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STAFF PAPER

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IASB® Meeting

Project	**Disclosure Initiative: Targeted Standards-Level Review of Disclosures**
Paper topic	Feedback summary—IAS 19 *Employee Benefits*

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Purpose of the paper

1. This paper analyses the feedback from comment letters on the proposed amendments to IAS 19 included in the Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach* (Questions 12–18 of the Invitation to Comment).

2. Nearly half of the stakeholders who submitted comment letters did not comment on the proposed amendments to IAS 19. A few of them explicitly cited disagreement with the overall approach to drafting disclosure requirements as a reason for not commenting.

3. In responding to questions 12–17, many respondents cross-referred to their responses on questions 1–4 on the overall approach to developing disclosure requirements. Consequently, the feedback summarised in this paper should be read in conjunction with the feedback on questions 1–4 summarised in Agenda Paper 11A *Feedback Summary—Guidance for the Board* accompanying this paper.

Key messages

4. A few respondents supported the objective-based approach in the IAS 19 proposals rather than prescriptive disclosure requirements and said that the IAS 19 proposals would enable entities to identify information that users need.

5. In relation to defined benefit plans:

   (a) a few respondents agreed with the proposed overall disclosure objective. However, some respondents said the overall disclosure objective is too broad to identify user information needs and help an entity precisely determine what information would satisfy those needs.

   (b) some respondents said the disclosures resulting from applying the proposed overall disclosure objective together with the proposed specific disclosure objectives would not be significantly more useful than those resulting from applying the current requirements of IAS 19.

   (c) respondents generally supported the specific disclosure objectives with some concerns about whether the specific disclosure objective that requires disclosure of the nature of, and risks associated with, defined benefit plans is precise enough to help an entity identify and disclose more relevant information.

   (d) a few respondents suggested the IASB combine the specific disclosure objective that requires disclosure of amounts in the primary financial statements and the specific disclosure objective that requires disclosure of reasons for changes in the amounts recognised in the statements of financial position.

   (e) most respondents did not agree with the specific disclosure objective that requires disclosure of future payments to members of defined benefit plans that are closed to new members.

   (f) in relation to the items of information, respondents did not support the proposed disclosure of:

      (i) deferred tax asset or liability arising from defined benefit plans;

(ii) the expected return on the plan assets; and

(iii) alternative actuarial assumptions reasonably possible at the end of the reporting period that could have significantly changed the defined benefit obligation.

6. In relation to defined contribution plans, some respondents agreed with the proposed overall disclosure objective. A few respondents disagreed with the proposal and suggested retaining current IAS 19 disclosure requirements.

7. In relation to other types of employee benefit plans, some respondents agreed with the proposed overall disclosure objective. A few respondents said the proposed objective is generic and suggested the IASB develop items of information to meet the proposed objective.

8. In relation to multi-employer plans and defined benefit plans that share risks between entities under common control, a few respondents agreed with the proposals. Some respondents expressed concerns about combining the overall disclosure objective for defined contribution plans with the specific disclosure objective for defined benefit plans. They suggested the IASB either develop guidance to help an entity satisfy the proposed objectives or develop separate disclosure objectives for muti-employer plans and defined benefit plans that share risks between entities under common control.

Structure of the paper

9. This paper is structured as follows:

(a) Question 12— Overall disclosure objective for defined benefit plans (paragraphs 10–18);

(b) Questions 13 and 14—Specific disclosure objectives for defined benefit plans and information to meet those objectives (paragraphs 19–76);

(c) Questions 15 and 17— Overall disclosure objective for defined contribution plans; and other types of employee benefit plans (paragraphs 77–89);

(d) Question 16—Multi-employer plans and defined benefit plans that share risks between entities under common control (paragraphs 90–97); and

(e) Question 18—Other comments on the proposed amendments to IAS 19 (paragraphs 98–101).

Question 12—Overall disclosure objective for defined benefit plans

Summary of proposals in the Exposure Draft

10. In paragraph 147A of the proposed amendments to IAS 19, the IASB proposes an overall disclosure objective that requires an entity to disclose information that enables users of financial statements to:

    (g) assess the effect of defined benefit plans on the entity's financial position, financial performance and cash flows; and

    (h) evaluate the risks and uncertainties associated with defined benefit plans.

11. Paragraphs 147B and 147C propose requirements about the aggregation and disaggregation of defined benefit plans disclosures.

12. Paragraphs BC107–BC109 of the Basis for Conclusions on the Exposure Draft describe the IASB's reasons for proposing the overall disclosure objective for defined benefit plans.

Comment letter feedback

13. The IASB asked stakeholders if they agree that the proposed overall disclosure objective would result in the provision of useful information that meets the overall user information needs about defined benefit plans, and if not, what alternative objective do they suggest and why.

