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Paper topic	IAS 19 Items of information for disclosure

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Purpose of this paper

1. The purpose of this paper is to present staff analysis and recommendations about the items of information that could be used to meet the specific disclosure objectives for IAS 19 *Employee Benefits* that the Board tentatively decided on at its July 2019 meeting.

2. This is the second staff analysis paper about amendments to the disclosure section in IAS 19. We plan to bring staff analysis on the differences between the Board's tentative decisions so far and the existing IAS 19 disclosure requirements to a future meeting.

Structure of this paper

3. The paper is structured as follows:

   (a) Background (paragraphs 4-5)

   (b) Approach to staff analysis and recommendations (paragraphs 6-9)

   (c) Items of information to meet specific disclosure objectives for defined benefit plans (paragraphs 10-55)

   (d) Items of information to meet specific disclosure objectives for multi-employer plans and group plans (paragraphs 56-61)

   (e) Appendix A: Summary of staff recommendations in this paper

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(f) Appendix B: Illustrative examples of information to meet specific disclosure objectives

Background

4. At its July 2018 meeting, the Board selected IAS 19 as one of the two Standards on which to test the draft Guidance for the Board to use when developing and drafting disclosure objectives and requirements in future (draft Guidance).

5. At its May 2019 meeting, the Board tentatively decided to explore whether disclosure of new or different information about employee benefits would more effectively meet the needs of stakeholders than today's disclosures (see ***May 2019 Agenda Paper 11D***). Specifically, the Board tentatively decided:

   (a) that the first step of the test should be to use feedback from stakeholders about employee benefit disclosures to develop and clearly articulate disclosure objectives. The Board made decisions about these objectives—high level catch-all disclosure objectives and specific disclosure objectives—at its July 2019 meeting (see ***July 2019 Agenda Papers 11B and 11C***).

   (b) to subsequently proceed with:

      (i) developing proposals for items of information that could be used to effectively meet those objectives. That is the focus of this paper.

      (ii) refining those items of information by comparing them to existing IAS 19 disclosure requirements. Staff will bring analysis on this step to a future meeting.

Approach to staff analysis and summary of staff recommendations

6. This paper should be read alongside Agenda Paper 11A. That paper provides our analysis on the use of language and summarises our approach to analysing items of information to meet the specific disclosure objectives in IAS 19.

7. The Board tentatively decided not to develop specific disclosure objectives for short-term employee benefits, defined contribution plans, termination benefits and

other long-term employee benefits. Therefore, staff have not identified any detailed items of information for those types of employee benefit plans.

8. Our analysis covers those specific disclosure objectives that the Board tentatively decided to include in IAS 19—that is, the specific disclosure objectives for:

   (a) defined benefit plans (paragraphs 10-55); and

   (b) multi-employer plans and group plans (paragraphs 56-61).

9. A complete summary of all recommendations is included in Appendix A.

Items of information to meet specific disclosure objectives for defined benefit plans

10. At its July 2019 meeting, the Board tentatively decided to include six specific disclosure objectives in IAS 19 for defined benefit plans. These objectives would require an entity to disclose information that enables users of financial statements to:

   (a) understand the amounts in the primary financial statements (paragraphs 11-17);

   (b) understand the nature and risks of the plans (paragraphs 18-23);

   (c) understand the expected future cash flows resulting from the defined benefit obligation (paragraphs 24-37);

   (d) understand the time period over which payments to closed plans will continue to be made (paragraphs 38-41);

   (e) understand the significant actuarial assumptions (paragraphs 42-48); and

   (f) understand the drivers of change in the net defined benefit liability or asset (paragraphs 49-55).

Amounts in the primary financial statements

Background

11. The Board tentatively decided to include the following specific disclosure objective in IAS 19:

> An entity shall disclose information that enables users of financial statements to understand the amounts and components of those amounts, in the statements of financial performance, financial position and cash flows arising from its defined benefit plans during the reporting period.

12. The Board also tentatively decided to explain in IAS 19 that users need such information to:

    (a) navigate subsequent detailed pension disclosure information and reconcile it to the primary financial statements; and

    (b) identify amounts to include or adjust for in their own analysis.

