

STAFF PAPER

May 2019

IASB[®] Meeting

Project	Disclosure Initiative: Targeted Standards-level Review of Disclosures		
Paper topic	IAS 19 Outreach Feedback		
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Purpose and structure of this paper

1. This paper summarises feedback from stakeholders and input received from the IFRS Taxonomy team about employee benefit disclosures.
2. This paper includes:
 - (a) background information (paragraph 5).
 - (b) user feedback overview (paragraphs 6–13).
 - (c) user objectives (paragraphs 14–17).
 - (d) summary of users' suggested items of information to meet their objectives (paragraph 18).
 - (e) detailed feedback on users' suggested items of information (paragraphs 19–78).
 - (f) employee benefits other than defined benefit plans (paragraphs 79–82).
 - (g) input received so far from the IFRS Taxonomy (paragraphs 83–87).
 - (h) staff's preliminary assessment of the interaction between users' suggested items of information and existing IAS 19 disclosure requirements (Appendix A)

3. *Agenda Paper 11A* provides information about the stakeholder outreach activities performed by Board Members and staff. This paper summarises all of the feedback obtained during that outreach programme.
4. This paper does not contain any questions for the Board.

Background

5. IAS 19 prescribes the accounting for all types of employee benefits except share-based payment. Employee benefits include:
 - (a) short-term employee benefits;
 - (b) post-employment benefits such as defined contribution plans and defined benefit plans;
 - (c) other long-term employee benefits such as long-term absences and long-term disability benefits; and
 - (d) termination benefits.

User feedback overview

Key messages

6. The overarching message from most of the users that we spoke to is that today’s employee benefit disclosures are often not effective in meeting their objectives.
7. Most users would like different information about employee benefits. For example, users said that better information about the expected cash flow effects of a post-employment benefit plan would be more useful than the information they typically receive today. Some users added that some of the information they receive today, for example detailed information about assumptions, is typically only understandable to sophisticated investors rather than a ‘normal’ primary user.
8. Almost all users said they focus primarily on disclosures relating to defined benefit plans (paragraphs 14–78). They consider other types of employee benefits ‘harmless’ and said disclosure of amounts recognised in the income statement and contributions into the plans is sufficient (paragraphs 79–82).

Financial environment

9. A few users said the extent to which they use pension disclosures depends on the financial environment.
10. When the financial environment is unfavourable, for example, in low interest-rate environments, users prioritise information about cash flow impact and effect on the primary financial statements. Specifically, they want to see information that enables them to understand the sensitivities of the defined benefit obligation to different assumptions and the impact of the obligation on future cash flows. In their view, low interest-rates increase the need for entities to provide more transparency about the effect of the obligation on their financial position and cash flows particularly for plans in deficit.
11. A few users also said that they do not review pension disclosures in detail when the financial environment is favourable.

Jurisdiction specific messages

12. *Agenda Paper 11A* includes an analysis of the users that we spoke to based on the location of companies that they monitor. Users in jurisdictions such as Australia and South Africa noted defined benefit plans are either small or declining in their jurisdictions. Consequently, detailed disclosures about defined benefit plans are often not relevant to their analysis of entities from those jurisdictions.
13. In addition, a few users observed that the ease with which an entity can provide particular items of information might depend on whether similar information is already required by regulators in their jurisdiction. For example, a number of users referred to a company's schedule of contributions *into* the plan as agreed with the plan trustees. In some jurisdictions, such as the UK, entities are already required to maintain such a schedule. Consequently, entities in those jurisdictions would find it easier to provide similar information in their financial statements than entities in other jurisdictions.

User objectives

14. As discussed in paragraph 8, almost all users focus primarily on defined benefit plans. Table 1 summarises users' primary objectives when analysing disclosures

relating to those plans. The table includes cross-references to the items of information users told us would most effectively meet those objectives (see Table 2 and paragraphs 18–78).

