IASB Meeting | Agenda reference | 20A

Staff Paper | Date | May, 2009

Project: **Post-employment Benefits**

Topic: **Disclosures—Defined benefit plans**

Aim of the meeting

1. The objective of this meeting is to decide the appropriate disclosures for defined benefit plans that will be proposed in the forthcoming exposure draft of amendments to IAS 19.

Summary of staff recommendations

2. The staff recommends the following:

   (a) additional guidance on materiality and disaggregation/aggregation for disclosures (discussed in paragraphs 12-19 and set out in paragraphs 42, 45(c) and 62)

   (b) replacing the disclosure objectives in IAS 19 with objectives similar to those in IFRS 7 *Financial Instruments: Disclosures* (and IFRS 4 *Insurance Contracts)* (discussed in paragraphs 15-19 and set out in paragraph 42)

   (c) using a principle-based approach for the disclosures on the entity's actuarial assumptions based on similar requirements in IFRS 4 (discussed in paragraphs 15-19 and set out in paragraph 48)

   (d) additional disclosures on the risks arising from defined benefit plans (discussed in paragraphs 28-40), including

(i) qualitative disclosures, including risk management policies and investment strategies (set out in paragraphs 51, 54(a) and 57(b))

(ii) sensitivity analysis (set out in paragraph 52)

(iii) expected maturity analysis for the defined benefit obligation) (set out in paragraph 57)

(iv) comparison of actual versus estimated contributions (set out in paragraph 56(c)).

(e) as a consequence of the Board's earlier decisions on recognition and presentation, deleting relevant current disclosures (see Appendix A for a list of those disclosures).

The proposed disclosures are set out in the section entitled 'Proposed disclosures' set out in paragraphs 41-62.

3. The reasons for the additional disclosures recommended are in response to:

(a) constituents comments on the discussion paper Preliminary Views on Amendments to IAS 19 *Employee Benefits*

(b) current developments in some jurisdictions where more disclosures have recently being required or recommended for post-employment benefits. Such developments indicate that there is a need for more transparent information on post-employment benefits.

(c) the advice received from the Board's ARG and EBWG.

(d) the need to update the disclosure requirements in IAS 19 to reflect current developments in IFRSs on disclosures, in particular IFRS 7.

Background

4. At its January 2009 meeting, the Board decided to include disclosures in the scope of the forthcoming exposure draft of amendments to IAS 19 due to be published in the third quarter of 2009, with the objective of improving the disclosures on post-employment benefits.

5. In developing the recommendations on improving post-employment benefits, staff has

    (a) considered the responses received on the Board's discussion paper Preliminary Views on Amendments to IAS 19 *Employee Benefits*

    (b) considered the efforts in this area of other standard setters and others in recent years (eg the Pro-active Accounting Activities in Europe (PAAinE) discussion paper *The Financial Reporting of Pensions,* UK Accounting Standards Board (ASB) Reporting Statement *Retirement Benefits—Disclosures,* FASB Staff Position No. 132(R)-1 *Employers' Disclosures about Postretirement Benefit Plan Assets* (FSP FAS 132(R)-1)

    (c) considered the Investors Technical Advisory Committee (ITAC) of US Financial Accounting Standards Board (FASB) proposed 'principles-based' disclosure framework and the Canadian Accounting Standards Board (AcSB) draft Framework for the disclosure of information in financial statements

    (d) consulted

        (i) the Employee Benefits Working Group (EBWG) via a questionnaire distributed in March and at its 28 April 2009 meeting

        (ii) the Analyst Representative Group (ARG) at their 25 February 2009 meeting and via a questionnaire distributed in March.

6. The staff also noted that the forthcoming exposure draft on fair value measurement proposes disclosures that will apply to plan asset because they are measured at fair value. For completeness and for the Board's information Appendix B sets out a draft of those disclosures.

Improving disclosures

7. The Board's discussion paper Preliminary Views on Amendments to IAS 19 *Employee Benefits* indicated its intention to consider best practice disclosures in various jurisdictions as part of a review of disclosure requirements about post-employment benefit plans, and asked constituents what disclosures the Board should consider in the review process. We received a total of 150 comment letters, and 71 of them discussed disclosure issues.