Items of information for disclosure

13. Users suggested a number of items that would be helpful in meeting this objective. Specifically, users suggested both qualitative information (narrative summary of the key features of the plans) and quantitative information (breakdown of the specific amounts in the primary financial statements from the plans). These users described their need as an 'executive summary' of an entity's defined benefit arrangements.

14. We think all user suggestions above would be effective in helping to meet the objective. However, we think a narrative summary of the key features of the plan would overlap with the kinds of narrative information needed to meet the objective about the nature and risks of the plans described in paragraphs 18-19 below. Therefore, we think the list of items for this objective should only include user suggestions that relate to the quantitative executive summary.

Staff conclusion and recommendation

15. User suggestions that relate to the quantitative executive summary cover the identification, and explanation, of the amounts in each primary financial statement relating to defined benefit plans. We think these suggestions (see paragraph 16) represent a complete list of items that should be provided. Furthermore, we think each item is essential to meeting the objective in paragraph 11 for material defined benefit plans. Consequently, we think the Board should include these items of information using the prescriptive 'shall' language.

16. Consequently, staff recommend that the Board *require an entity to disclose* the following information to meet the objective in paragraph 11:

   (a) breakdown of the total income or expense included in profit or loss, identifying its components such as current service cost, past service cost, gain or loss on settlement and net interest on the net defined benefit liability.

   (b) breakdown of the total income or expense included in other comprehensive income, identifying its components such as actuarial gains and losses and return on plan assets.

   (c) breakdown of the asset or liability included in the statement of financial position, identifying its components such as plan assets, present value of the defined benefit obligation and any adjustments due to the effect of the asset ceiling[1].

   (d) the deferred tax asset or liability arising from the plan.

   (e) breakdown of the amounts included in the statement of cash flows, identifying their components such as contributions by the employer into the plan during the period.

17. Staff have developed an example to illustrate the kind of information that entities could provide to comply with the specific disclosure objective in this area—see Appendix B1.

Question 1
Does the Board agree with the staff recommendation in paragraph 16?

[1] When an entity has a surplus in a defined benefit plan, IAS 19 requires the entity to measure the net defined benefit asset at the lower of the surplus in the defined benefit plan and the asset ceiling (see paragraphs 64 to 65 of IAS 19).

Nature and risks of the plans

Background

18. The Board tentatively decided to include the following specific disclosure objective in IAS 19:

> An entity shall disclose information that enables users of financial statements to understand the:
>
> a. nature of the benefits provided by its defined benefit plan(s);
>
> b. nature and extent of risks, in particular the investment risks to which the plan(s) expose the entity; and
>
> c. strategies that the entity has in place to manage the plan(s) and the associated risks.

19. The Board also tentatively decided to explain in IAS 19 that users need such information to:

(a) assess how the entity intends to deliver the benefits promised to members of its defined benefit plan(s); and

(b) evaluate how the risks associated with those plan(s) might affect the entity in future.

Items of information for disclosure

20. Users suggested the following items of information that would be helpful in meeting this objective:

(a) status of the plans, for example, whether they are open or closed to new members;

(b) approach to investing the plan assets.

(c) agreements or commitments between the entity and the plan trustees or managers in managing risks associated with the plan.

(d) regulatory or jurisdiction specific factors that affect the plans.

(e) fair value of plan assets disaggregated by asset types.

21. We think that each of those items would be effective in helping to meet the objective, depending on an entity's particular arrangements. In light of our discussions with stakeholders and other research performed, we also identified the following additional items that would help stakeholders to comply with this objective:

(a) the nature of the benefits provided by the plan.

(b) how the plan is governed and managed. We think user suggestions about regulatory or jurisdiction factors in paragraph 20(d) is an element of this.

(c) explanation of the investment risks that the plans expose the entity to.

(d) expected returns on the plan assets.

Staff conclusion and recommendation

22. We think this objective provides an example of the principle discussed in Agenda Paper 11A that including a comprehensive list of suggestions that may enable entities comply with this objective will help:

(a) clearly communicate, in IAS 19, the types of information the Board had in mind when developing the objective; and

(b) preparers generate ideas for how to most effectively meet the objective.

We would expect preparers to provide only those items that provide relevant information about their own particular plan arrangements. Note that this is also true throughout our recommendations in this paper and Agenda Paper 11C; however, we have not repeated this point. We will explain this point clearly in the forthcoming Exposure Draft.