Table 1—Users’ disclosure objectives relating to defined benefit plans

Objectives	Link to specific items of information (see Table 2)
A Forecast future defined benefit obligation.	1, 5, 6, 8
B Determine the value of the defined benefit obligation to input into analyses for forecasting, such as enterprise value calculations. <ul style="list-style-type: none"> • For a group of users, the obligation is the amount presented in the financial statements. • For another group of users, the obligation is the amount they consider represents ‘debt-like’ obligation. These users do not consider other post-employment benefits such as health benefit plans as ‘debt-like’ obligation. This is because they often have funding flexibility and lack regulatory protection in some jurisdictions. • For a different group of users, the obligation is the amount it would cost the entity to transfer the obligation to a third party. 	1, 5
C Evaluate the impact of the defined benefit obligation on the entity’s cash flows. Specifically, to: <ul style="list-style-type: none"> • understand the nature of expected future cash flows. • forecast the impact of the obligation on future cash flows for input into analyses such as the discounted cash flows (DCF). • assess whether the obligation could become significant enough to curtail the entity’s strategic flexibility or its ability to pay dividends. 	1, 6
D Assess the appropriateness of the assumptions and amounts underlying the entity’s valuation of its defined benefit obligation. Specifically, users want to assess: <ul style="list-style-type: none"> • whether the assumptions and amounts are reasonable; and • whether they need to make any adjustments to those assumptions and amounts in their analysis. 	3, 4, 5, 8
E Understand the economics of the plan(s) held by the entity and specifically, the risks to which the plan(s) expose the entity. This also allows users to assess the potential future impact of those exposures.	2, 3, 7
F Understand the sensitivity of the defined benefit obligation to different actuarial assumptions in order to determine appropriate adjustments for risks in analyses. Specifically, to: <ul style="list-style-type: none"> • understand the range of possible values within which an entity’s obligation might fall. 	4

	<ul style="list-style-type: none"> • understand where within that range the entity’s obligation does fall. • understand the effect, on the obligation, of interrelationships between different assumptions. • understand the effect, on the obligation, of assumptions with non-linear effects. • compare sensitivities, of different plans and, across entities. 	
G	Understand the time period over which the remaining defined benefit obligation is expected to wind down. This is particularly important for <i>closed</i> defined benefit plans.	9
H	Understand the effect of an entity’s plan(s) on the primary financial statements. Specifically, to understand: <ul style="list-style-type: none"> • whether, and by how much, the plan(s) are in surplus or deficit. • the actual cash flows for the plan(s) during the period. • the impact of the plan(s) on the income statement during the period. 	1

Feedback from CMAC about user objectives

15. At the March 2019 Capital Markets Advisory Committee (CMAC) meeting, CMAC members provided their views on the objectives in Table 1.
16. Most CMAC members said that objectives A, B, C and H are relevant to their analysis of defined benefit plan disclosures. Some of these members added that one or all of objectives A, B and C are the most important.
17. Some CMAC members agreed with objective F. However, one CMAC member did not find objectives E and F particularly relevant to their analysis. This member is one of those referred to in paragraph 16 and reiterated that objectives about cash flow impact and the effect on the primary financial statements are most important.

Summary of users’ suggested items of information to meet their objectives

18. Table 2 summarises users’ suggested items of information that could be used to meet their objectives on defined benefit plans (see Table 1). Most CMAC members agreed that almost all of the suggested items of information would provide information that is useful in meeting their objectives.

Table 2—Summary of users’ suggested items of information that could be used to meet their objectives on defined benefit plans

Suggested items of information		Buy-side analysts	Sell-side analysts	Credit analysts	Link to user objectives (see Table 1)	Paragraphs of this paper
1	Explanation, and disaggregation, of amounts recognised in the financial statements	✓	✓	✓	A, B, C, H	20–25
2	Nature and characteristics of the defined benefit plan(s)	✓	✓	✓	E	26–30
3	Significant financial and demographic assumptions used in deriving the obligation		✓	✓	D, E	31–36
4	Sensitivity analysis of significant actuarial assumptions		✓	✓	D, F	37–44
5	Explanation of the differences between various defined benefit plan valuations (for example, IAS 19 valuation versus funding valuation versus buyout valuation)	✓	✓		A, B, D	45–54
6	Expected contributions into the plan(s), either as agreed with the trustees/appropriate regulatory bodies or internally budgeted	✓	✓	✓	A, C	55–67
7	Fair value of the plan assets disaggregated by asset types	✓	✓	✓	E	68–71
8	Reconciliation from opening balance to closing balance of the net defined benefit liability (asset)		✓	✓	A, D	72–74
9	Expected future benefit payments from the plan(s)		✓	✓	G	75–77