8. Some respondents expressed concerns about requiring further disclosure requirements. They argued that disclosures required by IAS 19 are currently excessive. Hence, more information would make the total package of disclosures confusing, less understandable and less transparent. In particular, some of them were concerned that it would be problematic for large multi-national companies that have many varied plans across a number of countries.

9. Actuarial professionals noted that assets and liabilities arising from post-employment benefit plans are subject to more disclosures than other long-term assets and liabilities. They argued that there is no reasonable basis for this. Therefore, they suggested that the Board should make sure that disclosure principles should be applied consistently across all significant long-term assets and liabilities.

10. However, the majority of respondents commented that the Board should require additional disclosure, because they believed that the Board should provide users with better information in order to help users understand the impact of liabilities and assets arising from post-employment benefit plans. Also the majority of the ARG and EBWG are also of the view that the Board should improve post-employment benefits disclosures. Those who support requiring additional disclosures for defined benefit plans think that defined benefits obligation and plan assets are different in nature to the other liabilities and assets of the entity (eg defined benefit obligation are long-term and uncertain in nature similar to insurance liabilities, in some jurisdictions defined benefit plans are considered a social good).

11. Staff thinks that the disclosures in IAS 19 can be improved. Staff notes that some of the concerns expressed on the voluminous disclosures on defined benefit plans may be resolved by:

    (a) the removal of disclosures as a consequence of the Board's decision to remove the 'corridor' approach

    (b) appropriate application of materiality (discussed in the section below).

Materiality

12. Anecdotal evidence indicates two issues with materiality and post-employment benefits disclosures:

    (a) The disclosure of information required by a specific standard even when the information is immaterial.

    (b) The nondisclosure of material information necessary to comply with a disclosure principle in a standard because such information is not specifically required.

    Both of these issues are captured in the common term 'tick-box mentality to disclosures'. Of course, these issues do not just apply to post-employment benefits disclosures.

13. These issues, among other things, were discussed at the February ARG and April EBWG meetings. The EBWG indicated that further guidance on these issues would be useful. Some EBWG members suggest that the Board include a project on materiality on the Board's agenda. Some EBWG members would like the IASB to develop a disclosure framework similar to that proposed by the FASB's ITAC (see paragraph 5(c)).

14. Consequently, staff recommends including guidance on these issues adapted from IFRS 7 and ED 10 *Consolidated Financial Statements* (paragraphs 42 and 62 below) in the forthcoming exposure draft

Questions	
1.	Does the Board agree to the inclusion of additional guidance on materiality (paragraphs 42 and 62 below)?

Objectives

15. Staff recommends replacing the IAS 19 disclosure objective with the objectives similar to the objectives in IFRS 4 and IFRS 7 (see paragraph 42 below).

16. Additional reasons to those discussed earlier in paragraph 3 for the recommended disclosure objectives above are:

    (a) There are no significant reasons for the disclosure objectives of defined benefit objectives to be different from those applicable to financial instruments and insurance contracts.

    (b) Defined benefit plans have similar characteristics to some long-term financial instruments and long-term insurance contracts for example, risks that the ultimate cost may vary from that estimated, risks that the entity will not be able to settle its obligations and complex measurement issues.

17. Also, the recommended disclosure objectives are consistent with those in the PAAinE discussion paper and UK ASB reporting statement. Some would also recommend another disclosure objective from PAAinE discussion paper and UK ASB reporting statement— the relationship between the entity and trustees (managers) of the defined benefit scheme.

18. Staff thinks such a disclosure objective is subsumed in the recommended objective of disclosing information on the nature and extent of risks arising from defined benefit plans. Any information disclosed on the relationship between the entity and trustees (managers) of the defined benefit plan allows users to understand the nature of the defined benefit plan and any risks arising from the funding arrangements between trustee (managers) and the entity.

19. Consequently, staff recommends additional disclosures on the information of the management of defined benefit plans (see paragraphs 46(b), 55(a) and 62 below).

Questions	
2.	Does the Board agree with replacing the IAS 19 disclosure objective with the objectives similar to the objectives in IFRS 4 and IFRS 7 (see paragraph 42 below)?
3.	Does the Board agree to include additional disclosures of information on the management of defined benefit plans (see paragraphs 46(b) and 55(a) and 62 below)?