23. Consequently, staff recommend that the Board include in IAS 19 that, while not mandatory, the following items of information may enable an entity to meet the objective in paragraph 18:

(a) description of the nature of the benefits provided by the plan.

(b) status of the plans, such as whether the plans are open or closed to new members and whether the plan is unfunded, partly funded or unfunded.

(c) description of how the plan is governed and managed, including any regulatory framework that affects how the plan operates.

(d) description of plan-specific investment risks, including any significant concentrations of risks. For example, if plan assets are primarily invested in one class of investments, an explanation of the risks such concentration exposes the entity to.

(e) description of the policies and processes employed by the entity or plan trustees or managers to manage the risks in 23(d).

(f) description of the investment strategies for the plans.

(g) breakdown of the fair value of plan assets by classes of assets that distinguish the risks and characteristics of those assets.

(h) expected returns on the plan assets.

Question 2
Does the Board agree with the staff recommendation in paragraph 23?

Expected future cash flows resulting from the defined benefit obligation

Background

24. Subject to drafting, the Board tentatively decided to include the following specific disclosure objective in IAS 19:

> An entity shall disclose information that enables users of financial statements to understand the expected future cash flows resulting from the defined benefit obligation and the nature of those cash flows.

25. The Board also tentatively decided to explain in IAS 19 that users need such information to:

(a) evaluate and forecast the impact of the defined benefit obligation on the entity’s future cash flows; and

(b) assess how the defined benefit plans impact the entity’s economic resources, for example its ability to pay dividends.

Items of information for disclosure

Type of future cash flows

26. This specific disclosure objective is intended to capture the need for entities to provide information to users about the expected effects, on future cash flows, of any defined benefit obligation that exists at the end of the reporting period.

27. At its July 2019 meeting, the Board discussed user needs in this area in detail. In particular, the Board discussed the balance between:

    (a) users' underlying need to understand the *total* expected effect on an entity's future cash flows. Ideally, users would like a split between (i) those expected future cash flows to meet the defined benefit obligation at the end of the period—for example, deficit repair payments; and (ii) other future cash flows—for example, cash flows relating to future employee services. Many users would treat these two sets of cash flows differently in their analysis.

    (b) paragraph 3.6 of the Conceptual Framework which states that financial statements do not typically provide forward looking information.

28. In light of Conceptual Framework guidance about forward looking information, the Board concluded that the disclosure objective—which an entity is *required* to comply with—should refer to future cash flows resulting from the defined benefit obligation. In other words, the objective does not refer directly to any future cash flows relating to obligations that do not yet exist at the end of the reporting period. Nevertheless, the Board directed the staff to consider the balance described in paragraph 27 as part of the items of information that may enable entities to meet the objective.

29. Staff think that it is reasonable—and indeed helpful—to include an item of information that, while not mandatory, explains that one way to meet the objective is to disclose the total expected cash flows, broken down into the components described in paragraph 27(a). This is because:

    (a) feedback from preparers suggests that, relative to only providing the future cash flows to meet the defined benefit obligation at the end of the period, it would be no more costly to provide such information.

(b) feedback from users suggests that such information would be an effective way to meet user needs in this area.

30. We acknowledge that a breakdown of the total expected future cash flows goes beyond what the Conceptual Framework states would be typically included in the financial statements. However, we think that stakeholders support striking the right balance between providing information about future cash flows that is both as useful as possible to users and feasible to prepare at reasonable cost. In light of the feedback received, we think that a breakdown of total expected future cash flows finds that balance. Therefore, we think it would be helpful to include this in the list of items as one possible way to meet the objective. We note that where the total expected future cash flows are provided to meet the objective, it should be sufficiently disaggregated to allow users to identify those expected future cash flows to meet the defined benefit obligation at the end of the period. This is reflected in our recommendation below.

Basis on which to provide information about future cash flows

31. In ***Agenda Paper 11B*** for the July 2019 meeting, staff noted user feedback that an entity could provide information about future cash flows either based on:

(a) existing agreements, for example between the reporting entity and the plan trustees or managers; or

(b) management expectations and forecasts.

