



Project	Post-employment Benefits
Topic	Disclosures—Level of aggregation/disaggregation

Objective

1. The objective of this paper is to request the working group to discuss whether it is appropriate to mandate a level for the disclosure of disaggregated information, for entities with more than one defined benefit plan. If so, what should be the criteria for disaggregation and what type of information should be disclosed on a disaggregated basis?

Current requirements

2. When an entity has more than one defined benefit plan, IAS 19 permits the disclosure of disaggregated information where there is more than one defined benefit plan.
3. The relevant paragraphs in IAS 19 *Employee Benefits* on disaggregation are set out below for the convenience of working group members:

121 Paragraph 120A(b) requires a general description of the type of plan. Such a description distinguishes, for example, flat salary pension plans from final salary pension plans and from post employment medical plans. The description of the plan shall include informal practices that give rise to constructive obligations included in the measurement of the defined benefit obligation in accordance with paragraph 52. Further detail is not required.

122 When an entity has more than one defined benefit plan, disclosures may be made in total, separately for each plan, or in such groupings as are considered to be the most useful. It may be useful to distinguish groupings by criteria such as the following:

- (a) the geographical location of the plans, for example, by distinguishing domestic plans from foreign plans; or

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- (b) whether plans are subject to materially different risks, for example, by distinguishing flat salary pension plans from final salary pension plans and from post employment medical plans.

When an entity provides disclosures in total for a grouping of plans, such disclosures are provided in the form of weighted averages or of relatively narrow ranges.

Criteria for disaggregation

- 4. Some believe that entities with more than one defined benefit plans should be required, in certain circumstances, to disclose information on those plans in a disaggregated manner. There are different views on how the entity could or should disaggregate those disclosures. The options are:
 - (a) presenting disaggregated basis using ‘through the eyes of management approach’ consistent with IFRS 8 *Operating Segments*. Under this approach, disclosure of certain disaggregated information is required when such information is reviewed by or otherwise regularly provided to the chief operating officer¹
 - (b) disaggregation based on the risk profiles of the defined benefit plans
 - (c) disaggregation based on the geographical location of the defined benefit plans
 - (d) disaggregation based on other specified criteria.

Feedback from ARG and EBWG

- 5. A questionnaire was sent to both the Analysts Representative Group (ARG) and EBWG in March and asked, among other issues, their opinion on the level of disaggregation for post-employment benefit disclosures. The various views of the ARG and EBWG are set out below. The various suggestions for the criteria for disaggregation are by:

¹ This IFRS requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

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- (a) country (because pension regulation varies between jurisdictions and because it assists in identifying currency affects)
- (b) control
- (c) the level of funding (eg whether the plans are in surpluses or deficits because the funding requirements are not transferable between schemes)
- (d) risk (eg funded/unfunded, high inflation risks)
- (e) business segment
- (f) whether the fund is discontinued or in the process of sale

One user ideally would like information for each significant defined benefit plan separately but recognised that this could be unwieldy. In contrast, some supported the current IAS 19 requirements on disaggregation.

Discussion questions

1. Where the entity has more than one defined benefit plans, should the disclosure of disaggregated information be required?
2. If so, what criteria should be used to disaggregate and present such information on defined benefit plans?

Disclosure of disaggregated information

6. If it is agreed that the presentation of disaggregated information should be required, the next issue for the working group to consider is the type of information that should be disclosed on a disaggregated basis. The options are to require:
 - (a) all information on a disaggregated basis
 - (b) certain information to be presented on a disaggregated basis and at a minimum, to require the rest of the information on an aggregated basis.
7. Those who support option 6(a) above would argue that all disclosures on defined benefit plans are important. Hence, all disclosures on defined benefits should be required on a disaggregated basis.
8. Others who support option 6(b) above would argue that it is too costly to disclose all information on defined benefit plans on a disaggregated basis. Also, the usefulness of such information may be impaired by voluminous disclosures. Instead, only certain disclosures should be required on a disaggregated basis.

The entity can then choose to present the rest of the required information on a disaggregated or aggregated basis.

Feedback from ARG and EBWG

9. The following is some of the recommendations from ARG and EBWG members of the types of information to be disclosed on a disaggregated basis:
- (a) key assumptions
 - (b) currency risk exposure
 - (c) expected future benefits funded and unfunded on a disaggregated basis
 - (d) number of plan members.

Discussion questions

3. If so, what information on defined benefit plans should be presented on a disaggregated basis?

Interaction with materiality

10. If any guidance is developed on the materiality of disclosures (discussed in agenda paper 4), such guidance could also apply to the disclosure of disaggregated information (eg the level of disaggregation, requiring the disclosure of certain information on a disaggregated basis when the omission of such information may influence users' economic decisions). For example, the proposed guidance in paragraph B31 in Exposure Draft 10 *Consolidated Financial Statements* discussed in agenda paper 4.

Discussion questions

4. If further guidance is recommended on materiality and disclosures, should such guidance also apply to the disclosure of disaggregated information?
5. If so, what should be included in such guidance?