IFRS

STAFF PAPER

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Project	**Disclosure Initiative: Targeted Standards-level Review of Disclosures**
Paper topic	Comparison between the Board's tentative decisions and the disclosure requirements on IAS 19 *Employee Benefits*

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Purpose of this paper

1. At its July and November 2019 meetings, the Board made decisions about the disclosure objectives and items of information to meet those objectives for IAS 19 *Employee Benefits*.

2. The purpose of this paper is to present staff analysis and recommendations on how those decisions compare to the disclosure objectives and requirements in IAS 19 and, consequently, whether those tentative decisions should be refined.

Structure of this paper

3. The paper is structured as follows:

   (a) Background (paragraphs 4-5)

   (b) Summary of staff recommendations (paragraphs 6-9)

   (c) Defined benefit plans (paragraphs 10-37)

   (d) Defined contribution plans (paragraphs 38-41)

   (e) Multi-employer plans (paragraphs 42-47)

   (f) Group plans (paragraphs 48-53)

   (g) Other employee benefit plans (paragraphs 54-58)

Background

4. At its July 2018 meeting, the Board selected IAS 19 as one of two Standards on which to test the draft Guidance for the Board to use when developing and drafting disclosure objectives and requirements in future (draft Guidance).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) 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 developing proposals for items of information that could be used to meet those objectives. The Board developed items of information for most objectives at its November 2019 meeting (see ***November 2019 Agenda Paper 11B***). ***Agenda Paper 11A*** for this meeting further discusses items of information to meet the objective about expected future cash flows for defined benefit plans.

   (c) having completed a 'blank-page' analysis, the Board should refine its proposals by comparing them to the disclosure objective and requirements in IAS 19. That is the focus of this paper.

Summary of staff recommendations

6. We recommend that the Board refine its tentative decisions relating to defined benefit plans, multi-employer plans and group plans.

7. For defined benefit plans, we recommend that the Board:

   (a) include an explanatory paragraph to the high-level, catch all disclosure objective that summarises examples of features or characteristics that an entity could use as a basis for disaggregating information provided about defined benefit plans.

(b) include information about asset-liability matching strategies as an example to the item of information on investment strategies that, while not mandatory, may enable an entity to meet the specific disclosure objective about the nature and risks of defined benefit plans.

(c) include two additional items of information that, while not mandatory, may enable an entity to meet the specific disclosure objective about nature and risks of defined benefit plans:

   (i) a description of the plan amendments, curtailments and settlements.

   (ii) the fair value of the entity's own transferable financial instruments held as plan assets, and the fair value of plan assets that are property occupied by, or other assets used by, the entity.

(d) amend the specific disclosure objective, and items of information, about drivers of change in the net defined benefit liability or asset to:

   (i) capture drivers of change in any reimbursement rights.

   (ii) include three additional examples of drivers of change: interest income or expense, changes in the effect of limiting a net defined benefit asset to the asset ceiling, and gains and losses from settlement.

8. For multi-employer plans, we recommend that the Board include additional items of information that, while not mandatory, may enable an entity to meet the specific disclosure objective about nature and risks of the plans, as follows:

(a) for all multi-employer defined benefit plans, a description of the agreed allocation of a deficit or surplus on the wind-up of the plan or the entity's withdrawal from the plan.

(b) for a multi-employer defined benefit plan accounted for as a defined contribution plan, the fact that the plan is a defined benefit plan and information about any deficit or surplus in the plan that may affect the amount of future contributions to be paid by the entity.

9. For group plans, we recommend that the Board:

   (a) include additional items of information, as follows:

      (i) for a group plan accounted for as a defined benefit plan, an item of information that an entity would be *required* to disclose to meet the specific disclosure objective about amounts in the primary financial statements arising from defined benefit plans during the period. That item is the contractual agreement or stated policy for charging the net defined benefit cost to individual group entities

      (ii) for a group plan accounted for as a defined contribution plan, an item of information that while, not mandatory, may enable an entity to meet the specific disclosure objective about nature and risks of the plans. That item is any deficit or surplus in the plan that may affect the amount of future contributions to be paid by the entity.