32. We observe that information about future cash flows based on existing agreements is already required in IFRS Standards today. For example, paragraph 59 of IFRS 16 requires an entity to disclose additional information about future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities.

33. We think the Board should not limit the items of information that may enable an entity to meet the objective in paragraph 24 to those based on existing agreements. Where specific agreements do not exist, we think providing the information based on management expectations or forecasts would still provide users with useful information and be effective in meeting the disclosure objective. In addition, we think such information would allow users to compare the entity's expectations

with its strategy for managing the plans and the associated risks (see paragraph 23).

34. Staff acknowledge concerns about providing expected future cash flows on the basis of management expectations and forecasts. In particular that:

    (a) financial statements do not typically provide such types of forward-looking information; and

    (b) such information may be difficult to audit.

35. Regarding these concerns, staff note that the list of items to be included would provide ideas to preparers on what to disclose rather than specify what must be disclosed in their particular circumstance. If an entity decides to satisfy the objective by providing information that is based on expectations and forecasts, we acknowledge that this information is subjective and may be challenging to audit. However, we do not think these challenges would be greater than the those associated with other judgemental areas of the financial statements. For example, if information is identified in the financial statements as being based on expectations or forecasts, we would expect auditors to have access to management's approved forecasts. We do not think this will be any more challenging to audit than, for example, disclosures about future potential exposures relating to variable lease payments that are not reflected on the balance sheet (see paragraph 32). Consequently, we think the Board should not restrict entities in determining *how* they provide the information as long as the information satisfies the objective.

Staff recommendation

36. Staff recommend that the Board include in IAS 19 that, while not mandatory, the following items of information may enable an entity to meet the objective in paragraph 24:

    (a) description of any funding arrangements or policies that affect future contributions, including any agreements reached between plan trustees or managers and the entity.

    (b) information about expected future contributions, for example:

(i) expected future contributions the entity has committed to, forecasted, or otherwise expects to make to meet the defined benefit obligation at the end of the period; or

(ii) total expected future contributions the entity has committed to, forecasted, or otherwise expects to make to the plan, differentiating between those in paragraph 36(b)(i) and other expected future contributions.

37. Staff have developed two examples to illustrate the kinds of information that entities could provide to comply with the specific disclosure objective in this area—see Appendix B2.

Question 3
Does the Board agree with the staff recommendation in paragraph 36?

Time period over which payments to closed plans will continue to be made

Background

38. Subject to drafting, the Board tentatively decided to include the following specific disclosure objective in IAS 19:

> An entity shall disclose information that enables users of financial statements to understand the time period over which payments will continue to be made to members of plans that are closed to new members and for which the entity still has an obligation.

39. Subject to drafting, the Board also tentatively decided to explain in IAS 19 that users need such information to understand the length of time over which the defined benefit obligation will continue affecting an entity's financial statements.

Items of information for disclosure

40. In light of user feedback about effective ways to meet this objective, staff recommend that the Board include in IAS 19 that, while not mandatory, the following items of information may enable an entity to meet the objective in paragraph 38:

(a) weighted average duration of the defined benefit obligation.

(b) number of years that the benefits payable by the plan are expected to be paid.

41. Staff do not recommend including the maturity profile of the defined benefit obligation in the list of items that may enable an entity to meet the objective. This is because the Board has previously decided to focus the specific disclosure objective on helping users to understand the *time period* rather than detailed information about future benefit payments. The Board made this decision considering feedback from GPF members that such detailed information is more appropriate for the financial statements of the plan itself and would be costly to provide in their financial statements.

Question 4
Does the Board agree with the staff recommendation in paragraph 40?

Significant actuarial assumptions

Background

42. The Board tentatively decided to include the following specific disclosure objective in IAS 19:

> An entity shall disclose information that enables users of financial statements to understand the significant assumptions used in determining the defined benefit obligation.

43. The Board also tentatively decided to explain in IAS 19 that users need such information to assess the measurement uncertainties associated with determination of the defined benefit obligation.

Items of information for disclosure

44. Users suggested the following items of information that would be effective in meeting this objective:

(a) identification of the assumptions with the most significant effect on the defined benefit obligation.

(b) explanation of why those assumptions were the most significant for the entity.

(c) explanation of any changes in assumptions from the previous period that have had a material effect on the defined benefit obligation.

