



Project	<b>Post-employment Benefits</b>
Topic	<b>Disclosures—Multi-employer plans</b>

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### **Purpose of this paper**

1. The purpose of this paper is to ask the working group for suggested disclosures about participation in multi-employer plans.
2. IAS 19 requires entities participating in a multi-employer plan to provide the same disclosures that are required for any other defined contribution or defined benefit plan. This paper considers what additional disclosures should be required by multi-employer plans in general and, more specifically, those plans that use the current exemption and account for a defined benefit plan as a defined contribution plan.

### **Current requirements**

3. IAS 19 does not specify additional disclosures for multi-employer plans, unless entities use the exemption in paragraph 30 that permits entities to account for a defined benefit multi-employer plan as if it were a defined contribution plan if sufficient information is not available to use defined benefit accounting. In that case, entities are required to:
  - (b) **disclose:**
    - (i) **the fact that the plan is a defined benefit plan; and**
    - (ii) **the reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan; and**
  - (c) **to the extent that a surplus or deficit in the plan may affect the amount of future contributions, disclose in addition:**
    - (i) **any available information about that surplus or deficit;**

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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.

- (ii) the basis used to determine that surplus or deficit; and
- (iii) the implications, if any, for the entity.

4. In March 2009, the Board decided not to introduce a blanket exemption from defined benefit accounting for multi-employer plans. The Board noted that a blanket exemption could be open to abuse and introduce structuring opportunities. The Board did not reconsider the existing exemption in IAS 19 when sufficient information is not available to use defined benefit accounting for a multi-employer plan that is a defined benefit plan.

**Discussion questions**

Are the existing requirements for entities to disclose why they are using the exemption in paragraph 30 of IAS 19 adequate?

**Disclosures for all entities participating in a multiemployer plan**

5. The responses to the discussion paper and feedback from the employee benefits working group, analyst representative group and other constituents indicate a concern that users of financial statements have insufficient information about an entity's participation in a multiemployer plan. This was also reflected in the comments received on a questionnaire that was distributed in the lead up to this meeting. In particular, many believe insufficient information is available to enable users of financial statements to understand:
- (a) the risks associated with participating in a multiemployer plan.
  - (b) the nature of an entity's participation in a multiemployer plan
  - (c) its potential effect on the amount, timing and uncertainty of future cash flows.
6. At the previous EBWG meeting, some members suggested that more, rather than less disclosure is required for entities participating in a multiemployer plan, even if the entity does not use the exemption in paragraph 30 of IAS 19.

**Disclosure of risk**

7. Some constituents have commented that there could be higher risks associated with participation in a multiemployer plan, compared to a single employer plan.

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These risks depend on the number of employer participants, the size of their respective interest in the plan and level of their exposure to the actuarial and investment risks of other participants.

8. Disclosures about such risks could address:
- (a) Risks arising in the event of wind-up or withdrawal. For example, entities could be required to disclose details of any agreed deficit/surplus allocation on wind-up or the amount that is required to be paid on withdrawal.
  - (b) Risks arising when other participants become insolvent in the case of a plan whose participants have joint and several liability (last-man-standing risk). For example, entities could be required to disclose the number of other participants, the identity of other employer sponsors and whether they are in any financial distress or not meeting their contributions.
  - (c) Risks arising from the demographics of the plan. Possible disclosures could include the total and employer's proportion of the number of active members, retired members, and former members entitled to benefits.
  - (d) Risks arising from the asset allocation of the plan. Possible disclosures could include those discussed in agenda papers 6 and 6A such as the allocation, expected return and concentration.

### Discussion questions

Should all entities that participate in multiemployer plans provide disclosure about the risks associated with participation, or should the disclosures be restricted, for example:

- (a) to entities for which the risk is significant or material?
- (b) to entities that use the exemption in paragraph 30 of IAS 19?

Are there any additional risks that need to be addressed?

Do you have any other suggestions about possible disclosures about risk?

### ***Disclosure about the nature of a multiemployer plan***

9. Responses to the questionnaire stated that disclosure of a net surplus or deficit in a multi-employer plan is insufficient to provide users with an understanding of

the nature of the multi-employer plan. Responses suggest that entities disclose the size of the liability and the assets used to fund the liability.

**Discussion questions**

Should all entities that participate in multiemployer plans disclose information about the nature of the plan?

Would disclosure of the size of the liability and the assets used to fund the liability be sufficient to achieve this? What additional disclosures might be useful?

Should entities that use the exemption in IAS 19 continue to make the disclosures in paragraph 30(c)?

**Disclosures about future cash flows**

10. Responses to the questionnaire distributed in the lead up to this meeting stated additional disclosures about future contributions would supplement risk disclosures to assist users of financial statements to assess the future cash flows associated with the plan.
11. Specifically responses proposed disclosure of the following information:
  - (a) the entity's best estimate of the amount and timing of expected future contributions
  - (b) the method used to determine participants' rate of contributions and whether there are any minimum funding requirements.
  - (c) the percentage of total contribution to the plan for the current year; and
  - (d) expected future changes to the proportion of contributions to the plan.

**Discussion questions**

Should all entities that participate in multiemployer plans disclose information about future cash flows associated with the plan?

Would the suggested disclosures be sufficient to achieve this? What additional disclosures might be useful?