General comments on the proposed overall disclosure objective

14. Of the respondents who commented, a few said that the proposed overall disclosure objective could result in useful information to assess the effect of defined benefit plans on an entity's primary financial statements and evaluate the risks and uncertainties associated with those plans for the reasons considered and explained in the Basis for Conclusions on the Exposure Draft. However, some respondents said the overall disclosure objective is too broad to identify user

information needs and help an entity precisely determine what information would satisfy those needs.

15. Some respondents, mainly preparers, said the disclosures resulting from applying the proposed overall disclosure objective together with the proposed specific disclosure objectives would not be significantly more useful than those resulting from applying the current requirements of IAS 19. Therefore, they thought that the cost of applying the proposals would exceed the likely benefits and questioned the need to amend IAS 19. They also said that the information disclosed applying the requirements in IAS 19 are well understood by users of financial statements. A few respondents explicitly suggested the IASB retain the current disclosure requirements, amend IAS 19 only to include the proposed specific disclosure objectives, and regroup the current disclosure requirements by those specific disclosure objectives.

16. A national standard-setter said if information about the expected effects of defined benefit plans on an entity's future cash flows is, as explained in paragraph BC121 of the Basis for Conclusions, the most relevant information users want, this user need should be reflected in the overall disclosure objective. That respondent thought that the proposed overall disclosure objective as drafted may not encompass information about the expected effects of defined benefit plans on an entity's future cash flows.

Aggregation and disaggregation principle

17. Some respondents commented on the proposed aggregation and disaggregation principles. Of those respondents, a few said providing an entity with flexibility to determine the appropriate levels of aggregation and disaggregation could result in more useful information. They also said the illustrative bases of disaggregation in paragraph 147C of the proposed amendments to IAS 19 would help an entity use judgement in deciding an appropriate basis of disaggregation.

18. However, other respondents who commented questioned how the proposed principle and illustrative bases for disaggregation, which are similar to those already in IAS 19, would result in more meaningful disclosures. They suggested the IASB:

(a) develop guidance or illustrative examples on aggregating and disaggregating defined benefit plan disclosures;

(b) develop the proposed principle consistently with that in IAS 1 *Presentation of Financial Statements* and the Primary Financial Statements project;

(c) allow a management's view of the right level and basis for disaggregation instead of requiring a level and basis that delivers the 'most useful' information; and

(d) allow an entity to disclose information separately for each material defined benefit plan.

Questions 13 and 14—Specific disclosure objectives for defined benefit plans and information to meet those objectives

Summary of IAS 19 proposals in the Exposure Draft

19. The IASB proposes specific disclosure objectives that require an entity to disclose information about:

(a) amounts in the primary financial statements relating to defined benefit plans (paragraphs 147D–147F of the proposed amendments to IAS 19);

(b) the nature of, and risks associated with, defined benefit plans (paragraphs 147G–147I of the proposed amendments to IAS 19);

(c) expected future cash flows relating to defined benefit plans (paragraphs 147J–147M and A2–A7 of the proposed amendments to IAS 19);

(d) future payments to members of defined benefit plans that are closed to new members (paragraphs 147N–147P of the proposed amendments to IAS 19);

(e) measurement uncertainties associated with the defined benefit obligation (paragraphs 147Q–147S of the proposed amendments to IAS 19); and

(f) reasons for changes in the amounts recognised in the statement of financial position for defined benefit plans (paragraphs 147T–147W of the proposed amendments to IAS 19).

20. Paragraphs BC110–BC145 of the Basis for Conclusions describe the IASB's reasons for proposing the specific disclosure objectives for defined benefit plans and discuss approaches that the IASB considered but rejected.

21. Paragraphs BC110–BC145 of the Basis for Conclusions describe the IASB's reasons for proposing the items of information to meet the specific disclosure objectives about defined benefit plans and discuss information that the IASB considered but decided not to include.

Comment letter feedback

22. The IASB asked stakeholders whether they agree that:

(a) the proposed specific disclosure objectives capture detailed user information needs for defined benefit plans;

(b) the proposed specific disclosure objectives would result in the provision of relevant information and the elimination of irrelevant information about defined benefit plans in financial statements;

(c) the benefits of the specific disclosure objectives would justify the costs of satisfying them;

(d) entities should be required to disclose the proposed items of information in specified paragraphs of the proposed amendments to IAS 19; and

(e) the proposed items of information that are not mandatory may enable entities to meet each specific disclosure objective.

23. Feedback on these questions is summarised as follows:

(a) general comments on specific disclosure objectives for defined benefit plans (paragraphs 24–26);

(b) cost of applying specific disclosure objectives for defined benefit plans (paragraphs 27–28);

(c) general comments on proposed items of information to meet specific disclosure objectives for defined benefit plans (paragraphs 29–31);

(d) comments on specific disclosure objectives and items of information:

(i) amounts in the primary financial statements relating to defined benefit plans (paragraphs 32–42);

(ii) nature of, and risks associated with, defined benefit plans (paragraphs 43–49);

(iii) expected future cash flows relating to defined benefit plans (paragraphs 50–61);

(iv) future payments to members of defined benefit plans that are closed to new members (paragraphs 62–67);

(v) measurement uncertainties associated with the defined benefit obligation (paragraphs 68–71); and

(vi) reasons for changes in the amounts recognised in the statement of financial position for defined benefit plans (paragraphs 72–76).