   (b) specify that an entity can satisfy the disclosure objectives by cross-reference to the disclosures in another group entity's financial statements that is available to users of the financial statements on the same terms as the entity's financial statements and at the same time.

Defined benefit plans

10. Users provided feedback that defined benefit plans represent their key area of interest in relation to employee benefits. This is because defined benefit plans carry a greater exposure to risk than other types of employee benefits. For these plans, the Board tentatively decided to include:

   (a) a high-level, catch all disclosure objective (paragraphs 11-15); and

   (b) six specific disclosure objectives (paragraphs 16-37).

High-level, catch all disclosure objective

Board's tentative decisions

11. The Board tentatively decided to include the following high-level, catch all disclosure objective for defined benefit plans:

High-level, catch all disclosure objective	An entity **shall**: (a) disclose information that enables users of financial statements to evaluate the uncertainties associated with the entity's involvement in the defined benefit plans; and to assess the effect that those plans have on the financial performance, financial position and cash flows of the entity. (b) aggregate or disaggregate information provided to meet the specific disclosure objectives so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have substantially different features or characteristics.

Comparison with existing requirements

12. Paragraphs 135 and 136 of IAS 19 capture the disclosure objective for defined benefit plans. We think these are similar to the Board's tentative decisions, but differ in their articulation of how information about defined benefit plans should be disaggregated. The Board's tentative decisions use language similar to those in some recently issued Standards. By using language consistent with recently issued Standards, we think the Board's tentative decisions are drafted in a way that most effectively communicates their intent.

13. Furthermore, paragraphs 137 and 138 of IAS 19 provide examples of features that an entity may use as a basis for disaggregating disclosures about defined benefit plans (for example, geographical location and member type). We think these examples would be helpful to preparers in determining how to comply with the high-level, catch all disclosure objective in paragraph 11.

14. However, we think the Board should only include those examples that are applicable to *all* disclosures that entities provide about defined benefit plans. This is because the context for the high-level, catch all disclosure objective is the overall set of information provided about these plans. Therefore, we think the Board should incorporate the examples in paragraphs 137(a) and 138 of IAS 19 into the objective. We think the examples in paragraphs 137(b) and (c) of IAS 19 are too granular to be applicable to most of the specific disclosure objectives.

15. Consequently, we recommend that the Board include an explanatory paragraph to the high-level, catch all disclosure objective that summarises the following examples of features or characteristics that an entity could use as a basis for

disaggregating information provided to meet the specific disclosure objectives about defined benefit plans:

(a) different member type such as active members, deferred members and pensioners.

(b) different geographical locations.

(c) different characteristics such as flat salary pension plans, final salary pension plans or post-employment medical plans.

(d) different regulatory environments.

(e) different reporting segments.

(f) different funding arrangements such as wholly unfunded, wholly funded or partly funded.

Question 1
Does the Board agree with the staff recommendation in paragraph 15?

Specific disclosure objectives for defined benefit plans

16. The Board tentatively decided to include specific disclosure objectives about:

(a) amounts in the primary financial statements (paragraphs 17-20);

(b) nature and risks of the plans (paragraphs 21-23);

(c) expected future cash flows resulting from the defined benefit obligation (paragraphs 24-27);

(d) time period over which payments to closed plans will continue to be made (paragraphs 28-31);

(e) significant actuarial assumptions (paragraphs 32-34); and

(f) drivers of change in the net defined benefit liability or asset (paragraphs 35-37).