Actuarial assumptions

20. IAS 19 currently requires the quantitative disclosure of principal actuarial assumptions. IAS 19 paragraph 120A(n) lists some of the actuarial assumptions that might be disclosed but that list does not include all of the actuarial assumptions listed separately in the earlier measurement sections of IAS 19 (paragraph 73).

Mortality Rates

21. Many respondents supported the explicit requirement to disclose information about mortality rates. Some respondents (including preparers, auditors and actuarial professionals) argued, in support of this view, that the disclosure of mortality rates is broadly regarded as a key assumption[1] and is already required under the materiality requirements of paragraph 120A(n)(vi) of IAS 19.

22. However, some do not support requiring the disclosure of mortality rates as the costs may outweigh the benefits. They argue that:

    (a) For plan members with disparate demographic profiles, the disclosure of aggregated mortality rates is less useful.

    (b) If users are to understand and use information about mortality rates, they would need detailed knowledge about the demographics of the plan. It is not practicable to provide sufficient information for users to

[1] For example, a major banking group mentioned in its comment letter that it voluntarily provides information about mortality rates.

acquire the necessary knowledge. As a result, comparisons based on such disclosures are likely to be uninformative and perhaps misleading.

23. Another approach would focus on disclosing the process used to derive assumptions (complemented by sensitivity analysis and disclosures about changes in estimates), rather than on disclosing the absolute level of assumptions. The Board faced similar issues when it developed IFRS 4 *Insurance Contracts.* Paragraph 37(c) of IFRS 4 requires an insurer to disclose: "the process used to determine the assumptions that have the greatest effect on the measurement of the recognised amounts described in (b). When practicable, an insurer shall also give quantified disclosure of those assumptions."

24. At the April meeting of the EBWG, some members did not support specifically requiring the disclosure of mortality rates because:

    (a) demographic actuarial assumptions may vary significantly between plans

    (b) some users prefer the disclosure of when and how mortality rates are determined.

25. Staff thinks that information on mortality rates should be disclosed when mortality rates are material. However, staff thinks that it is not appropriate to specify the disclosure of mortality rates, or *any* of the other actuarial assumptions.

26. The staff prefers a principle-based solution to the appropriate disclosure of actuarial assumptions. Specifying a list of actuarial assumptions to be disclosed is unhelpful because of the issues raised above on materiality. By not specifying the actuarial assumptions, the entity will have to use their judgment on the relevant actuarial assumptions to be disclosed to comply with the disclosure objectives. Also, the staff notes that IAS 19 paragraph 73 contains a list of actuarial assumptions which may assist the entity in making such a judgment.

27. Consequently, in respect of disclosures on actuarial assumptions, the staff recommends:

(a) requiring qualitative disclosure of the process used to determine the actuarial assumptions

(b) requiring quantitative disclosure of the actuarial assumptions

(c) not specifying the actuarial assumptions to be disclosed by the requirements (a) and (b) above (see paragraph 48).

Questions	
4.	Does the Board agree to requiring disclosures on the entity's actuarial assumptions based on similar requirements in IFRS 4 (see paragraph 48)?

Disclosures on risks

28. Many respondents requested that the Board enhance the disclosure requirements about the risk inherent in the post-employment benefit promise and the risk associated with the assets held to fund the benefit.

29. In particular, a professional analysts association (CL 96) provided detailed examples as follows:

(a) exposures related to asset/liability duration and cash flow mismatch

(b) credit and market risks associated with the underlying assets

(c) information regarding extreme risk factors, including asset concentrations and asset volatility relative to the market

They noted that a critical issue for investors is developing a complete understanding of the degree of mismatch risk being undertaken and whether the net expected return on the overall risk exposure is adequate.

30. At the April EBWG, some members emphasised the need for further disclosures on risk. Moreover, their view is that the entity's asset-liability risk matching strategies is crucial to an understanding of the risks arising from defined benefit plans.

31. Consequently, staff recommends additional disclosures on risks arising from defined benefit plans. Risks arising from defined benefit plans can be divided into two major categories:

    (a) actuarial risk. Actuarial risk is the risk arising from uncertainty about the ultimate cost of providing benefits.