Detailed feedback on users' suggested items of information

19. Paragraphs 20–77 discuss the suggested items of information. For each item of information, we cover:
- (a) what users want disclosed, why the information is useful and how critical they consider it to be;
 - (b) feedback from CMAC members; and
 - (c) feedback from other stakeholders about costs and other consequences.

Information #1—Explanation, and disaggregation, of amounts recognised in the financial statements

Feedback from users

20. Many users said that they find it difficult to understand how defined benefit plan disclosures relate to the amounts recognised in the primary financial statements. Consequently, users said they would like to see:
- (a) statements as to whether the plans are in surplus or deficit and by how much. They added that this should show amounts for the plan assets and the defined benefit obligation separately;
 - (b) the actual cash flows related to the plans during the period. A few users added that the amount added back to operating cash flows via the indirect method does not provide much insight into this today.
 - (c) amounts recognised in the income statement during the period.
 - (d) information about the effect of any acquisitions on the plan.
21. Almost all users that commented on this information need regarded it as critical.
22. Users said this information would be useful because it helps them understand how defined benefit plans affect the primary financial statements. Users are particularly interested in understanding current and expected future effects on the income statement and the statement of cash flows (Table 1; Objective H). Users added that the information would also help them select and evaluate the amounts

to use in their forecasting analyses (Table 1; Objectives A, B and C). For example:

- (a) a few credit analysts, including a few CMAC members, said they want to exclude past service costs and actuarial gains and losses from the total reported expense in their analyses. In their view, this approach normalises the employee benefit expense over time; and
- (b) a few users want to exclude post-employment medical benefit plans from the value of the defined benefit obligation in their analyses.

23. A few users added that further disaggregation by one of all of the following would be useful:

- (a) geographical region.
- (b) reporting segments. They added that this is particularly important if the entity engaged in any acquisitions during the period.
- (c) member type (i.e. differentiating between active members, deferred members and pensioners).
- (d) plan type (i.e. differentiating between those in surplus and those in deficit).
- (e) funding arrangements (i.e. differentiating between unfunded and funded plans).

Feedback from other stakeholders

24. A few GPF and ASAF members expressed support for explaining and disaggregating amounts recognised in the financial statements.

25. These members had different views about how costly this information would be to provide:

- (a) a few GPF members said the information may be costly to prepare depending on the extent to which disaggregation is required. One ASAF member echoed this view, adding that more disaggregation than is provided today could also be complex for users to understand.
- (b) a few other GPF members and another ASAF member said the cost of preparing and auditing this information would not be significant

because the information is already available internally. However, one GPF member added that computing information about actual cash flows during the period would incur additional costs compared to today.

Information #2—Nature and characteristics of the defined benefit plan(s)

Feedback from users

26. Users would like information about the nature and characteristics of the defined benefit plan(s). This information would help them to understand the economics of the plans, along with any associated risks (Table 1; Objective E).
27. Users said the following information would be useful, particularly for significant plan(s):
 - (a) status of the plans. For example, whether they are open or closed to new members and the mix of plan members.
 - (b) general approach to funding the plans, including for example, the approach for dealing with any shortfalls for plans in deficit.
 - (c) approach to investing the plan assets.
 - (d) agreements or commitments between the entity and the plan trustees. One CMAC member added that any guarantees relating to defined benefit obligations within a group should be disclosed.
 - (e) regulatory or jurisdiction specific factors that impact the plans.
28. A few users added that information about the nature and characteristics of the defined benefit plan(s) is especially helpful when presented in the financial statements before the other information about the plans (for example, as an overview or executive summary). This is because the information provides helpful context for reviewing the detailed information. For example, it helps users determine which details to focus on.

Feedback from other stakeholders

29. A few GPF members expressed support for disclosing information about the nature and characteristics of defined benefit plan(s). They did not raise any cost

concerns. One of the GPF members added that this information is already internally available.