Amounts in the primary financial statements

Board's tentative decisions

17. The Board tentatively decided to include the following specific disclosure objective and items of information for defined benefit plans:

Specific disclosure objective	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.
	Users need such information to navigate subsequent detailed pension disclosure information and reconcile it to the primary financial statements.
Items of information to meet the objective	An entity **shall** disclose: a. a breakdown of the total income or expense included in profit or loss, identifying its components, including current service cost, gain or loss on settlement and net interest on the net defined benefit liability. b. a breakdown of the total income or expense in other comprehensive income, identifying its components, including actuarial gains and losses and return on plan assets. c. a breakdown of the asset or liability in the statement of financial position, identifying its components including fair value of plan assets, present value of the defined benefit obligation and the effect of the asset ceiling. d. the deferred tax asset or liability arising from the plan. e. a breakdown of the amounts in the statement of cash flows, identifying its components, including contributions by the employer into the plan during the period.

Comparison with existing disclosure requirements

18. The disclosure objective in paragraph 135(b) of IAS 19 requires an entity to identify and explain the amounts in the financial statements arising from its defined benefit plans. However, the disclosure requirements associated with this objective primarily relate to a reconciliation of the amounts in the statement of financial position.

19. The Board's tentative decisions *require* entities to clearly communicate the effect of its plans on each primary financial statement separately from disclosures an entity may provide in the form of a reconciliation (see paragraphs 35-37). This was in response to feedback from users on the need to have a quantitative 'executive summary' of an entity's pension arrangement at the beginning of a

pension note. Therefore, though not dissimilar to the existing disclosure objective, we think the Board's tentative decisions would lead to better communication about the effect of an entity's pension arrangements in its disclosure note.

20. Consequently, we recommend that the Board should not refine its tentative decisions on the specific disclosure objective, and items of information, about amounts in the primary financial statements relating to defined benefit plans.

Question 2
Does the Board agree with the staff recommendation in paragraph 20?

Nature and risks of the plans

Board's tentative decisions

21. The Board tentatively decided to include the following specific disclosure objective for defined benefit plans:

Specific disclosure objective	An entity **shall** disclose information that enables users of financial statements to understand the: a. nature of the benefits provided by its defined benefit plans; b. nature and extent of risks, in particular the investment risks to which the plans expose the entity; and c. strategies that the entity has in place to manage the plans and the associated risks.
	Users need such information to: a. assess how the entity intends to deliver the benefits promised to members of its defined benefit plans; and b. evaluate how the risks associated with those plans might affect the entity in future.
Items of information to meet the objective	While not mandatory, the following items of information **may enable** an entity to meet this objective: a. a description of the nature of the benefits provided by the plans. b. the status of the plans, such as whether the plans are open or closed to new members and whether the plans are unfunded, partly funded or funded. c. a description of how the plans are governed and managed, including any regulatory framework that affects how the plan operates. d. a 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 to which such concentration exposes the entity.

	e. a description of the policies and processes employed by the entity or plan trustees or managers to manage the risks in item d. f. a description of the investment strategies for the plans. g. a description of the fair value of plan assets by classes of assets that distinguish the risks and characteristics of those assets. h. the expected returns on the plan assets.

Comparison with existing disclosure requirements

22. IAS 19 requires entities to disclose information about the characteristics and risks of defined benefit plans. These requirements are reflected in paragraphs 139, 142, 143 and 146 of IAS 19. The following table provides our analysis of the comparison between those requirements and the Board's tentative decisions:

Paragraph of IAS 19		Staff analysis
139	(a) Information about the characteristics of its defined benefit plans including: i. the nature of the benefits provided by the plan ii. a description of the regulatory framework in which the plan operates, for example the level of any minimum funding requirements, and any effect of the regulatory framework on the plan, such as the asset ceiling. iii. a description of any other entity's responsibilities for the governance of the plan, for example responsibilities of trustees or of board members of the plan	We think these requirements are already captured by the Board's tentative decisions about the items of information to meet the objective (see items a. and c. in paragraph 21, in particular).
	(b) a description of the risks to which the plans expose the entity, focused on any unusual, entity-specific or plan-specific risks. For example, if plan assets are invested primarily in one class of investments, e.g. property, the plan may expose the entity to a concentration of property market risk.	We think the information captured by this requirement is similar to the Board's tentative decisions. The Board's tentative decisions about the specific disclosure objective cover *any* risks the plan expose the entity to, including for example, interest rate risks or market risks. However, the objective and items of information place specific emphasis on investment risks from the plan assets. The Board made this decision considering:

		(a) feedback from users highlighting the importance of information about investment risks. (b) that other specific disclosure objectives capture risks solely associated with the defined benefit obligation. For example, the objective about measurement uncertainty (see paragraphs 32-34).
	(c) a description of any plan amendments, curtailments and settlements	The Board's tentative decisions do not specify the information captured by this requirement. We think that, when material, information about changes in the nature of the benefits provided by the plan would be useful to users. Therefore, we think the Board should incorporate this into the items of information that may enable an entity to meet the objective.
142	An entity shall disaggregate the fair value of the plan assets into classes that distinguish the nature and risks of those assets, subdividing each class of plan asset into those that have a quoted market price in an active market (as defined in IFRS 13 *Fair Value Measurement*) and those that do not. For example, […], an entity could distinguish between: (a) cash and cash equivalents; (b) equity instruments (segregated by industry type, company size, geography etc); (c) debt instruments (segregated by type of issuer, credit quality, geography etc); (d) real estate (segregated by geography etc); (e) derivatives (segregated by type of underlying risk in the contract, for example, interest rate contracts, foreign exchange contracts, equity contracts, credit contracts, longevity swaps etc) (f) investment funds (segregated by type of fund); (g) asset-backed securities; and (h) structured debt	The information captured by this requirement is similar to the Board's tentative decisions in terms of distinguishing the disclosure by nature and risks of the plan assets (see item g. in paragraph 21 in particular). However, the information captured by this disclosure requirement differs to the Board's tentative decisions in two primary ways. Firstly, the Board's tentative decisions do not specify that distinguishing between assets that have a quoted market price in an active market and those that do not may enable an entity to meet the objective. The Board included this requirement in IAS 19 when it amended the Standard in 2011 because (1) users requested information about measurement uncertainty of these assets and (2) the Board thought that the requirement would not be onerous to prepare. However, feedback from users in our detailed outreach did not identify that such detailed information would add much value in this area. Furthermore, we think it would not be cost-beneficial for entities to disclose detailed information about assets that they do not own directly. Secondly, the Board's tentative decisions do not provide examples of classes of assets that an entity could distinguish between to meet the objective. We think these examples could risk encouraging the checklist mentality. Furthermore, we think

		the Board's tentative decisions about the item of information would already encourage an entity to make appropriate judgements about how it should distinguish its plan assets.
143	An entity shall disclose the fair value of the entity's own transferable financial instruments held as plan assets, and the fair value of plan assets that are property occupied by, or other assets used by, the entity.	The Board's tentative decisions do not specify the information captured by this requirement. Our outreach with users did not identify this information need. However, we think that when material, the information captured by this requirement would be relevant to users. This is because it could provide useful information about the risks associated with the entity's involvement in the plan. Therefore, we think the Board should incorporate this into the items of information that may enable an entity to meet the objective.
146	An entity shall disclose a description of any asset-liability matching strategies used by the plan or the entity, including the use of annuities and other techniques, such as longevity swaps, to manage risk.	The information captured by this requirement is similar to the Board's tentative decisions (see item f. in paragraph 21 in particular). However, the Board's tentative decisions do not identify specific types of investment strategies. We think the Board should focus the item of information on the need to disclose appropriate information about *any* investment strategy that is material to managing the plans. However, we understand that asset-liability strategies can be fundamental to the management of defined benefit plans. Therefore, we think it could be helpful for the Board to specify this as an example of an investment strategy that an entity could disclose to satisfy the objective.