    (b) funding risk. Funding risk is the risk that entity will encounter difficulty in meeting obligations associated with defined benefit plans. For example, for unfunded plans, funding risk is the risk that the entity will encounter difficulty in meeting the defined benefit obligation as it falls due. For funded plans, funding risk includes investment risk.

32. Staff recommends including a definition of funding risk and moving the definitions of actuarial risk and investment risk in IAS 19 paragraphs 25(b) and 27(b) to the definition section of IAS 19.[2] The following definitions are proposed to be inserted in the definition section:

    Actuarial risk is the risk arising from uncertainty about the ultimate cost of providing benefits.

    Funding risk is the risk that entity will encounter difficulty in meeting obligations associated with defined benefit plans. For example, for unfunded plans, funding risk is the risk that the entity will encounter difficulty in meeting the defined benefit obligation as it falls due. For funded plans, funding risk includes investment risk.

    Investment risk is the risk that assets invested will be insufficient to meet the ultimate cost of providing benefits.

33. For both actuarial risk and funding risk (which includes investment risk) the staff recommends narrative descriptions of risk exposures, risk management policies and concentrations of risk (see paragraphs 51 and 53).

34. For actuarial risk, proposed quantitative disclosures are:

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[2] IAS 19 paragraph 25 (b) '..investment risk (that assets invested will be insufficient to meet expected benefits) ..' and paragraph 27 (b) '..investment risk (that assets invested will be insufficient to meet expected benefits)..'.

(a) a sensitivity analysis for the defined benefit obligation (and profit and loss) using actuarial assumptions as inputs

(b) information about those terms and conditions of defined benefit plan arrangements that have a material effect on the amount, timing and uncertainty of the entity's future cash flows (see paragraph 55(a).

35. For funding risk, proposed disclosures are:

(a) expected maturity analysis for the defined benefit obligation (see paragraph 57) and a description of the management of its inherent risk;

(b) comparison of actual versus estimated contributions (paragraph 56(c)[3]

(c) specifically for investment risk,

(i) a sensitivity analysis for plan assets (and profit and loss) using market risks (ie interest rate risk, currency risk, and other price risk) assuming that plan assets are within the scope of IFRS 7) (see paragraph 52(a)(ii)).

(ii) narrative description of its investment strategies (see paragraph 54(a))

(iii) further guidance on the categories of plan assets to be disclosed (see paragraph 54(b)).

36. The recommended sensitivity analysis for both the defined benefit obligation and plan asset and disclosure of information on an entity's asset-liability risk matching, where applicable (see paragraph 54(a)), should address constituents' recommendations on additional disclosures on an entity's asset-liability risk matching strategies.

37. While the risk disclosures recommended are significantly different to the current disclosures in IAS 19, these disclosures are:

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[3] IAS 19 paragraph 120A(q) currently disclose of 'the employer's 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 reporting period.'

(a) consistent with the relevant requirements in IFRS 7 (and IFRS 4)

(b) in response to constituents concerns on the transparency of defined benefit plans (see paragraph 3).

Also, staff thinks that the benefits outweigh the costs of the proposed risk disclosures.

Expected return on assets

38. The discussion paper set out the preliminary view to not separate the return on assets into an expected return and an actuarial gain or loss. However, many respondents did not agree with that preliminary view. Some believe that the disclosure of expected return provides decision useful information because in practice, the management of pension funds, including funding decisions, is often based on the long-term expected return on assets. Furthermore, some suggested that the Board should require further information on the expected return. For example,

(a) weighted average basis for each major category of plan assets rather than overall basis

(b) more precise description of how the expected return rate is derived

(c) narrative assessment of how the liabilities will be met through the return on assets.

39. Staff has removed all expected return on asset disclosures previously in IAS 19:

(a) as a consequence of the Board's decision on recognition and presentation in this project (See Appendix A)

(b) because not all defined benefit plans are managed using expected rates of return on assets. Instead, as discussed above, staff proposes requiring disclosures on the risk management of defined benefit plans. Hence, if an entity is managing a defined benefit plan using expected returns, such information shall be disclosed in compliance with those requirements.

