith & Nephew Group (2006).

Pension information disclosed by primary segments

13. Table 19 (below) illustrates the degree of useful detail a company can use to disaggregate pension assumptions and to disaggregate other information about pension plans. For example, Deutsche Post provides information for its pension plans consistent with the company's primary segments (as defined by IAS 14). Some companies separate only by funded or unfunded pension schemes, or, more often, as stressed in our section on benchmarking, across countries.

Table 19: Deutsche Post best practice - disclosure of defined-benefit pension plans information in line with company's primary segments

Pension provisions and pension assets by area

Pension provisions and pension assets by area												
€m	Deutsche Post AG	Deutsche Postbank group	EXPRESS excluding DPAG	LOGISTICS excluding DPAG	Other	Total	2005					Total
							Deutsche Post AG	Deutsche Postbank group	EXPRESS excluding DPAG	LOGISTICS excluding DPAG	Other	
Pension provisions and other employee benefits	5,023	584	185	57	33	5,882	4,461	585	213	420	101	5,780
Pension assets	0	0	-41	-10	0	-51	0	0	-67	-122	0	-189
Net pension provisions	5,023	584	144	47	33	5,831	4,461	585	146	298	101	5,591

The newly acquired pension obligations of Exel are reported under LOGISTICS excluding DPAG. In 2005, Deutsche Post Retail GmbH was spun off from Deutsche Post AG. The obligations relating to Deutsche Post Retail GmbH are included in the Other column.

Actuarial assumptions

The majority of the Group's defined benefit obligations relate to companies in Europe, the UK and the US. The actuarial measurement of the main benefit plans was based on the following assumptions:

Actuarial assumptions										
%	2004					2005				
	Germany	Rest of euro zone	UK	Switzerland	USA	Germany	Rest of euro zone	UK	Switzerland	USA
Discount rate	5.00	5.00	5.50	3.25	5.75	4.25	4.25	4.70	2.75	5.75
Future salary increase	2.50	2.75 to 3.25	4.00	2.75	4.00	2.50 to 3.00	2.00 to 3.50	4.00 to 4.10	3.00	3.25 to 4.00
Future inflation rate	1.00 to 2.00	1.50 to 2.25	2.50	1.25	3.25	2.00	2.00	2.60	1.50	2.75

For the German Group companies, longevity was calculated using the mortality tables Richttafeln 2005 G for the 2005 results while the 2004 results used the mortality tables Richttafeln 1998, both published by Dr. Klaus Heubeck. Country-specific mortality tables were used for the other countries.

The following average expected return on plan assets was used to compute the expenses for 2004 and 2005:

Computation of expenses for the period					
%	Germany	Rest of euro zone	UK	Switzerland	USA
Average expected return on plan assets for 2004	3.10 to 4.25	6.70	7.75	5.45	8.17
Average expected return on plan assets for 2005	3.10 to 4.25	4.25 to 7.00	6.75 to 7.50	4.50	8.00

The expected return on plan assets was determined by taking into account current long-term rates of return on bonds (government and corporate) and applying to these rates a suitable risk premium determined on the basis of historical market returns and current market expectations for a given plan's asset structure.

Source: Deutsche Post World Net (2006).

Table 19 continued

Reconciliation of defined benefit obligations, plan assets and net pension provisions

€m	2004						2005					
	Deutsche Post AG	Deutsche Postbank group	EXPRESS excluding DPAG	LOGISTICS excluding DPAG	Other	Total	Deutsche Post AG	Deutsche Postbank group	EXPRESS excluding DPAG	LOGISTICS excluding DPAG	Other	Total
Present value of defined benefit obligations at December 31 for wholly or partly funded benefits	3,980	0	760	513	0	5,253	4,111	73	1,099	4,389	0	9,672
Present value of defined benefit obligations at December 31 for unfunded benefits	3,641	714	129	61	33	4,578	3,709	761	193	68	103	4,834
Present value of total defined benefit obligations at December 31	7,621	714	889	574	33	9,831	7,820	834	1,292	4,457	103	14,506
Fair value of plan assets at December 31	-1,728	0	-697	-498	0	-2,923	-1,776	-59	-1,090	-4,105	0	-7,030
Unrecognized gains (+) / losses (-)	-870	-130	-48	-29	0	-1,077	-1,577	-190	-76	-62	-2	-1,907
Unrecognized past service cost	0	0	0	0	0	0	-6	0	0	0	0	-6
Asset adjustment for asset limit	0	0	0	0	0	0	0	0	20	8	0	28
Net pension provisions at December 31	5,023	584	144	47	33	5,831	4,461	585	146	298	101	5,591