30. A few ASAF members said the cost of preparing this information would not be significant. However, these members expressed mixed views about the usefulness of the information:
- (a) one ASAF member said the information would often be boilerplate and add to voluminous disclosures. Consequently, the member expressed doubts over the benefit of this information relative to the other suggested items of information in Table 2;
 - (b) another ASAF member thought the information would be helpful, citing the same reasons as those identified by users (see paragraph 26).

Information #3—Significant financial and demographic assumptions used in deriving the defined benefit obligation

Feedback from users

31. Users would like information about the financial and demographic assumptions underlying the entity's valuation of its defined benefit obligation. This information helps users assess whether to use the reported valuation in their analysis, or whether they want to make any adjustments (objective D).
32. A few users added that:
- (a) such information should identify the assumptions with the most significant effect on the defined benefit obligation and explain why those assumptions were the most significant for the entity.
 - (b) additional information explaining any changes in assumptions from the previous period that have had a material effect on the defined benefit obligation would be helpful.
33. Users highlighted demographic assumptions as particularly important. However, they expressed mixed views about *how* entities should provide detailed demographic information:
- (a) some users would like demographic assumptions disaggregated by segments and by member type.

- (b) a few other users suggested disaggregating other information by demographic categories. For example, disaggregating the defined benefit obligation (information #1) or the future expected benefit payments from the plan (information #9) by member age bracket. They said this would be more useful than separate demographic information. This is because it would link directly to items of information used in their analysis.

Feedback from other stakeholders

34. A few GPF members expressed support for disclosing significant financial and demographic assumptions.
35. However, a few of those GPF members disagreed with explaining why the identified assumptions were significant for the entity. One of these members added that information #2 about the nature and characteristics of the plan(s) and information #4 on sensitivity analysis should provide sufficient information for users to determine why particular assumptions would be significant to the entity.
36. A few ASAF members said that stakeholders would need actuarial knowledge to properly understand information about financial and demographic assumptions. They added that it would also be costly to prepare and audit this information. Consequently, they suggested that the further details, as described in paragraph 32, should only be required in specific circumstances.

Information #4—Sensitivity analysis of significant actuarial assumptions

Feedback from users

37. Some users, including a few CMAC members, described sensitivity analysis as a critical information need.
38. Almost all users said they would like a sensitivity analysis that shows the effect on the defined benefit obligation of changing multiple significant assumptions simultaneously (Table 1; Objective F).
39. Most of these users added that the sensitivity analysis should consider wider deviations from the base case assumptions reflected in the financial statements than is typically disclosed today. Users said this is particularly important when the

assumptions have a non-linear effect on the defined benefit obligation. That is, when the change in those assumptions is not proportional to the resulting change in the obligation. Some of these users said they either have to guess how wide the sensitivities could be or extrapolate the sensitivities assuming that changes in assumptions have a linear effect on the obligation. The lack of wider sensitivities affects the extent to which users can make appropriate risk adjustments in their analysis.

40. Further to the information needs described in paragraphs 38–39:

- (a) the figure below illustrates a method that a few users suggested would address both points—that is, changing multiple assumptions simultaneously and displaying wider deviations from the base case assumptions. This is a simple illustration that assumes the entity has *two* significant actuarial assumptions: longevity and discount rate. Furthermore, it assumes that in deriving the obligation recognised in the financial statements, the entity used a discount rate of 2.65% and an average life expectancy of 26 years.

		Longevity				
		-2 years	-1 year	26 years	+1 year	+2 years
Discount rate	-100 basis points	X	X	X	X	X
	2.65%	X	X	(659,000)	X	X
	+100 basis points	X	X	X	X	X

Figure 1—wider sensitivity analysis on the pension obligation

- (b) a few CMAC members supported the method illustrated in Figure 1. However, a few users said that, in lieu of the method in Figure 1, the following narrative information would address the information need:
 - (i) how long the assumptions used are expected to hold; and
 - (ii) whether those assumptions have a linear relationship with the obligation.