40. If the Board disagrees with the recommendations above, another option would be to specifically require the following disclosure:

> the percentage of the overall expected rate of return on assets, with a description of how this was determined, including the effect of the major categories of plan assets.

Questions	
5.	Does the Board agree to requiring additional disclosures on the risks arising from defined benefit plans, including (i) qualitative disclosures, including risk management policies and investment strategies (set out in paragraphs 51, 54(a) and 57(b)) (ii) sensitivity analyses for both the defined benefit obligation and plan assets (set out in paragraph 52) (iii) expected maturity analysis for the defined benefit obligation) (set out in paragraph 57) (iv) comparison of actual versus estimated contributions (set out in paragraph 56(c))? (v) not requiring any disclosures on the expected rate of return on assets?

Proposed disclosures

41. The following paragraphs sets out the proposed disclosures:

42. An entity shall disclose information:

- **(a) that identifies and explains the amounts in its financial statements arising from defined benefit plans; and [IFRS 7 paragraph 7 and IFRS 4 paragraph 36]**
- **(b) that enables users of its financial statements to evaluate the nature and extent of risks arising from defined benefit plans. [IFRS 7 paragraph 31and IFRS 4 paragraph 38]**

43. IAS 1 provides guidance on materiality. IAS 1 notes:

- (a) that a specific disclosure requirement in an IFRS need not be satisfied if the information is not material; and
- (b) that omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. [adapted IFRS 7 paragraph IG3]

44. A reporting entity shall decide, in the light of its circumstances, how much detail it provides to satisfy the objectives in paragraph 42, how much emphasis it places on different aspects of the requirements and how it aggregates information to display the overall picture without combining information with different characteristics. It is necessary to strike a balance between overburdening financial statements with excessive detail that may not assist users of financial statements and obscuring important information as a result of too much aggregation. For example, a reporting entity shall not obscure important information by including it among a large amount of insignificant detail. Similarly, a reporting entity shall not disclose information that is so aggregated that it obscures important differences between the types of involvement or associated risks. [adapted IFRS 7 paragraph B3]

45. 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 in complying with the objectives in paragraph 42. 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;

    (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; or

    (c) the level and nature of the entity's involvement in the management of its defined benefit plans, for example, by distinguishing plan assets that are managed by another entity from plan assets that are managed by the reporting entity.

    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. [adapted IAS 19 paragraph 122]

Nature of an entity's defined benefit plans

46. An entity shall disclose information that explains the nature of its defined benefit plans. At a minimum, the entity shall disclose a general description of:

    (a) the type of plan; and [IAS 19 paragraph 120A(b)]

    (b) the nature and extent of the entity's involvement with its defined benefit plan. [adapted from ED 10 paragraph B38(a)] If an entity other than the reporting entity has significant responsibilities for the management of the defined benefit plan, the reporting entity shall disclose that fact and a description of the other entity's responsibilities.

Explanation of amounts in statement of financial position

47. An entity shall disclose information that explains the amounts recognised in the statement of financial position. At a minimum, an entity shall disclose:

(a) a reconciliation of opening and closing balances of the present value of the defined benefit obligation showing separately, if applicable, the effects during the period attributable to each of the following:

   (i) the amount(s) recognised in the statement of comprehensive income (paragraph 49 requires an analysis of the amount(s));

   (ii) contributions by plan participants;

   (iii) changes in foreign currency exchange rates on plans measured in a currency different from the entity's presentation currency;

   (iv) benefits paid, showing separately any amounts paid on settlement; and

   (v) business combinations. [adapted IAS 19 paragraph 120A(c)]

(b) an analysis of the defined benefit obligation into amounts arising from plans that are wholly unfunded and amounts arising from plans that are wholly or partly funded. [IAS 19 paragraph 120A(d)]

(c) 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) the amount(s) recognised in the statement of comprehensive income (paragraph 49 requires an analysis of the amount(s));

   (ii) changes in foreign exchange rates changes on plans measured in a currency different from the entity's presentation currency;

   (iii) contributions by the employer;

   (iv) contributions by plan participants;

   (v) benefits paid, showing separately any amounts paid on settlement; and

(vi) business combinations. [IAS 19 paragraph 120A(e)]