45. Staff think users suggested items of information in paragraphs 44(a) and 44(c) would be effective in helping to meet the objective, depending on an entity's particular circumstance. However, we think the suggestion in paragraph 44(b) is likely to lead to boilerplate information. We think information about the approach to determining the assumptions used is more likely to provide useful entity-specific information to meet user needs.

46. At its July 2019 meeting, the Board tentatively decided not to include any specific disclosure objectives relating to sensitivity of the defined benefit obligation to different assumptions. In making the decision, the Board considered that the *most* critical user information needs—to understand measurement uncertainty and assess the range of possible values for the defined benefit obligation—would be captured by the objective in paragraph 42.

47. To that effect, staff think the Board should include, as part of the items of information that may enable entities to meet the objective:

(a) alternative assumptions that were reasonably possible at the reporting date. This would allow users to make an assessment about the range of possible values for the defined benefit obligation themselves.

(b) information about the level of measurement uncertainty involved in measuring the defined benefit obligation.

Staff conclusion and recommendation

48. In light of the above, staff recommend that the Board include in IAS 19 that, while not mandatory, the following items of information may enable an entity to meet the objective in paragraph 42:

(a) demographic and financial assumptions used.

(b) approach adopted in determining the assumptions used, such as how the CPI inflation was assessed or the model to account for longevity assumptions.

(c) reasons why any actuarial assumptions significantly changed during the period.

(d) alternative actuarial assumptions reasonably possible at the reporting date that could have significantly changed the defined benefit obligation.

(e) description of the level of measurement uncertainty involved in measuring the defined benefit obligation.

Question 5
Does the Board agree with the staff recommendation in paragraph 48?

Drivers of change in the net defined benefit liability or asset

Background

49. The Board tentatively decided to include the following specific disclosure objective in IAS 19:

> An entity shall disclose information that enables users of financial statements to understand the drivers of changes in the net defined benefit liability or asset from the beginning of a reporting period to the end of that period.

50. The Board also tentatively decided to explain in IAS 19 that users need such information to evaluate how the entity's financial position has been affected by transactions and other events during the period that relate to its defined benefit plans, and therefore determine whether they need to make adjustments in their analyses.

Items of information for disclosure

51. Users suggested a number of items that would be helpful in meeting this objective. We think that each of those items would be effective in helping to meet the objective, depending on an entity's particular pension arrangements.

52. During outreach, we discussed with users whether a reconciliation is the only way to meet the objective. While they had different views, the general view was that some items were more important than others—for example, contributions made by the employer and benefit payments to plan participants. We agree that entities should consider how best to present relevant information in their circumstance rather than the Board prescribing the format in which the information should be provided. Therefore, we think a reconciliation should be treated as one way of meeting the objective but not the only way.

Staff conclusion and recommendation

53. Staff recommend that the Board include in IAS 19 that, while not mandatory, the following items of information may enable an entity to meet the objective in paragraph 49:

    (a) narrative explanation of the drivers of change (see paragraph 54).

    (b) tabular reconciliation of the drivers of change (see paragraph 54).

54. Examples of drivers of change include but are not limited to:

    (a) current and past service costs.

    (b) contributions by the employer.

    (c) contributions by employees.

    (d) benefits paid out to plan participants.

    (e) effect of foreign exchange rate differences.

    (f) return on plan assets.

    (g) actuarial gains or losses from changes in assumptions.

    (h) actuarial gains or losses from experience adjustments.

    (i) effect of business acquisitions, combinations and disposals.

55. Staff have developed two examples to illustrate the kinds of information that entities could provide to comply with the specific disclosure objective in this area—see Appendix B3.

Question 6
Does the Board agree with the staff recommendation in paragraph 53?

Items of information to meet specific disclosure objectives for multi-employer plans and group plans

Background

56. The Board tentatively decided that an entity that accounts for its multi-employer or group plan as a defined benefit plan should comply with all the specific disclosure objectives for defined benefit plans.

57. Furthermore, the Board decided that an entity that accounts for a *defined benefit* multi-employer or group plan *as if it were* a defined contribution plan should, in addition to the high level, catch-all objective for defined contribution plans, comply with the specific disclosure objective described in paragraph 18. That is the objective about nature and risks of the defined benefit plans.

