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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 propose additional disclosures about participation in multi-employer plans.
2. This paper considers what additional disclosures should be required for defined benefit multi-employer plans. We do not think that any additional disclosures are required for defined contribution multi-employer plans because the entity's obligation for each period is limited to the amounts to be contributed for that period.

### **Staff recommendation**

3. The staff recommends additional disclosures (set out in paragraph 10) for all entities participating in defined benefit multi-employer plans.

### **Current requirements**

4. Paragraph 29(b) of IAS 19 requires an entity to disclose the information required by paragraph 120A when an entity accounts for its proportionate share of a defined benefit multi-employer plan the same way as for any other defined benefit plan.
5. 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. In that case, entities are required to:

**(b) disclose:**

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This paper has been prepared by the technical staff of the IASCF for discussion at a public meeting of the IASB.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRIC or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in IASB *Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

- (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;
    - (ii) the basis used to determine that surplus or deficit; and
    - (iii) the implications, if any, for the entity.
6. In March 2009, the Board considered and rejected introducing a blanket exemption from defined benefit accounting for multi-employer plans. 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.

## **Staff analysis and recommendation**

### ***Need for more disclosures about multi-employer plans***

7. 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 defined benefit multi-employer plan. This view was also reflected at an employee benefits working group meeting. Some argue that entities participating in a defined benefit multi-employer plan have greater risks than other entities. They argue that the existing disclosures required by IAS 19 are insufficient to provide users of financial statements with an understanding of the nature of the defined benefit multi-employer plan.
8. In particular, many believe insufficient information is available to enable users of financial statements to understand:
- (a) the risks associated with participating in a defined benefit multiemployer plan.
  - (b) the nature of an entity's participation in a defined benefit multiemployer plan

- (c) its potential effect on the amount, timing and uncertainty of future cash flows.
9. We considered the specific suggestions made by the members of the EBWG, those provided in constituents' responses to the Discussion Paper, responses to a survey of Analyst Representative Group (ARG) and Employee Benefits Working Group (EBWG) members and the efforts in this area of national standard setters and others in recent years. We used that input to develop the proposed disclosures in paragraph 10. These proposals were discussed with the EBWG at its April meeting.

***Proposed disclosures***

10. In addition to the current requirements in paragraph 29(b)<sup>1</sup> and 30, we think that the following disclosures would meet the disclosure objectives set out in paper 20A.
- (a) A description of the nature of the multi-employer plan including but not limited to:
    - (i) A description of the regulatory framework that the plan operates in.
    - (ii) A description of the funding arrangements in place including the method used to determine the participant's rate of contributions and any minimum funding requirements.
    - (iii) The extent to which the entity can be liable to the plan for other participants in the event of their insolvency.
  - (b) its best estimate of the contributions it expects to pay to the plan during the next annual period. Such information may be disaggregated into (1) contributions required by funding arrangements or regulation, (2) discretionary contributions and (3) noncash contributions.
  - (c) details of any agreed deficit/surplus allocation on wind-up, or the amount that is required to be paid on withdrawal.

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<sup>1</sup> The staff notes that, for multi-employer plans that are accounted for as defined benefit plans, the requirements below may overlap with those discussed in agenda paper 20A. However the vast majority of multi-employer plans will not fall under paragraph 29(b) of IAS 19 and the proposals in 20A will not apply. The staff will address any overlap for any plans that are accounting for as defined benefit plans in the drafting.

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- (d) the total and employer's proportion of the number of active members, retired members, and former members entitled to benefits.

### Question

Does the Board agree that all entities participating in defined benefit multiemployer plans should provide the disclosures proposed in paragraph 10?