The most significant changes in pension obligations in the course of 2005 were in the LOGISTICS excluding DPAG area and relate to the acquisition of Exel at the end of the year (net pension provisions: €227 million, defined benefit obligations: €4.030 billion, fair value of plan assets: €3.803 billion). The acquired obligations exist primarily in the United Kingdom.

There were significant reclassifications of pension obligations, plan assets and pension provisions from LOGISTICS excluding DPAG to EXPRESS excluding DPAG in Switzerland.

Source: Deutsche Post World Net (2006).

Mortality assumptions

14. Table 20 (below) includes Unilever's disclosure of the actuarial assumptions used for valuation. Unilever's disclosure includes a discussion of the mortality tables used by country and notes how mortality rates vary substantially by country. As noted in the literature review, IAS 19 (para. 120A (n)) requires disclosure of 'any other material actuarial assumptions used' and the widely held view is that estimates on mortality will probably have a material impact on the defined-benefit obligation. Detailed disclosure such as that provided does not, however, appear to be the norm, as the ICAEW (2007) review of 20 companies' pension disclosures reveals that the majority did not provide information on expected mortality rates. Additionally, the UK Review Panel expressed concerns about omission of information on mortality rates and noted that such information has historically been required by UK GAAP.

Table 20: Unilever best practice: disclosure of actuarial assumptions and information on mortality tables used, by country where primary plans are based

Other Assumptions	2005	United Kingdom		2005	2004	Netherlands 2003
		2004	2003			
Discount rate	4.7%	5.3%	5.4%	4.0%	4.5%	5.2%
Inflation	2.7%	2.8%	2.7%	1.8%	1.8%	1.8%
Rate of increase in salaries	4.2%	4.3%	4.2%	2.3%	2.3%	2.5%
Rate of increase for pensions in payment	2.7%	2.9%	2.8%	1.8%	1.8%	1.8%
Rate of increase for pensions in deferment (where provided)	2.7%	2.9%	2.8%	1.8%	1.8%	1.8%
Expected long-term rates of return:						
Equities	7.6%	8.0%	8.3%	7.0%	7.6%	8.3%
Bonds	4.5%	5.0%	5.3%	3.7%	4.1%	4.7%
Property	6.1%	6.5%	6.8%	5.5%	6.1%	6.8%
Others	6.7%	7.2%	4.3%	3.7%	3.5%	3.2%
	2005	United States 2003		2005	2004	Germany 2003
Discount rate	5.5%	5.7%	6.1%	4.0%	4.5%	5.2%
Inflation	2.4%	2.5%	2.5%	1.8%	1.8%	1.8%
Rate of increase in salaries	4.0%	4.5%	4.5%	2.5%	2.5%	2.5%
Rate of increase for pensions in payment	0.0%	0.0%	0.0%	1.8%	1.8%	1.8%
Rate of increase for pensions in deferment (where provided)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expected long-term rates of return:						
Equities	8.0%	8.4%	8.6%	7.0%	7.6%	8.3%
Bonds	4.8%	4.7%	4.7%	3.7%	4.1%	4.7%
Property	6.5%	6.9%	n/a	5.5%	6.1%	6.8%
Others	4.2%	2.1%	n/a	3.7%	3.7%	3.7%
Weighted average asset return	7.0%	7.3%	7.4%	5.3%	5.7%	6.1%

Mortality assumptions for these countries are based on the following post-retirement mortality tables: (i) United Kingdom: PMA 92 and PFA 92 with short cohort adjustment and scaling factor of 125% applied, projected to 2015 for current pensioners and to 2025 for future pensioners; (ii) the Netherlands: GBMV (1995-2000); (iii) United States: RP2000 with a projection period of 10-15 years; and (iv) Germany: Heubeck 1998 (Periodentafel) with a scaling factor of 85%.

Assumptions for the remaining defined benefit plans vary considerably, depending on the economic conditions of the country where they are situated.

Source: Unilever (2006).