23. Considering the above, we recommend that the Board:

(a) include information about asset-liability matching strategies as an example to the item of information on investment strategies that, while not mandatory, may enable an entity to meet the specific disclosure objective about the nature and risks of defined benefit plans.

(b) include two additional items of information that, while not mandatory, may enable an entity to meet the specific disclosure objective about the nature and risks of defined benefit plans:

(i) a description of the plan amendments, curtailments and settlements.

(ii) the fair value of the entity's own transferable financial instruments held as plan assets, and the fair value of plan assets that are property occupied by, or other assets used by, the entity.

Question 3
Does the Board agree with the staff recommendation in paragraph 23?

Expected future cash flows resulting from the defined benefit obligation

Board's tentative decisions

24. At its July 2019 meeting, the Board tentatively decided to include a specific disclosure objective about future cash flows for defined benefit plans. ***Agenda Paper 11A*** for this meeting discusses the items of information that may enable an entity to meet this objective. The following table summarises the Board's tentative decisions in this area assuming the Board agrees with the staff recommendations in ***Agenda Paper 11A*.**

Specific disclosure objective	An entity **shall** disclose information that enables users of financial statements to understand the expected effect of the defined benefit obligation on the entity's future cash flows, and the nature of those cash flows.
	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 to meet the objective	While not mandatory, the following items of information **may enable** an entity to meet this objective: a. description of funding arrangements or policies that affect any expected future contributions to meet the *defined benefit obligation that exists at the end of the reporting period*. This could include any agreement reached with plan trustees or managers. b. quantitative information about the expected future contributions to meet the *defined benefit obligation that exists at the end of the reporting period*. c. description of regulatory or other agreements that affect any expected future contributions. This could include any known

	minimum funding requirements, or any agreed funding commitments in reasonable time bands. d. information about the expected pattern or rates of future contributions. For example, whether expected future contributions are expected to be greater than, similar to, or less than those made in the current reporting period, and why.

Comparison with existing disclosure requirements

25. IAS 19 already requires entities to disclose information about the amount and uncertainty of future cash flows relating to defined benefit plans. These requirements are reflected in paragraphs 147(a)-(b) of IAS 19. The following table provides our analysis of the comparison between those requirements and the Board's tentative decisions:

Paragraph of IAS 19		Staff analysis
147	(a) a description of any funding arrangements and funding policy that affect future contributions.	We think this requirement is already captured by the Board's tentative decisions about the items of information to meet the objective.
	(b) the expected future contributions to the plan for the next annual reporting period.	The information captured by this requirement differs to the tentative decisions made by the Board. The Board's tentative decisions do not specify the time period over which preparers should provide the information. The Board tentatively decided to give entities the flexibility to disclose information that is realistic to prepare and provides useful information to users. We continue to think this is the right approach.

26. We think the Board's tentative decisions in this area are likely to lead to new and increased disclosure information. Considering feedback from users that this is their most critical information need, and from preparers that the information would not be too costly to provide, we think the cost-benefit test is satisfied.

27. Consequently, we recommend that the Board should not refine its tentative decisions on the specific disclosure objective, and items of information, about expected future cash flows resulting from the defined benefit obligation.

Question 4
Does the Board agree with the staff recommendation in paragraph 27?

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

Board's tentative decisions

28. The Board tentatively decided to include the following specific disclosure objective for defined benefit plans:

Specific disclosure objective	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.
	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 to meet the objective	While not mandatory, the following items of information **may enable** an entity to meet this objective: a. weighted average duration of the defined benefit obligation. b. the number of years that the benefits payable by the plans are expected to be paid.