General comments on specific disclosure objectives for defined benefit plans

24. Of the respondents who commented, many respondents supported the proposed specific disclosure objectives in IAS 19 for the reasons considered and explained by the IASB in the Basis for Conclusions on the Exposure Draft. An accountancy body found the proposed specific disclosure objectives in IAS 19 more helpful than those proposed for IFRS 13 *Fair Value Measurement*.

25. Some respondents said the specific disclosure objectives for defined benefit plans are too broad to help an entity precisely determine what information would satisfy these objectives. A few of those respondents, citing similar wording in the specific disclosure objective on amounts in primary financial statements and the overall disclosure objective, said that specific disclosure objectives should be more precise and not duplicate the overall disclosure objective.

26. Paragraphs 147E(b) and 147U state that information required by the specific disclosure objective is intended to help users identify amounts to include in their

analysis. Two preparers said such explanation would make applying the specific disclosure objective difficult without knowing what analysis users perform and what inputs users require in the analysis.

Cost of applying specific disclosure objectives for defined benefit plans

27. Some respondents commented on the cost of applying specific disclosure objectives. Of those who commented, a few respondents—government auditors and an accountancy body—said that the expected benefits from applying specific disclosure objectives for defined benefit plans would justify the costs of satisfying them for the reasons considered by the IASB. They said that most of the information needed to satisfy the proposed disclosure objectives is already being collected in applying the disclosure requirements of IAS 19.

28. Some respondents said the benefits would not justify the costs of applying the specific disclosures objectives because, in their view, the proposals do not represent a significant improvement from the requirements in IAS 19.

General comments on proposed items of information to meet specific disclosure objectives for defined benefit plans

29. A few respondents said that entities should be required to disclose the proposed non-mandatory items of information because:
    (a) those items of information are mostly similar to the disclosure requirements in IAS 19; and
    (b) there are no alternative ways of meeting the proposed specific disclosure objectives other than disclosing, if material, those items of information.

30. A professional body suggested the IASB require disclosure of more quantitative information than narrative information because narrative disclosures tend to be boilerplate statements.

31. A national standard-setter suggested the IASB require an entity to disclose expected changes in human resources in the near future arising from changes in the entity's business model or changes in the industry in which the entity operates.

Amounts in the primary financial statements relating to defined benefit plans

Summary of the proposal

32. Paragraph 147D of the proposed amendments to IAS 19 proposes a specific disclosure objective requiring an entity to disclose information that enables users of financial statements to understand the amounts arising from defined benefit plans in the primary financial statements. The disclosure that would be produced in accordance with this objective is referred to in the Basis for Conclusions on the Exposure Draft—and throughout our outreach with stakeholders—as an 'executive summary'.

33. Paragraph 147E explains that the information required by this specific disclosure objective is intended to help users navigate detailed disclosures about defined benefit plans, reconcile them to the primary financial statements and identify amounts to include in their analyses.

34. The specific disclosure objective is accompanied by proposed mandatory requirements to disclose the amounts included in each of the primary financial statements. The proposed mandatory items of information include:

    (a) the deferred tax asset or liability arising from defined benefit plans—or a cross-reference to where that information is disclosed elsewhere in the financial statements; and

    (b) the amounts in the statement of cash flows, identifying their components including contributions by the entity into the defined benefit plans.

35. Paragraphs BC111–BC114 of the Basis for Conclusions explain the IASB's reasons for proposing this specific disclosure objective and the mandatory items of information.

Comment letter feedback—Executive summary

36. Only a few respondents commented on the proposed specific objective. Of those who commented, almost all respondents supported the proposed executive summary for the reasons considered by the IASB. They said such disclosure would enable users to:

(a) easily understand the amounts included in the financial statements; and

(b) assess the relative magnitude of the defined benefit plan liability to the entity's financial position.

37. A preparer thought the executive summary is unnecessary because the resulting information is similar to that already required by paragraph 140 of IAS 19.

38. A few respondents suggested the IASB:

(a) include in the executive summary a disclosure of the amount of reimbursement rights in the statement of financial position; and

(b) combine the executive summary with the proposed specific objective requiring disclosure of the reasons for changes in the amounts recognised in the statement of financial position for defined benefit plans.

Comment letter feedback—items of information

39. Some respondents commented on two proposed items of information—deferred tax asset or liability arising from defined benefit plans and amounts included in statement of cash flows.

Deferred tax asset or liability arising from defined benefit plans

40. Of those who commented, most respondents disagreed with the proposed requirement to disclose the deferred tax asset or liability arising from defined benefit plans. These respondents noted that entities are already required to disclose these amounts as part of their income tax disclosures. They were unclear about the basis for the IASB's proposal.