41. A few other users were happy with the sensitivity analysis provided today. This sensitivity analysis typically shows how the defined benefit obligation would have been affected by changes in one assumption at a time rather than changes in multiple assumptions simultaneously.

Feedback from other stakeholders

42. Some GPF members said the information described in paragraphs 38–40(a) would be very costly to prepare, with one member adding that it would also be costly to audit. These members said that entities often have more than two significant assumptions. Consequently, they said it would be impractical for the sensitivity analysis to cover a wider range of possible assumptions for multiple significant assumptions (i.e. to provide the information in Figure 1).
43. Some ASAF members echoed GPF members' feedback about cost, adding that a wider analysis would require system changes and greater reliance on actuaries. One ASAF member said a wider analysis would not provide much benefit in understanding the recognition and measurement requirements in IAS 19.
44. One ASAF member said that for some entities, sensitivity analysis may not provide information about how they manage the risks of their defined benefit plans. Therefore, the member cautioned against suggesting that user objectives for this information—that is, to better understand the risks plan(s) expose the entity to and determine appropriate risk adjustments—could only be met by sensitivity analysis.

Information #5—Explanation of the differences between various defined benefit plan valuations*Background to feedback from users*

45. Defined benefit obligations can be valued differently for different purposes which may result in materially different valuations. There are two aspects to the differences in valuation. One is the valuation methodology (see paragraph 46). The second is the assumptions used as inputs to the methodologies. Differences in assumptions may result from different valuation objectives or different practical or political expedients adopted by regulators.
46. IAS 19 requires an entity to use the projected unit credit method to determine the present value of its defined benefit obligation (the 'IAS 19 valuation'). The objective of the IAS 19 valuation is to determine the ultimate cost of the benefits employees have earned in return for their service in *current and prior periods*. Other plan valuations include:

- (a) the funding valuation, the objective of which is to ensure that the defined benefit plan has sufficient funds to meet future benefit payments. This valuation is referred to as the triennial valuation in the United Kingdom (UK) and the PBSR solvency valuation in Canada.
- (b) the buyout valuation, the objective of which is to estimate the amount it would cost an entity to transfer its defined benefit obligation to a third party.

Feedback from users

- 47. Many users said that, when other plan valuations are included in the financial statements, it is often difficult for them to understand how and why they differ from the IAS 19 valuation.
- 48. Those users would like a clear explanation of the difference between the IAS 19 valuation and other plan valuations. Such an explanation would allow them to better determine, and forecast, the obligation they incorporate into their analysis (Table 1; Objectives A and B). Most CMAC members strongly supported requiring this information. Some users expressed a preference for this information to be provided as a reconciliation.
- 49. Most of the users in paragraph 47 expressed more interest in the funding valuation than the other valuations. This is because the funding valuation has a clearer link to the possible impact on cash flows. A few of these users said that they are also interested in this information because it is the valuation most often used by the plan trustees. Consequently, many of these users added that narrative information about the funding valuation should also be disclosed.
- 50. Users commented on the buyout valuation, as follows:
 - (a) some users said that information about the buyout valuation would be useful. However, a few added that this information would only be useful in specific situations, such as when:
 - (i) the defined benefit obligation is significant relative to the size of the entity; or
 - (ii) the entity is subject to additional regulatory capital requirements.

- (b) a few CMAC members added that they are most interested in the buyout valuation. One of these members said this is the most relevant valuation for their enterprise value calculations and would allow them to better compare defined benefit obligations across entities.
- (c) some users, including those in paragraphs 50(a)-(b) acknowledged that information related to the buyout valuation would be costly to provide.
- (d) users other than those in paragraphs 50(a)-(b) either said that:
 - (i) a reconciliation to the buyout valuation is unnecessary; or
 - (ii) it would be difficult for entities to obtain a reliable buyout valuation.

51. A few users and one CMAC member said that, although they consider other plan valuations, they mostly rely on the IAS 19 valuation. This is because, in their view, this valuation provides a comparable basis on which to analyse entities.