Comparison with existing requirements

29. Paragraph 147(c) of IAS 19 already requires entities to disclose information about timing of future cash flows relating to defined benefit plans. The following table provides our analysis of the comparison between this requirement and the Board's tentative decisions:

Paragraph of IAS 19		Staff analysis
147	(c) information about the maturity profile of the defined benefit obligation. This will include the weighted average duration of the defined benefit obligation and may include other information about the distribution of the timing of benefit payments, such as a maturity analysis of the benefit payments	The information captured by this requirement differs to the tentative decisions made by the Board in two primary ways. Firstly, the Board's tentative decisions do not capture detailed information about distribution of the timing of benefit payments. The Board applied this approach in response to feedback: i. from preparers that such detailed information is more relevant for the financial statements of the plan itself rather than the entity. ii. from users that they do not need detailed information in this area. Secondly, the Board's tentative decisions limit the information to be provided to defined benefit plans that are closed to new members. This was in response to feedback from users that the information is more useful for such plans.

30. We think the Board’s tentative decisions in this area are likely to provide preparers with some cost relief without affecting user information needs. In other words, we think effective compliance with this objective could be achieved with less disclosure than is typically given today.

31. Consequently, staff recommend that the Board should not refine its tentative decisions on the specific disclosure objective, and items of information, about the time period over which payments to closed plans will continue to be made.

Question 5
Does the Board agree with the staff recommendation in paragraph 31?

Significant actuarial assumptions

Board’s tentative decisions

32. The Board tentatively decided to include the following specific disclosure objective for defined benefit plans:

Specific disclosure objective	An entity **shall** disclose information that enables users of financial statements to understand the significant actuarial assumptions used in determining the defined benefit obligation.
	Users need such information to assess the measurement uncertainties associated with determination of the defined benefit obligation.
Items of information to meet the objective	While not mandatory, the following items of information **may enable** an entity to meet this objective: a. the demographic and financial actuarial assumptions used. b. the approach adopted in determining the actuarial assumptions used, such as how the Consumer Price Index was assessed or the model to determine longevity assumptions. c. the reasons why any actuarial assumptions significantly changed during the period. d. any alternative actuarial assumptions reasonably possible at the reporting date that could have significantly changed the defined benefit obligation. e. a description of the level of measurement uncertainty involved in measuring the defined benefit obligation.

Comparison with existing requirements

33. IAS 19 already requires entities to disclose information relating to assumptions used in determining the defined benefit obligation. These requirements are

reflected in paragraphs 144 and 145 of IAS 19. The following table provides our analysis of the comparison between those requirements and the Board's tentative decisions:

<table>
<tr><th colspan="2">Paragraph of IAS 19</th><th>Staff analysis</th></tr>
<tr><td>144</td><td>An entity shall disclose the significant actuarial assumptions used to determine the present value of the defined benefit obligation. Such disclosure shall be in absolute terms (eg as an absolute percentage, and not just as a margin between different percentages and other variables). When an entity provides disclosures in total for a grouping of plans, it shall provide such disclosures in the form of weighted averages or relatively narrow ranges.</td><td>The information captured by this requirement differs to the tentative decisions made by the Board. The Board's tentative decisions do not specify the format in which the information should be disclosed. We continue to think the Board should not be prescriptive in how entities should provide disclosure in this area and note that users in our outreach did not identify any particular format they prefer.</td></tr>
<tr><td rowspan="3">145</td><td>(a) a sensitivity analysis for each significant actuarial assumption (as disclosed under paragraph 144) as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at the date.</td><td rowspan="3">The information captured by these requirements differs to the tentative decisions made by the Board. At its July 2019 meeting, the Board tentatively decided not to include a specific disclosure objective on sensitivity. The Board thought such a requirement did not pass the cost-benefit test.

Instead, the Board's tentative decisions in paragraph 32 capture overall user information needs about measurement uncertainty. The Board decided that this approach would (a) provide users with effective information about measurement uncertainty, and (b) be more concise and less costly to prepare than these existing requirements.</td></tr>
<tr><td>(b) the methods and assumptions used in preparing the sensitivity analyses required by (a) and the limitations of those methods.</td></tr>
<tr><td>(c) changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses, and the reasons for such changes.</td></tr>
</table>

34. Considering the above, staff recommend that the Board should not refine its tentative decisions on the specific disclosure objective, and items of information, about significant actuarial assumptions.