Amounts included in statement of cash flows

41. A preparer-representative body said the proposed requirement in paragraph 147F(e)—to disclose the amounts in the statement of cash flows, identifying their components including contributions into defined benefit plans—may imply that an entity should use the direct method to report cash flows from operating activities, thereby making the indirect method redundant.

42. A government auditor suggested the IASB require an entity to provide a narrative disclosure about the nature of contributions to complement the disclosure of the

amounts in the statement of cash flows. That respondent said, in addition to regular contributions, an entity may be required to make solvency or going concern deficiency payments to the defined benefit plan. The plan participants may find useful information about such payments and the terms associated with those payments.

Nature of, and risks associated with, defined benefit plans

Summary of the proposal

43. Paragraph 147G of the proposed amendments to IAS 19 proposes a specific disclosure objective requiring an entity to disclose information that enables users of the financial statements to understand the:

    (a) nature of the benefits provided by the defined benefit plans;

    (b) nature and extent of the risks, in particular the investment risks, to which the defined benefit plans expose the entity; and

    (c) strategies that the entity has in place to manage the defined benefit plans and the identified risks.

44. Paragraph 147H explains that the information required by this specific disclosure objective is intended to help users assess how an entity intends to deliver the benefits promised to members and evaluate how the risks associated with the plans may affect the entity's ability to deliver those benefits in future. The specific disclosure objective is accompanied by a list of non-mandatory items of information that may enable an entity to meet the objective.

45. Paragraphs BC115–BC120 of the Basis for Conclusions explain the IASB's reasons for proposing this specific disclosure objective and the non-mandatory items of information.

Comment letter feedback

46. Some respondents commented on this specific disclosure objective and items of information. Of those, a few respondents, mainly accountancy bodies, a standard-setter and an actuarial body, explicitly said the current disclosure requirements in IAS 19 relating to nature of, and risk associated with defined

benefit plans result in lengthy boilerplate narrative information; and that the proposed specific disclosure objective would help limit this narrative information to more useful information. However an actuarial body, said some proposed items of information, for example, how an entity manages investment risks, may still lead entities to disclose boilerplate information.

47. Other respondents, while not disagreeing, said the specific disclosure objective is broad. A preparer-representative body suggested the IASB define the term 'nature' of defined benefit plans to help limit the disclosure of narrative information.

48. In relation to the items of information, a few respondents—actuarial bodies, accounting firms and national standard-setters—suggested the IASB:

(a) to the extent possible, replace narrative disclosure requirements with quantitative disclosure requirements.

(b) require an entity to disclose how the funded status of a defined benefit plan is determined under the plan's rules and regulations, and how and why that funded status differs from the net defined benefit liability (asset) determined applying IAS 19.

(c) develop a separate specific disclosure objective for events like plan amendments, settlements, and curtailments. In their view, information about such events enables users to understand the effects of changes in a defined benefit plan rather than the nature of, and risks associated with, a defined benefit plan.

(d) instead of labelling the item of information as non-mandatory, require an entity to disclose a breakdown of the fair value of plan assets by classes of assets that distinguish the risks and characteristics of those assets (paragraph 147I(h) of the proposed amendments to IAS 19). In their view, disclosing such information would be the only way to meet the objective of enabling users to understand the investment risks to which a defined benefit plan exposes the entity.

(e) require entities to disclose a disaggregation of each class of plan asset into those that have a quoted market price in an active market and those that do not. In their view, that information would enable users to understand how easily plan assets can be converted into cash.

(f) require entities to disclose a maturity profile of the plan assets, when applicable.

(g) add to the list of non-mandatory items information about labour law risks—for example lawsuits by employees—that would enable users to understand the potential risk of having to provide higher benefits.

49. A few respondents expressed concerns about the proposed disclosure of expected return on plan assets. They said it would be difficult to determine a meaningful number that would provide useful information. An actuarial body suggested the IASB instead require an entity to disclose the actual rate of return on plan assets over a past period, of say three to five years, together with an explanation of material differences between the expected return and actual return during that period. An accounting firm suggested that the specific objective could be more specific about the extent to which the plan asset return is sufficient to meet the plan obligations.

Expected future cash flows relating to defined benefit plans

Summary of the proposal

50. Paragraph 147J of the proposed amendments to IAS 19 proposes a specific disclosure objective requiring an entity to disclose information that enables users to understand the expected effects of the defined benefit obligation on the entity's future cash flows and the nature of those effects.

51. Paragraph 147K explains that the information required by this specific disclosure objective is intended to help users assess the effect of the defined benefit obligation on the entity's future cash flows and evaluate how the defined benefit obligation may affect the entity's economic resources, for example, its ability to pay dividends.