(d) any amount not recognised as an asset, because of the limit in paragraph 58(b) [IAS 19 paragraph 120A(f)(iii)]; and

(e) a brief description of the link between the reimbursement right and the related obligation). [adapted IAS 19 paragraph 120A(f)(iv)]

48. To comply with the objective in paragraph 42(a) and the requirement in paragraph 47, for the defined benefit obligation, at a minimum, an entity shall disclose:

(a) the process used to determine the actuarial assumptions; and [IFRS 4 paragraph 37(c)]

(b) quantified disclosures of those actuarial assumptions. For quantitative disclosures on assumptions, an entity shall disclose each actuarial assumption in absolute terms (for example, as an absolute percentage) and not just as a margin between different percentages or other variables. [IAS 19 paragraph 120A(n)]

Explanation of amounts in the statement of comprehensive income

49. An entity shall disclose income and expenses that arise from defined benefit plans and are included in amounts recognised in the statement of comprehensive income. At a minimum, the entity shall disclose:

(a) the following expenses and the line item(s) in which they are included:

(i) current service cost;

(ii) past service cost;

(iii) the effect of any curtailments; and

(iv) interest cost;

(b) the amounts of the following items, if applicable, included in remeasurements:

(i) return on plan assets;

   (ii) return on any reimbursement right recognised as an asset in accordance with paragraph 104A;

   (iii) actuarial gains and losses, showing separately experience adjustments and changes in assumptions;

   (iv) the effect of any settlements;

   (v) the effect of the limit in paragraph 58(b); and

(c) tax expense allocated to remeasurements.

[adapted from IAS 19 paragraph 120A(g)]

Nature and extent of risks arising from defined benefit plans

50. Risks arising from defined benefit plans include:

   (a) actuarial risk; and

   (b) funding risk.

51. For each type of risk arising from defined benefit plans, an entity shall disclose:

   (a) the exposures to risk and how they arise;

   (b) its objectives, policies and processes for managing the risk; and

   (c) any changes in (a) or (b) from the previous period.

   [IFRS 7 paragraph 33]

Sensitivity analysis

52. An entity shall disclose:

   (a) a sensitivity analysis

      (i) showing how profit or loss and the defined benefit obligation would have been affected by changes in each actuarial assumption, that were reasonably possible at that date and would have a material effect on the financial statements; and [adapted IFRS 4 paragraph 37(d)]

      (ii) showing how profit or loss and plan assets would have been affected by changes in each type of market risk, that

IFRS 7 paragraph 40(a) would require if the plan assets were within the scope of IFRS 7, that were reasonably possible at that date;

[adapted from IFRS 7 paragraph 40 and IFRS 4 paragraphs 39(d) and 39A(a)]

(b) the methods and assumptions used in preparing the sensitivity analysis; and [adapted from IFRS 7 paragraph 40(b)]

(c) changes from the previous period in the methods and assumptions used, and the reasons for such changes. [adapted from IFRS 7 paragraph 40(c)]

Concentrations of risks

53. An entity shall disclose any concentrations of risks not apparent from paragraphs 51 or 52. [adapted from the quantitative disclosure in IFRS 7 paragraph 34(c)]

Investment strategies

54. To meet the objective in paragraph 42(b), an entity shall disclose information on the nature and extent of the investment strategies for its plan assets. As a minimum, an entity shall disclose:

(a) a narrative description of those strategies. For example, target allocation percentages, or ranges of percentages, for each major category of plan assets; asset-liability matching strategies.

(b) for each major category of plan assets, the fair value or percentage of the fair value of the total plan assets. An entity shall group assets into categories that are appropriate in complying with the disclosure objective in paragraph 42(b) and that take into account the characteristics of those assets. [IFRS 7 paragraph 6] For example, corporate debt and government debt instruments, and government debt instruments of different countries may not have similar characteristics. To meet the disclosure objective in paragraph 42(b), these categories of instruments may need to be separately displayed. [new] In determining the categories of plan assets, an entity shall, at a minimum distinguish between property, debt and equity instruments. [IAS 19 paragraph 120A(j)]

(c) 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. [IAS 19 paragraph 120A(k)]