Question 6
Does the Board agree with the staff recommendation in paragraph 34?

Driver of change in the net defined benefit liability or asset

Board's tentative decisions

35. The Board tentatively decided to include the following specific disclosure objective for defined benefit plans:

Specific disclosure objective	An entity **shall** disclose information that enables users of financial statements to understand the drivers of change in the net defined benefit liability or asset from the beginning of a reporting period to the end of that period.
	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 to meet the objective	While not mandatory, the following items of information **may enable** an entity to meet this objective: a. a narrative explanation of the drivers of change (see below); or b. a tabular reconciliation of the drivers of change (see below). Examples of drivers of change include but are not limited to: 1. current and past service costs. 2. contributions by the employer. 3. contributions by employees. 4. benefits paid out to plan participants. 5. effect of foreign exchange rate differences. 6. return on plan assets. 7. actuarial gains or losses from changes in assumptions. 8. actuarial gains or losses from experience adjustments. 9. effect of business acquisitions, combinations and disposals.

Comparison with existing disclosure requirements

36. IAS 19 already requires entities to disclose information that reconciles the opening balance to the closing balance of amounts relating to defined benefit plans in the financial statements. These requirements are reflected in paragraphs 140 and 141 of IAS 19. The following table provides our analysis of the comparison between those requirements and the Board's tentative decisions:

Paragraph of IAS 19		Staff analysis
140	An entity shall provide a reconciliation from the opening balance to the closing balance for each of the following, if applicable: (a) the net defined benefit liability (asset), showing separate reconciliations for: i. plan assets. ii. the present value of the defined benefit obligation iii. the effect of the asset ceiling	The information captured by this requirement differs to the tentative decisions made by the Board. The Board's tentative decisions treat a reconciliation as one way to meet the objective but not the only way. The Board applied this approach in response to feedback from users that they often focus on particular line items from the reconciliation instead of the reconciliation as a whole.
	(b) any reimbursement rights. An entity shall also describe the relationship between any reimbursement rights and the related obligation.	The information captured by this requirement differs to the tentative decisions made by the Board. Paragraph 116 of IAS 19 requires an entity to recognise a right to reimbursement of defined benefits as a separate asset, rather than as a deduction from the defined benefit obligation. When reimbursement rights are material to the entity, we think users would want to see information about how they have affected the entities' financial position. However, because the Board's tentative disclosure objective refers only to the *net defined benefit liability (asset)*, this information is not captured. Therefore, we think the Board should refine its tentative disclosure objective to incorporate drivers of change for any reimbursement rights. Similar to the Board's tentative decisions on the net defined benefit liability (asset), we think the Board should treat a reconciliation as one way to meet the objective for reimbursement rights but not the only way.
141	Each reconciliation listed in paragraph 140 shall show each of the following, if applicable (a) current service cost. (b) interest income or expense. (c) remeasurements of the net defined benefit liability (asset), showing separately: i. the return on plan assets, excluding amounts included in (b)	The information captured by this requirement differs to the tentative decisions made by the Board, in a few ways. Specifically, the Board's tentative decisions do not include the following reconciling items as examples of drivers of change: i. interest income or expense; ii. changes in the effect of limiting a net defined benefit asset to the asset ceiling; and

	ii. actuarial gains and losses arising from changes in demographic assumptions iii. actuarial gains and losses arising from financial assumptions iv. changes in the effect of limiting a net defined benefit asset to the asset ceiling (d) past service cost and gains and losses arising from settlements. (e) the effect of foreign exchange rates. (f) contributions to the plan, showing separately those by the employer and by plan participants. (g) payments from the plan showing separately the amount paid in respect of any settlements. (h) the effects of business combinations and disposals	iii. gains and losses arising from settlements. We think the Board should refine its tentative decisions to reflect these examples of drivers of change. We think this would be consistent with the Board's approach that including a comprehensive list of suggestions to meet the specific disclosure objective in this area would be helpful to preparers.