52. Paragraph 147M allows an entity to provide information about the expected future cash flow effects for the defined benefit plans as a whole, without differentiating between those that meet the defined benefit obligation recognised at the end of the

reporting period and other expected future cash flows, if such information would better meet the disclosure objective.

53. The IASB included this specific disclosure objective in response to user feedback that information about the likely cash flows effect is the most important information users need about defined benefit plans and that they currently do not get sufficient information. The specific disclosure objective is accompanied by a list of non-mandatory items of information that may enable an entity to meet the objective, application guidance to help an entity determine which information is relevant in different circumstances, and three illustrative examples.

54. Paragraphs BC121–BC132 of the Basis for Conclusions explain the IASB's reasons for proposing this specific disclosure objective and the non-mandatory items of information.

Comment letter feedback

55. Some respondents commented on the specific disclosure objective and items of information. Of those who commented, a few respondents—a preparer, an accountancy body and a standard-setting body—explicitly said the information about the effect of future expected cash flows relating to defined benefit plans would be useful to users in making cash flow projections. However, a national standard-setter said the proposals are similar to the requirements in IAS 19 and questioned whether the proposals would improve the information users currently receive. Other respondents agreed with the specific disclosure objective and commented on the explanation of user needs and items of information.

The explanation in paragraph 147K(b)

56. A few respondents said that the explanation in paragraph 147K(b)—how users would use information to evaluate how defined benefit obligation may affect the entity's economic resources, for example, its ability to pay dividends'—is broader than the requirement in the specific disclosure objective itself. They suggested that this explanation should refer to 'overall liquidity' instead because:

(a) the defined benefit obligation payments could affect the payments of other amounts and eventually the entity's overall liquidity;

(b) the ability to pay dividends is of interest to investors, whereas 'overall liquidity' may be of interest to a broader group of users; and

(c) the explanation, as written, would not achieve the intended outcome in jurisdictions where regulators could recommend that entities refrain from distributing dividends to shareholders.

Expected future contributions

57. A few respondents suggested the IASB further clarify what is meant by the phrase 'future contributions' referred to in the proposed paragraph 147L(b). They were unclear whether the future contributions include both contributions to the plan and benefit payments to plan participants. Paragraph 147 of IAS 19 requires disclosure of both the expected contributions to the plan for the next annual reporting period and a maturity analysis of the benefit payments.

58. A few respondents—actuarial bodies, a preparer and an accountancy body—did not support the proposal in paragraph 147M to allow an entity to provide information about the expected future cash flow effects for a defined benefit plan as a whole, without differentiating between those that meet the defined benefit obligation recognised at the end of the reporting period and other expected future cash flows. They said that the proposal would not result in comparable information across entities. However, an accountancy body said the choice to disclose this information (the expected future cash flows for the defined benefit plan as a whole) could be meaningful to the users of the financial statements.

59. A few respondents said that an entity should not be allowed to include contributions for future services in the expected future contributions. That respondent suggested the IASB clarify that future contributions represent contributions to the fund for a wholly funded plan; benefit payments to plan participants for an unfunded plan; and both contributions to the fund and benefit payments to plan participants for a partially funded plan.

60. A preparer suggested the IASB restrict the future cash flow information only to minimum funding requirements or any funding commitments at the reporting date.

61. A few respondents suggested the IASB:

(a) specify the period (time-band for example., within one year, two to five years) over which future cash flows should be disclosed; and

(b) develop an example demonstrating how the measurement of the net defined benefit liability (asset) could be different from how the funded status of a defined benefit plan is measured, and expected future contributions determined, under the plan's rules and regulations.

Future payments to members of defined benefit plans that are closed to new members

Summary of the proposal

62. Paragraph 147N of the proposed amendments to IAS 19 proposes a specific disclosure objective requiring an entity to disclose information that enables users of the financial statements to understand the period over which payments will continue to be made to members of defined benefit plans that are closed to new members (closed plans).

63. Paragraph 147O explains that the information required by this specific disclosure objective is intended to help users understand the length of time over which the defined benefit obligation associated with closed plans will continue to affect the entity's financial statements. Unlike for open plans, the period over which an entity will continue to make payments for a closed plan is unlikely to change significantly and therefore provides meaningful information to users. The specific disclosure objective is accompanied by a list of non-mandatory items of information that may enable an entity to meet the objective.

64. Paragraphs BC133–BC137 of the Basis for Conclusions explain the IASB's reasons for proposing this specific disclosure objective and the non-mandatory items of information.

Comment letter feedback

65. Of the respondents who commented, only a few supported the proposed specific disclosure objective.

66. Most respondents who commented disagreed with the proposal, questioning the benefit of disclosing the proposed information only for closed plans, and the usefulness of simply disclosing the period over which amounts are expected to be paid without disclosing the amounts involved. These respondents said:

(a) contrary to the explanation in paragraph BC134 of the Basis for Conclusions on the Exposure Draft, the period over which an entity will continue to make payments may change if further benefits accrue to current members of a closed plan.