Feedback from other stakeholders

52. A few GPF members said that an explanation of the differences between defined benefit plan valuations would be challenging to provide. They added that any method of plan valuation requires engagement with specialists. Therefore, reconciling those valuations would be a costly exercise. One ASAF member echoed GPF members' views about the high cost of preparation, adding that this information should not be required by IFRS Standards.
53. One of those GPF members added that the funding valuation is based on the plan trustees' assumptions which are often different from those used in determining the IAS 19 valuation. The member said that an entity should not be required to explain valuations based on other parties' assumptions.
54. Another GPF member added that reconciliation of the differences between defined benefit plan valuations would only be relevant for entities in jurisdictions that require the use of valuations other than the IAS 19 valuation for regulatory reporting. However, this member supported the user objectives underlying this information and suggested that the information could be required in a narrative format rather than as a reconciliation.

Information #6—Expected contributions into the defined benefit plan(s)

Feedback from users

55. Almost all users, including many CMAC members, said that information about expected contributions into the plans would be very useful. Users said they would like to see expected contributions either as agreed with the trustees or as internally budgeted.
56. Users that commented on this information described it as absolutely critical. They added that the information would allow them to better evaluate the impact of the defined benefit obligation on the entity’s cash flows (Table 1; Objective C).
57. Some users said entities should differentiate this information between ‘ordinary’ contributions and ‘extraordinary’ contributions. Ordinary contributions represent payroll deductions while extraordinary contributions represent contributions to reduce the existing deficit.
58. A few users said information about expected contributions is only useful if it reflects the way in which the entity intends to manage its defined benefit plans. That is, these users want to receive the same information that entities use to make decisions about the plans.
59. A few other users questioned whether it would be realistic to require entities to disclose information about expected contributions. This was either for practical reasons (as contributions are more often than not discretionary) or regulatory reasons (as the information could overlap or duplicate local laws and regulations).
60. A few users thought that alternative items of information could achieve the same objective. They suggested:
 - (a) narrative disclosure about how the plan is managed (information #2 in paragraphs 26–30).
 - (b) disclosure of any expected *minimum* contributions, adding that it would avoid the concerns raised in paragraph 59.

Feedback from other stakeholders

61. Many GPF members agreed that information about the cash flow impact of defined benefit plans would be useful to users. Some added that they expect this

to be the most relevant information for users about such plans. One GPF member added that questions from users about such plans generally relate to the cash flow effect. Another added that plan trustees are also interested in cash flow effects.

62. One ASAF member echoed the importance of information about cash, noting that such information is missing in existing IAS 19 disclosure requirements.
63. Consequently, those GPF and ASAF members supported disclosure of expected contributions into the plan. A few GPF members added that this information should be required for no more than five reporting periods.
64. One GPF member said that it would not be difficult for preparers to separate ordinary cash contributions from extraordinary cash contributions as this information already exists.
65. One ASAF member said that the cost of preparing information about expected contributions into the plan is likely to be low as it is already available internally. However, they added that disclosure of this information would add additional audit costs.
66. One GPF members did not support disclosure of information about expected contributions into the plan. This is because the member thought the Board has previously considered, and rejected, similar information as part of its revision to IAS 19 in June 2011 (see paragraph BC244(d) of IAS 19). This member instead supported the alternatives suggested by a few users in paragraph 60.
67. A few other ASAF members questioned the extent to which forward-looking information should be disclosed in the financial statements. One of these ASAF members suggested that disclosing this information on the basis of expected *minimum* contributions to meet a statutory requirement would be less forward-looking than on the basis of internal budgets.

Information #7—Fair value of the plan assets disaggregated by asset types

68. Users said that this information would help them understand the risks to which the plans expose the entity and, particularly, to assess the potential future impact of those exposures (Table 1; Objective E).
69. A few users added that the following additional information would be helpful:

- (a) information about any specific risks associated with plan assets;
- (b) information about any related hedging activities; and
- (c) the expected or actual rate of return on each asset type. One CMAC member added that this should include discussion of the reasons for variations or volatility in the asset returns.