Staff analysis and recommendation

58. Staff have considered whether the Board should include additional items of information, to the specific disclosure objectives discussed in paragraphs 11-55, for entities to consider disclosing for *defined benefit* multi-employer plans and group plans. That is, whether additional items of information should be considered for *defined benefit* multi-employer plan and group plan accounted for using either defined benefit accounting or defined contribution accounting.

59. In light of that analysis, we think the only objective under which the Board should include additional items for consideration in respect of multi-employer and group plans is that in paragraph 18. That is, the specific disclosure objective that requires an entity to:

> […] disclose information that enables users of financial statements to understand the:
>
> a. nature of the benefits provided by its defined benefit plan(s);

b. nature and extent of risks, in particular the investment risks to which the plan(s) expose the entity; and

c. strategies that the entity has in place to manage the plan(s) and the associated risks.

60. Staff think there are certain risks and characteristics peculiar to *defined benefit* multi-employer and group plans. That is, risks associated with the fact that the plan involves other entities and the benefits provided would be to participants of more than one entity. We think it is important for these particular risks to be incorporated in the list of items that may enable entities to meet the objective.

61. Consequently, we recommend that the Board include in IAS 19 that, while not mandatory, the following items of information in addition to those recommended in paragraph 23 may enable an entity to meet the objective in paragraph 59 for *defined benefit* multi-employer plans and group plans:

(a) the level of participation of the entity in the plan compared to other participating entities.

(b) description of any stated policy to determine the contribution to be paid by the entity into the plan.

(c) description of the extent to which the entity can be liable to the plan for other entities' obligations under the terms and conditions of the plan.

Question 7
Does the Board agree with the staff recommendation in paragraph 61?

Appendix A: Summary of staff recommendations in this paper

Specific disclosure objectives	Why do users need this information?	Staff's recommended items of information
An entity shall disclose information that enables users of financial statements to understand the amounts and components of those amounts, in the statements of financial performance, financial position and cash flows arising from its defined benefit plans during the reporting period.	(a) Navigate subsequent detailed pension disclosure information and reconcile it to the primary financial statements; and (b) Identify amounts to include or adjust for in their own analysis.	An entity shall disclose: 1. breakdown of the total income or expense included in profit or loss, identifying its components such as current service cost, past service cost, gain or loss on settlement and net interest on the net defined benefit liability. 2. breakdown of the total income or expense included in other comprehensive income, identifying its components such as actuarial gains and losses and return on plan assets. 3. breakdown of the asset or liability in the statement of financial position, identifying its components such as plan assets, present value of the defined benefit obligation and any adjustments due to effect of the asset ceiling. 4. the deferred tax asset or liability arising from the plan. 5. breakdown of the amounts included in the statement of cash flows, identifying its components such as contributions by the employer into the plan during the period.
An entity shall disclose information that enables users of financial statements to understand the: **a. nature of the benefits provided by its defined benefit plan(s);** **b. nature and extent of risks, in particular the investment risks to**	(a) Assess how the entity intends to deliver the benefits promised to members of its defined benefit plan(s); and (b) Evaluate how the risks associated with those plan(s) might affect the entity in future.	While not mandatory, the following may enable an entity to meet this objective: 1. description of the nature of the benefits provided by the plan. 2. status of the plans, such as whether the plans are open or closed to new members and whether the plan is unfunded, partly funded or unfunded. 3. description of how the plan is governed and managed, including any regulatory framework that affects how the plan operates. 4. description of plan-specific investment risks, including any significant concentrations of risks. For example, if plan assets are primarily invested in one class of investments, explanation of the risks such concentration exposes the entity to.