Future cash flows

55. To meet the objective in paragraph 42(b), an entity shall disclose information about the amount, timing and uncertainty of the entity's future cash flows. As a minimum, an entity shall disclose:

(a) information about those terms and conditions of defined benefit plan arrangements that have a material effect on the amount, timing and uncertainty of the entity's future cash flows [adapted IFRS 4 paragraph 39A (b)]. For example, in some countries, minimum funding requirements may have such an effect; and

(b) its best estimate of the contributions it expects to pay to the plan during the next annual period. [IAS 19 paragraph 120A(q)] To meet with the objective in paragraph 42(b), such information may need to be disaggregated into (1) contributions required by funding arrangements or regulation, (2) discretionary contributions and (3) noncash contributions.

Trend analysis

56. To meet the objective in paragraph 42(b), the entity shall disclose the amounts for the current annual period and previous four annual periods of:

(a) the present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan;

(b) the experience adjustments arising on the plan liabilities expressed either as (1) an amount or (2) a percentage of the plan liabilities at the end of the reporting period; and [IAS 19 paragraph 120A(p)]

(c) a comparison of previous estimates of contributions expected to be paid as required by paragraph 55(b) with actual contributions paid during the same period.

Funding risk

57. An entity shall disclose:

(a) a maturity analysis for the defined benefit obligation that shows the remaining expected maturities; and

(b) a description of how it manages the funding risk inherent in (a). [IFRS 7 paragraph 39]

Other disclosures

58. Paragraph 30 [of (draft) IAS 19] requires additional disclosures about multi-employer defined benefit plans that are treated as if they were defined contribution plans. [IAS 19 paragraph 123]

59. Paragraph AGX [of (draft) IAS 19] requires disclosure of any restrictions on the current realisability of the surplus or disclosure of the basis used to determine the amount of the economic benefit available arising from minimum funding requirements. [cross-reference to the disclosure requirement in IFRIC 14 paragraph 10 which will be included in the ED]

60. As required by IAS 24, an entity discloses information about:

(a) related party transactions with post-employment benefit plans; and

(b) post-employment benefits for key management personnel. [IAS 19 paragraph 124]

61. As required by IAS 37, an entity discloses information about contingent liabilities arising from post-employment benefit obligations. [IAS 19 paragraph 125]

62. If the specific disclosures required by this and other IFRSs do not meet the objectives in paragraph 42, a reporting entity shall disclose whatever additional information is necessary to meet those objectives. [ED 10 paragraph 50]

Appendix A: IAS 19 disclosures to be deleted

A1. The following disclosure requirements will be deleted as a consequence of the Board's earlier decisions on recognition and presentation.

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

(a) the entity's accounting policy for recognising actuarial gains and losses.

…..

(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,

……

(f) a reconciliation of the present value of the defined benefit obligation in (c) and the fair value of the plan assets in (e) to the assets and liabilities recognised in the statement of financial position, showing at least:

(i) the net actuarial gains or losses not recognised in the statement of financial position (see paragraph 92);

(ii) the past service cost not recognised in the statement of financial position (see paragraph 96);

……

(g) the total expense recognised in profit or loss for each of the following, and the line item(s) in which they are included:

……

(iii) expected return on plan assets;

(iv) expected return on any reimbursement right recognised as an asset in accordance with paragraph 104A;

……

(h) the total amount recognised in other comprehensive income for each of the following:

(i) actuarial gains and losses; and

(ii) the effect of the limit in paragraph 58(b).

(i) for entities that recognise actuarial gains and losses in other comprehensive income in accordance with paragraph 93A, the cumulative amount of actuarial gains and losses recognised in other comprehensive income.

(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.

(n) the principal actuarial assumptions used as at the end of the reporting period, including, when applicable:

..

(ii) the expected rates of return on any plan assets for the periods presented in the financial statements;

(iii) the expected rates of return for the periods presented in the financial statements on any reimbursement right recognised as an asset in accordance with paragraph 104A;

Appendix B: Draft fair value disclosures

A1. The following are a draft of disclosures to be proposed in the forthcoming exposure draft on fair value measurements. These disclosures will be applicable to plan assets.