(b) there would be no need for the proposed specific disclosure objective because an entity could apply the disaggregation principle in disclosing information about expected future cash flows and, therefore, disclose expected future contributions separately for closed plans and other plans.

(c) the proposed specific disclosure objective reflects users' needs that are unique to a particular jurisdiction. Users in other jurisdictions need information about the period over which an entity will make payments for all defined benefit plans to assess changes in the present value of the defined benefit obligation because of changes in discount rate. Citing the current requirement in paragraph 147 of IAS 19, these respondents suggested the IASB continue to require an entity to disclose the weighted average duration of all defined benefit obligations.

67. A national standard-setter said that information about overfunding or effects of the asset ceiling on closed plans would be more useful to users than the period over which payments will continue to be made to the members

Measurement uncertainties associated with the defined benefit obligation

Summary of the proposal

68. Paragraph 147Q of the proposed amendments to IAS 19 proposes a specific disclosure objective requiring an entity to disclose information that enables users of financial statements to understand the significant actuarial assumptions used in determining the defined benefit obligation. Paragraph 147R explains that the information required by this specific disclosure objective is intended to help users

assess the sources of measurement uncertainties in determining the defined benefit obligations. The specific disclosure objective is accompanied by a list of non-mandatory items of information that may enable an entity to meet the objective, which include:

(a) the significant demographic and financial actuarial assumptions used to determine the defined benefit obligation;

(b) alternative actuarial assumptions reasonably possible at the end of the reporting period that could have significantly changed the defined benefit obligation; and

(c) a description of how measurement uncertainty has affected measurement of the defined benefit obligation.

69. Paragraphs BC138–BC142 of the Basis for Conclusions explain the IASB's reasons for proposing this specific disclosure objective and the non-mandatory items of information.

Comment letter feedback

70. Some respondents commented on the specific disclosure objective and items of information. Of those who commented, almost all agreed with the proposed specific disclosure objective for the reasons considered and explained in the Basis for Conclusions.

71. However, in relation to the proposed non-mandatory items of information:

(a) most respondents who commented suggested the IASB require an entity to disclose significant actuarial assumptions to meet the specific disclosure objective. A few of them suggested the IASB prescribe a minimum set of actuarial assumptions that all entities should disclose to enable users to compare inputs used across entities.

(b) a few respondents suggested the IASB explicitly require an entity to disclose the assumptions used in determining the discount rate because, in practice, it is a key area of judgement.

(c) a few respondents said some proposed items of information—for example, alternative actuarial assumptions reasonably possible at the end of the reporting period and a description of how measurement uncertainty affected measurement of the defined benefit obligation— are too broad and unclear about what information is expected from entities.

(d) most respondents disagreed with the proposed disclosure of alternative actuarial assumptions and suggested the IASB retain paragraph 145 of IAS 19 that requires an entity to disclose a sensitivity analysis for each significant actuarial assumption as of the end of the reporting period. These respondents said:

   (i) the sensitivity analysis disclosures are well understood by users of financial statements as a source for assessing measurement uncertainties;

   (ii) disclosure of reasonably possible alternative actuarial assumptions would undermine the requirement in paragraphs 75–76 of IAS 19 for actuarial assumptions to be unbiased and an entity’s best estimates of the variables that will determine the ultimate cost of providing post-employment benefits;

   (iii) requiring disclosure of alternative actuarial assumptions may be seen as remedying through disclosures perceived weaknesses in the measurement requirements;

   (iv) the expected benefits may not outweigh the costs of disclosing the information; and

   (v) if the IASB were to proceed with the proposal, entities may need additional guidance on what are ‘reasonably possible’ actuarial assumptions at the reporting date.

(e) a few respondents agreed with the IASB’s comments in paragraph BC153 of the Basis for Conclusions that the benefits provided by more detailed sensitivity information would not outweigh the cost to entities of providing that information. However, they suggested the IASB include in the items of information a sensitivity analysis for discount rate as of the end of the reporting date.

Reasons for changes in the amounts recognised in the statement of financial position for defined benefit plans

Summary of the proposal

72. Paragraph 147T of the proposed amendments to IAS 19 proposes a specific disclosure objective requiring an entity to disclose information that enables users of financial statements to understand the significant reasons for changes in the amounts recognised in the statement of financial position relating to defined benefit plans.

73. Paragraph 147U explains that the information required by this specific disclosure objective is intended to help users evaluate how transactions and other events during the reporting period that relate to defined benefit plans have affected financial position and performance, and thereby identify amounts to include in their analyses. The proposed specific disclosure objective is accompanied by a proposed mandatory requirement to disclose a tabular reconciliation from opening to closing balances of the net defined benefit liability or asset (reconciliation) and further non-mandatory items of information that might enable an entity to meet the proposed objective.

74. Paragraphs BC143–BC145 of the Basis for Conclusions explain the IASB's reasons for proposing this specific objective and the items of information.