which the plan(s) expose the entity; and **c. strategies that the entity has in place to manage the plan(s) and the associated risks.**		5. description of the policies and processes employed by the entity or plan trustees or managers to manage the risks in 4 above. 6. description of the investment strategies for the plans. 7. breakdown of the fair value of plan assets by classes of assets that distinguish the risks and characteristics of those assets. 8. expected returns on the plan assets. Additional items that may enable an entity to meet this objective for defined benefit multi-employer and group plans include: 1. the level of participation of the entity in the plan compared to other participating entities. 2. description of any stated policy to determine the contribution to be paid by the entity into the plan. 3. description of the extent to which the entity can be liable to the plan for other entities' obligations under the terms and conditions of the plan.
An entity shall disclose information that enables users of financial statements to understand the expected future cash flows resulting from the defined benefit obligation and the nature of those cash flows.	(a) Evaluate and forecast the impact of the defined benefit obligation on the entity's future cash flows; and (b) Assess how the defined benefit plans impact the entity's economic resources, for example its ability to pay dividends.	While not mandatory, the following may enable an entity to meet this objective: 1. description of any funding arrangements or policies that affect future contributions, including any agreements reached between plan trustees or managers and the entity. 2. information about expected future contributions, for example: (a) expected future contributions the entity has committed to, forecasted, or otherwise expects to make to meet the defined benefit obligation at the end of the period; or (b) total expected future contributions the entity has committed to, forecasted, or otherwise expects to make to the plan, differentiating between those in 2(a) above and other expected future contributions.
An entity shall disclose information that enables users of financial statements to understand the time period over which	Understand the length of time over which the defined benefit obligation will	While not mandatory, the following may enable an entity to meet this objective: 1. weighted average duration of the defined benefit obligation. 2. number of years that the benefits payable by the plan are expected to be paid.

payments will continue to be made to members of plans that are closed to new members and for which the entity still has an obligation.	continue affecting an entity's financial statements.	
An entity shall disclose information that enables users of financial statements to understand the significant assumptions used in determining the defined benefit obligation.	Assess the measurement uncertainties associated with determination of the defined benefit obligation.	While not mandatory, the following may enable an entity to meet this objective: 1. demographic and financial assumptions used. 2. approach adopted in determining the assumptions used, such as how the CPI inflation was assessed or the model to account for longevity assumptions. 3. reasons why any actuarial assumptions significantly changed during the period. 4. alternative actuarial assumptions reasonably possible at the reporting date that could have significantly changed the defined benefit obligation. 5. description of the level of measurement uncertainty involved in measuring the defined benefit obligation.
An entity shall disclose information that enables users of financial statements to understand the drivers of changes in the net defined benefit liability or asset from the beginning of a reporting period to the end of that period.	Evaluate how the entity's financial position has been affected by transactions and other events during the period that relate to its defined benefit plans, and therefore determine whether they need to make adjustments in their analyses.	While not mandatory, the following may enable an entity to meet this objective: 1. narrative explanation of the drivers of change (see below); or 2. tabular reconciliation of the drivers of change (see below). **Examples of drivers of change include but are not limited to:** (a) Current and past service costs. (b) Contributions by the employer. (c) Contributions by employees. (d) Benefits paid out to plan participants. (e) Effect of foreign exchange rate differences. (f) Return on plan assets. (g) Actuarial gains or losses from changes in assumptions. (h) Actuarial gains or losses from experience adjustments. (i) Effect of business acquisitions, combinations and disposals.

Appendix B: Illustrative examples of information to meet specific disclosure objectives

Amounts in the primary financial statements

B1. The following example illustrates the information an entity might disclose to meet the specific disclosure objective in IAS 19, about amounts and components of those amounts in the financial statements, described in paragraph 11.

Background

At 31 March 2019, the Group operated a number of pension plans for the benefit of its employees throughout the world. The Group's pension plans are provided through both defined benefit and defined contribution arrangements. The Group operates defined benefit schemes in the United States, the United Kingdom, Germany, Greece, Hungary, and Zimbabwe. The group's largest and main plans by plan membership are in the UK and the US.

Amounts in the financial statements

<u>*Group income statement*</u>

The cost of all defined benefit arrangements recognised in the group financial statement is shown below:

At 31 March	**2019 £m**	2018 £m	2017 £m
Current service cost	27	22	46
Past service cost	18	8	(22)
Net interest charge	12	10	8
Total amount included in the income statement	**57**	**40**	**32**

<u>*Group balance sheet*</u>

The net pension obligation in respect of defined benefit plans reported in the group balance sheet is analysed as follows:

	2019				2018			
At 31 March	UK Plan	US Plan	Other Plans	**Total**	UK Plan	US Plan	Other Plans	**Total**
Assets	3,479	1,088	46	**4,613**	3,326	1,017	20	4,363
Liabilities	(3,923)	(1,329)	(24)	**(5,276)**	(3,750)	(1,226)	(40)	(5,016)
Net deficit (surplus)	**(444)**	**(241)**	**22**	**(663)**	**(424)**	**(209)**	**(20)**	**(653)**
Deferred tax asset				**112**				109
				(551)				**(544)**

Expected future cash flows resulting from the defined benefit obligation

B2. The following examples illustrate the information an entity might disclose to meet the specific disclosure objective in IAS 19, about expected future cash flows resulting from the defined benefit obligation, described in paragraph 24.