Disclosures

1 For assets and liabilities measured at fair value, an entity shall disclose information that enables users of its financial statements to assess the methods and inputs used to develop those measurements and, for fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period.

2 To meet the objectives in paragraph 1, an entity shall (except as otherwise specified below) determine how much detail to disclose, how much emphasis to place on different aspects of the disclosure requirements, how much aggregation or disaggregation to undertake, and whether users need any additional information to evaluate the quantitative information disclosed. At a minimum, an entity shall disclose the following information for each class of assets and liabilities:

(a) the fair value measurement at the end of the reporting period.

(b) the level of the fair value hierarchy within which the fair value measurements are categorised in their entirety (Level 1, 2 or 3).

(c) for assets and liabilities held at the reporting date, any significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for those transfers. Transfers into each level shall be disclosed and discussed separately from transfers out of each level. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities.

(d) the methods and the inputs used in the fair value measurement and the information used to develop those inputs. If there has been a change in valuation technique (eg changing from a market approach to an income approach), the entity shall disclose that change, the reasons for making it, and its effect on the fair value measurement.

(e) for fair value measurements categorised within Level 3 of the fair value hierarchy, a reconciliation from the beginning balances to the ending balances, disclosing separately changes during the period attributable to the following:

(i) total gains or losses for the period recognised in profit or loss, and a description of where they are presented in the statement of comprehensive income or the separate income statement (if presented).

(ii) total gains or losses for the period recognised in other comprehensive income.

(iii) purchases, sales, issues and settlements (each of those types of change disclosed separately).

(iv) transfers into or out of Level 3 (eg transfers attributable to changes in the observability of market data) and the reasons for those transfers. For significant transfers, transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities.

(f) the amount of the total gains or losses for the period in (e)(i) above included in profit or loss that are attributable to gains or losses relating to those assets and liabilities held at the reporting date, and a description of where those gains or losses are presented in the statement of comprehensive income or the separate income statement (if presented).

(g) for fair value measurements categorised within Level 3 of the fair value hierarchy, if changing one or more of the inputs to reasonably possible alternative assumptions would change fair value significantly, an entity shall state that fact and disclose the effect of those changes. An entity shall disclose how it calculated those changes. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities.

3 For each class of assets and liabilities not measured at fair value in the statement of financial position, but for which the fair value is disclosed, an entity shall disclose the fair value by the level of the fair value hierarchy.

4 For each class of liability measured at fair value after initial recognition, an entity shall disclose:

(a) the amount of change, during the period and cumulatively, in the fair value of the liability that is attributable to changes in the non-performance risk of that liability, and the reasons for that change.

(b) how the entity estimated the amount in paragraph 59(a) attributable to changes in the non-performance risk of the liability.

(c) the difference between the liability's carrying amount and the amount of economic benefits the entity is required to sacrifice to satisfy the obligation (eg for a contractual liability, this would be the amount the entity is contractually required to pay to the holder of the obligation).

5 If an asset is used together with other assets and its highest and best use differs from its current use (see paragraphs XX and 21), an entity shall disclose, by class of asset:

(a) the value of the assets assuming their current use (ie the amount that would be their fair value if the current use were the highest and best use).

(b) the amount by which the fair value of the assets differs from their value in their current use (ie the incremental value of the asset group).

(c) the reasons the assets are being used in a manner that differs from their highest and best use.

6 An entity shall present the quantitative disclosures required by this [draft] IFRS in a tabular format unless another format is more appropriate.

A2. The following is the relevant draft consequential amendments to IAS 19 as applicable to disclosures:

D1 Paragraph 120A(ea) is added as follows (paragraph 120A(e) is not proposed for amendment but is reproduced here to provide context):

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,

(vi) benefits paid,

(vii) business combinations and

(viii) settlements.

<u>**(ea) the disclosures required by [draft] IFRS X for each category of plan assets disclosed in compliance with the requirement in paragraph 120A(j) except as follows. An entity**</u>

adopting the deferred recognition model of recognising some changes in the value of plan assets and in the defined benefit obligation in periods after the period in which they occur may disclose gains or losses on plan assets without distinguishing amounts recognised in profit or loss from amounts recognised in other comprehensive income as required by paragraph xx of [draft] IFRS X.