Feedback from other stakeholders

70. A few ASAF members said this information would be costly to prepare and audit, particularly the additional information in paragraph 69. One of these members added that more disaggregation of this information than is provided today could be complex for users to understand.
71. A few GPF members commented on the additional information in paragraph 69:
- (a) one GPF member said the information in paragraph 69(a) can be covered as part of information #2 on the nature and characteristics of the plan(s) (see paragraphs 26–30).
 - (b) GPF members had mixed views as to whether the information in paragraph 69(b) would be challenging and costly to provide.
 - (c) a few GPF members thought the information in paragraph 69(c) is unlikely to be useful to users. One of these members added that disclosing information about returns on individual asset types would be contrary to the purpose of the portfolio management approach. This member said disclosures should focus on how the entity has optimised its asset mix and balanced the overall portfolio risk.

Information #8—Reconciliation from opening balance to closing balance of the net defined benefit liability (asset)

72. Users expressed mixed views about the usefulness of the reconciliation:
- (a) some users find the whole reconciliation useful. These users added that it helps them understand the amounts underlying the entity’s valuation of its defined benefit obligation.

- (b) some other users said that they are primarily interested in the line items representing contributions to the plan and benefit payments from the plan.
- (c) a few other users said they do not find the reconciliation useful either because:
 - (i) it is too detailed for the level of analysis they perform; or
 - (ii) some line items often do not match the amounts presented on the primary financial statements or disclosed in other notes (see information #1 in paragraphs 20–25).

73. Users that find the reconciliation useful said it helps them to understand and ‘trust’ the reported obligation. This is because the reconciliation further explains the amounts in the financial statements. The reconciliation also helps users identify amounts that require further investigation or amounts that they will adjust for in their analysis (Table 1; Objective D).

Feedback from other stakeholders

74. A few ASAF members reiterated the usefulness of the reconciliation, adding that preparing and auditing the reconciliation is not difficult or costly.

Information #9—Expected future benefit payments from the defined benefit plan

75. Users are primarily interested in this information for defined benefit plans that are closed to new members. This is because the information helps them understand the period over which remaining obligations are expected to wind down (Table 1; Objective G).

76. These users would like to see:

- (a) the time period over which payments will continue to be made to members and the expected payments during that period.
- (b) maturity analysis for the plan assets and the defined benefit obligation. Conversely, a few other users said that they do not find this information useful when it is provided today. Users said so either because they are

primarily interested in the cash flow effects or because they thought the information was presented in a confusing manner.

- (c) information explaining the entity's approach to managing the remaining obligations. For example, information about whether the obligations are expected to be met through existing plan assets or whether any additional payments may be needed to fund a deficit.

Feedback from other stakeholders

- 77. A few GPF members said that information about expected future benefit payments to plan members would be challenging to provide. A few ASAF members added that the information in paragraph 76(c), in particular, would be costly to prepare and difficult to audit.

Additional items of information suggested by CMAC

- 78. A few CMAC members said that—in addition to the information in Table 2—any deferred tax assets related to the defined benefit obligation should be disclosed. This is because it helps them to determine enterprise value (see Table 1; Objective B).

Employee benefits other than defined benefit plans

- 79. As discussed in paragraph 8, users generally consider employee benefit plans other than defined benefit plans to be 'harmless'. That is, they think the risks associated with such plans are well understood and are unlikely to need adjusting for in their analysis.
- 80. Consequently, most users do not spend a lot of time analysing such plans. However, some users said that when they do analyse the information, their objective is primarily to understand the impact of the plans on the primary financial statements.
- 81. In light of that objective, users suggested the following items of information for defined contribution plans:
 - (a) the amount recognised in the income statement.

- (b) contributions into the plan(s) during the period.
- (c) statement as to whether the same level of contributions is expected to be made in the coming year.

82. One CMAC member commented on multi-employer plans. The member said that mortality assumptions and the duration of plan assets should be disclosed.

Input received so far from the IFRS Taxonomy

83. The IFRS Taxonomy team undertakes common reporting projects to identify information that is frequently disclosed but is not specifically required by IFRS Standards. If the information is reported by at least 10 per cent of entities within the sample, it is considered to be common practice and is incorporated within the IFRS Taxonomy.

84. The IFRS Taxonomy currently includes a few common practice elements for IAS 19.

85. Most of these elements reflect examples of actuarial assumptions. In our view, these elements do not highlight potential issues with specific disclosure requirements of IAS 19.