Example 1—Expected contributions to meet the defined benefit obligation at the end of the period

As at 31 March 2019, the defined benefit liability was £551 million demonstrating that the fair value of the plan assets is not sufficient to meet the expected future benefit payments.

The Group has agreed a recovery plan to meet the funding deficit, which is intended to restore the plan assets to a fully funded position by September 2026. Under that agreement, the Group will contribute 7 annual deficit payments of up to £80 million by 31 March of each year.

The contributions have been calculated using actuarial assumptions agreed with the plan trustees based on the assessment performed on 31 March 2018. Those contributions will only be required to be paid to the extent that there exists a deficit at the preceding 31 December. The next funding assessment with the plan trustees will have an effective date of no later than 30 June 2022.

Example 2—Total expected contributions as at the end of the period

As at 31 March 2019, the defined benefit liability was £551 million demonstrating that the fair value of the plan assets is not sufficient to meet the expected future benefit payments.

The deficit will be met over a period of 7 years. The Group is scheduled to make future contributions to the pension scheme in line with the table below:

Year to 31 March	**2020 (£m)**	**2021 (£m)**	**2022 (£m)**	**2023 (£m)**	**2024 (£m)**	**2025 (£m)**	**2026 (£m)**
Employer contributions	95	94	100	106	103	100	99

These expected contributions comprise payments to reduce the existing deficit as well as payments for automatic enrolment to the scheme (including salary contributions). Employer contributions for the automatic enrolment scheme are expected to be £18 million in 2020, rising to £19.5 million per annum till 2026.

The contributions have been calculated using actuarial assumptions agreed with the plan trustees based on the assessment performed on 31 March 2018. Those contributions will only be required to be paid to the extent that there exists a deficit at the preceding 31 December. The next funding assessment with the plan trustees will have an effective date of no later than 30 June 2022.

Drivers of changes in the net defined benefit liability or asset

B3. The following examples illustrates the information an entity might disclose to meet the specific disclosure objective in IAS 19, about drivers of change in the net defined benefit liability or asset, described in paragraph 49.

Example 1—Movements in defined benefit plan asset and liabilities

The table below shows the movements on the defined benefit assets and liabilities during the current reporting period:

	Assets £m	**Liabilities £m**	**Deficit £m**
At 31 March 2018	6,709	(7,303)	(594)
Current service cost	-	(10)	(10)
Past service cost	-	(26)	(26)
Net interest charge	167	(175)	(8)
Included in the group income statement	**6,876**	**(7,514)**	**(638)**
Return on plan assets	(37)	-	(37)
Actuarial losses arising from changes in financial assumptions	-	(46)	(46)
Actuarial losses resulting from changes in demographic assumptions	-	(11)	(11)
Included in the group statement of comprehensive income	**(37)**	**(57)**	**(94)**
Regular contributions by employer	102	-	102
Deficit contributions by employer	199	-	199
Included in the group cash flow statement	**301**	**-**	**301**
Contributions by employees	8	(8)	-
Benefits paid	(289)	289	-
Foreign exchange	(156)	166	10
Acquired through business combinations (see Note 35)	(6)	17	11
At 31 March 2019	**6,697**	**(7,107)**	**(410)**

Example 2—Changes in the net defined benefit liability

At the beginning of the current reporting period, the Group's defined benefit plans had a net defined benefit deficit balance of £5,827 million. By the end of the period, the deficit balance had reduced to £5,053 million.

The significant individual items that contributed to this development comprised contributions made by the Group to the plan of £650 million, defined benefit plans acquired through business combinations with a surplus of £202 million (see Note 20) and expenses charged to the income statement of £162 million.