Comment letter feedback

75. Some respondents commented on the specific disclosure objective and items of information. Of those who commented, almost all supported the proposed specific disclosure objective and the proposed items of information for the reasons considered by the IASB. These respondents:

    (a) a few respondents suggested the IASB integrate this objective and the proposed items of information with the proposed executive summary as the two objectives and items of information are inter-related.

    (b) a few respondents suggested the IASB clarify whether an entity should disclose one reconciliation of the net defined benefit liability (asset), or separate reconciliations for the components of the net defined benefit liability (asset)—plan assets, the defined benefit obligation and the effect of the asset ceiling—as required by paragraph 140 of IAS 19.

(c) a few respondents suggested the IASB align the description of the proposed significant changes with the description of the changes in paragraph 141 of IAS 19. For example, the proposed paragraph 147V includes actuarial gains and losses from changes in actuarial assumptions, and those from changes in experience adjustments as two possible significant changes. However, paragraph 141 of IAS 19 refers to actuarial gains and losses arising from changes in demographic assumptions, and those arising from changes in financial assumptions.

(d) a government auditor suggested the IASB include an example that illustrates how an entity would apply materiality in deciding the changes in the net defined benefit liability (asset) that would be disclosed separately.

76. An accounting firm said that this specific disclosure objective on 'information that enables users of financial statements to understand the significant reasons for changes in amount' is too broad and is unlikely to change the number of reconciliation tables that are currently disclosed. The respondent suggested the IASB have outreach meetings with users to understand the level of detail they need about significant changes.

Questions 15 and 17—Overall disclosure objective for defined contribution plans and other types of employee benefit plans

Summary of proposals in the Exposure Draft

77. Paragraphs 25A, 54A, 158A and 171A of the proposed amendments to IAS 19 propose overall disclosure objectives requiring an entity to disclose information that enables users of the financial statements to understand:

(a) the effect of short-term employee benefits and defined contribution plans on the entity's financial performance and cash flows; and

(b) the nature of other long-term employee benefits and termination benefits and the effect of those benefits on the entity's financial position, financial performance, and cash flows.

78. The proposals did not include any specific disclosure objectives for these types of employee benefit because of user feedback that these employee benefits are easy to understand and unlikely to affect users' analysis. When these benefits are material to an entity, users want to understand the effect they have on the primary financial statements. The IASB concluded that this user need is satisfied by the overall disclosure objectives.

79. Paragraphs BC156–BC158 and paragraphs BC167–BC170 of the Basis for Conclusions explain the IASB's reasons for proposing this specific disclosure objective and the non-mandatory items of information.

Comment letter feedback

80. The IASB asked stakeholders whether they agree that the proposed disclosure objectives would result in the provision of useful information that meets the overall user information needs about defined contribution plans and other types of employee benefit plans.

Defined contribution plans

81. Some respondents who commented supported the overall disclosure objective for the reasons considered by the IASB. A few questioned the usefulness of the proposed disclosure objective without accompanying items of information that help meet the objective and suggested the IASB require an entity to disclose the amount recognised as an expense for defined contribution plans.

82. A standard-setting body that supported the proposed overall disclosure objective said the proposed objective may not capture information about risks associated with defined contribution plans. For example, if the circumstances at the reporting date suggest that future contributions payable are likely to increase, such information would be useful to users of financial statements. However, it is not clear if the proposed overall disclosure objective would lead an entity to disclose such information. That respondent suggested the IASB expand the overall disclosure objective.

83. A regulator and a professional body that supported the proposed overall disclosure objective suggested the IASB expand the proposed objective to include

information about the effects of defined contribution plans on future cashflows and require an entity to disclose next year's contribution and factors that influence the amount of contribution payable in the future. The professional body also suggested the IASB require an entity to disclose any plan amendments and modifications during a reporting period that affected the contribution payable for that period.

84. A few other respondents also suggested the IASB retain paragraph 54 of IAS 19 that says that an entity discloses, where required by IAS 24 *Related Party Disclosures*, information about contributions to defined contribution plans for key management personnel.

85. Some respondents questioned the need for a disclosure objective, or any disclosures at all, about contributions payable to defined contribution plans because those plans have little effect on financial position and financial performance beyond the contributions payable. An individual said that contributions payable to defined contribution plans are, in essence, a cash payment made to a third party on behalf of the employee. Once the contribution is made, the employer bears no further risk.

86. Some respondents expressed concerns that the proposed overall disclosure objective is vague and that it is not clear what information would be useful to users beyond the amount recognised as an expense for defined contribution plans and the amount included in the statement of cash flows. They suggested the IASB simply retain paragraph 53 of current IAS 19 that requires an entity to disclose the amount recognised as an expense for defined contribution plans and not include any overall disclosure objective. In their view, the information that users currently receive about defined contribution plans is sufficient.