86. However, a few of the common practice elements may indicate potentially useful information that is not required by IAS 19. These include:

- (a) separate disclosure of actuarial gains and losses arising from experience adjustments. Paragraph 141 of IAS 19 requires separate disclosure of the actuarial gains and losses arising from changes in demographic and financial assumptions only.
- (b) separate disclosure of the amount recognised in the income statement relating to termination benefits.

87. The IFRS Taxonomy team has begun the process of undertaking a full common practice review similar that already undertaken for IFRS 13 (see Agenda Paper 11C). Staff plan to consider the information from the IFRS Taxonomy team as it becomes available.

Appendix A—Staff’s preliminary assessment of the interaction between users’ suggested items of information and existing IAS 19 disclosure requirements

- A1. This appendix provides a preliminary assessment of the interaction between users’ suggested items of information relating to employee benefits and the existing IAS 19 disclosure requirements.
- A2. The staff will consider and analyse the existing disclosure requirements in more detail together with its planned technical analysis and recommendations in the coming months (see *Agenda Paper 11D*).

Users’ suggested items of information	Is this covered by existing IAS 19 disclosure requirements?	
Defined Benefit Plans		
#1: Explanation, and disaggregation, of amounts recognised in the financial statements (paragraphs 20–25)	Partly	Paragraphs 140–141 of IAS 19 address most of this information need though only as part of the reconciliation from opening to closing balance of the net defined benefit liability (asset). In addition, paragraphs 137-138 address factors an entity should consider in meeting the disclosure objectives and provide, as examples, some of users’ suggested disaggregating items in paragraph 23. However, IAS 19 does not cover information about the effect of any acquisitions on the plan(s).
#2: Nature and characteristics of the defined benefit plan(s) (paragraphs 26–30)	Partly	Paragraphs 139(a) and 147(a) of IAS 19 address most of this information need. However, IAS 19 does not cover disclosure of the general approach to investing the plan assets.
#3: Significant financial and demographic assumptions used in deriving the obligation (paragraphs 31–36)	Partly	Paragraphs 144 and 145(c) of IAS 19 address most of this information need. However, IAS 19 does not cover disclosure of <i>why</i> the assumptions used are significant for the entity.
#4: Sensitivity analysis of the significant actuarial assumptions (paragraphs 37–44)	Partly	Paragraph 145(a) of IAS 19 requires sensitivity for each significant actuarial assumption, showing how the defined benefit obligation would have been affected by changes in each significant assumption. However, this requirement does not consider changes in multiple assumptions simultaneously nor does it specify how wide the sensitivity analysis should be.

#5: Explanation of the differences between various defined benefit plan valuations (paragraphs 45–54)	No	N/A
#6: Expected contributions into the plan(s), either as agreed with the trustees/appropriate regulatory bodies or internally budgeted (paragraphs 55–67)	Partly	Paragraph 147(b) of IAS 19 requires an entity to disclose the expected contributions to the plan for the next annual reporting period <i>only</i> .
#7: Fair value of the plan assets disaggregated by asset types (paragraphs 68–71)	Partly	Paragraphs 142–143 of IAS 19 address this overall information need. However, IAS 19 does not cover the additional information discussed in paragraph 69. In lieu of the actual rate of return by asset type, paragraph 141(c)(i) requires the actual return on plan assets to be separately disclosed as part of the reconciliation from opening to closing balance of the net defined benefit liability (asset).
#8: Reconciliation from opening balance to closing balance of the net defined benefit liability (or asset) (paragraphs 72–74)	Yes	Paragraphs 140–141 of IAS 19.
#9: Expected future benefit payments from the plan(s) (paragraphs 75–77)	Partly	Paragraph 147(c) of IAS 19 requires the maturity profile of the defined benefit obligation. However, the remaining aspects of this information need are not covered by IAS 19.
<i>Defined Contribution Plans</i>		
Amount recognised in the income statement	Yes	Paragraph 53 of IAS 19
Contributions into the plan(s) during the period	No	N/A
Statement as to whether the same level of contribution is expected to be made in the coming year	No	N/A