Other types of employee benefit plans

87. Some respondents said the proposed overall disclosure objectives would lead an entity to provide relevant information about short-term employee benefits, other long-term employee benefits and termination benefits. A few of these respondents said the proposed overall disclosure objectives:

(a) reflect the simplicity of these types of plans; and

(b) could improve the information that an entity provides about these plans.

88. A few respondents expressed concerns that the proposed overall disclosure objectives for other long-term employee benefits and termination benefits are vague and suggested the IASB develop items of information that help meet the objectives. They cautioned that:

(a) these benefits involve complexities, risks, and uncertainties similar to defined benefit plans; and

(b) these benefits could impact the future performance and cash flows—for example, payments from deferred compensation schemes vary based on an entity's performance.

89. A few respondents suggested the IASB retain the paragraphs in IAS 19 that cross refer to the requirement in IAS 24 for an entity to disclose employee benefits for key management personnel.

Question 16—Multi-employer plans and defined benefit plans that share risks between entities under common control

Summary of proposals in the Exposure Draft

90. The IASB proposes that an entity comply with the overall disclosure objective for defined contribution plans if the entity classifies its multi-employer plan as a defined contribution plan (paragraph 54A of the proposed amendments to IAS 19).

91. The IASB proposes that an entity comply with the overall disclosure objective for defined contribution plans and the specific disclosure objective about the nature of, and risks associated with, defined benefit plans if the entity:

(a) accounts for a multi-employer defined benefit plan as if it were a defined contribution plan (paragraph 148A of the proposed amendments to IAS 19); or

(b) participates in a defined benefit plan that shares risks between entities under common control and accounts for the contribution payable for the period in accordance with paragraph 41 of IAS 19 (paragraph 149A of the proposed amendments to IAS 19).

92. The IASB proposes that an entity comply with the overall disclosure objective and specific disclosure objectives for defined benefit plans if the entity:

    (a) accounts for a multi-employer defined benefit plan as a defined benefit plan (paragraph 148C of the proposed amendments to IAS 19); or

    (b) participates in a defined benefit plan that shares risks between entities under common control and accounts for an allocation of the net defined benefit cost in accordance with paragraph 41 of IAS 19 (paragraph 149C of the proposed amendments to IAS 19).

Comment letter feedback

93. The IASB asked stakeholders whether they agree that the proposals would result in the provision of useful information that meets the overall user information needs about these plans.

94. A few respondents agreed with the proposals for the reasons considered and explained by the IASB in the Basis for Conclusions.

95. Some respondents expressed concerns that combining the overall disclosure objective for defined contribution plans and the specific disclosure objective for defined benefit plans would create complexity for entities trying to understand and apply the disclosure requirements. They suggested the IASB either develop guidance to help an entity satisfy the proposed objectives or develop separate disclosure objectives for muti-employer plans and defined benefit plans that share risks between entities under common controls. An accountancy body said that multi-employer plans carry more risks than defined benefit plans that share risks between entities under common control.

96. A few respondents said that the Basis for Conclusions on the Exposure Draft does not sufficiently explain why the disclosure requirements in IAS 19 do not currently provide useful information about these plans. They suggested the IASB further clarify and provide guidance on identifying the information to be disclosed.

97. A national standard-setter disagreed with the proposal and suggested the IASB undertake a broader standard-setting project for multi-employer plans before

developing disclosure requirements. They said that multi-employer plans and shared-risk pension plans are becoming common and the accounting model for defined benefit plans does not sufficiently reflect the economic characteristics of those plans.

Question 18—Other comments on the proposed amendments to IAS 19

98. A standard-setting body, an accounting body and an accounting firm, suggested the IASB require the disclosure of sustainability-related information about an entity's employee benefit plans—for example, requiring information about how plan assets comply with sustainability goals.

99. A few respondents suggested the IASB:

    (c) develop reporting requirements for hybrid plans with characteristics of both defined benefit plans and defined contribution plans;

    (d) require disclosure of information about:

        (i) the pattern of current service costs— because information about whether these costs are expected to change in the future could be relevant information and would be easy to prepare; and

        (ii) employee benefits administration costs relating to IAS 19 requirements, for example, legal, actuarial and audit fees.

100. An accounting firm suggested the IAS 19 proposals could be improved by connecting the proposals on employee benefits disclosures with the proposals made in other projects, such as the Management Commentary project. The Exposure Draft *Management Commentary* proposes allowing the narrative reporting about defined benefit plans in the management commentary.

101. A few respondents said the proposals, if finalised, would lead entities to significantly change the way they provide disclosures, change their information systems and develop capabilities in applying objectives-based disclosure requirements. Respondents suggested the IASB either permit prospective application or provide a transition period of more than two years.

Question for the IASB
Does the IASB have any questions or comments on the feedback discussed in this paper? Specifically: a. is there any feedback that is unclear? b. are there any points you think the IASB did not consider in developing the Exposure Draft, but it should consider further? c. are there any points you would like staff to research further?