37. Considering the above, we recommend that the Board:

(a) amend the specific disclosure objective and items of information to capture drivers of change in any reimbursement rights. We think the Board could do this in a similar way to the following (new text underlined, deleted text struck through, editorial and formatting changes not marked):

An entity shall disclose information that enables users of financial statements to understand the drivers of change in the amounts on the statement of financial position that relate to defined benefit plans ~~net defined benefit liability or asset~~ from the beginning of a period to the end of that period.

While not mandatory, the following items of information may enable an entity to meet the disclosure objective:

a. narrative explanation or tabular reconciliation of the drivers of change in the net defined benefit liability or asset

b. narrative explanation or tabular reconciliation of the drivers of change in any reimbursement rights

c. <u>description of the relationship between any reimbursement right and the defined benefit obligation.</u>

(b) include the three additional examples of drivers of change:

(i) interest income or expense;

(ii) changes in the effect of limiting a net defined benefit asset to the asset ceiling; and

(iii) gains and losses arising from settlement.

Question 7
Does the Board agree with the staff recommendation in paragraph 37?

Defined contribution plans

Board's tentative decision

38. The Board tentatively decided to include only a high-level, catch all disclosure objective for defined contribution plans:

High-level, catch all disclosure objective	An entity **shall** disclose information that enables users of financial statements to understand how defined contribution plans affected the entity's statements of financial performance and cash flows.

Comparison to existing requirements

39. Paragraph 53 of IAS 19 requires an entity to disclose the amount recognised as an expense for defined contribution plans. We think the Board's tentative decisions are similar to the information captured by this existing requirement.

40. Users generally consider employee benefit plans other than defined benefit plans to be 'harmless'. While they find information about these plans useful, feedback from many users was that detailed information would not be necessary. Therefore, we think the Board's tentative decisions effectively capture user information needs in this area.

41. Consequently, staff recommend that the Board should not refine its tentative decisions for defined contribution plans.

Question 8
Does the Board agree with the staff recommendation in paragraph 41?

Multi-employer plans

Board's tentative decisions

42. The Board's tentative decisions for multi-employer plans differed depending on how these plans are accounted for.

43. The Board tentatively decided that if an entity accounts for its multi-employer defined benefit plan as a *defined benefit plan*, it should comply with all the objectives and items of information the Board tentatively decided on for defined benefit plans (see paragraphs 10-37). Furthermore, the Board decided to include additional items of information under the specific disclosure objective about nature and risks of the plans to capture particular risks and characteristics that are unique to multi-employer plans.

44. The Board tentatively decided that if an entity accounts for its multi-employer defined benefit plan as a *defined contribution plan*, it should comply with the high-level, catch all disclosure objective for defined contribution plans (see paragraphs 38-41). Furthermore, the Board decided that the entity should comply with a specific disclosure objective, and items of information, about the nature and risks of the multi-employer plans.

45. The Board's tentative decisions about items of information to capture risks and characteristics that are unique to multi-employer plans were the same irrespective of the accounting for the plan. The items of information tentatively decided upon by the Board were:

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

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

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

Comparison with existing requirements

46. Paragraph 148 of IAS 19 captures the disclosure requirements for multi-employer plans. The following table provides our analysis on the comparison between those requirements and the Board's tentative decisions:

Paragraph in IAS 19		Staff analysis
148	If the entity participates in a multi-employer defined benefit plan, it shall disclose:	
	(a) a description of the funding arrangements, including the method used to determine the entity's rate of contributions and any minimum funding requirements	For multi-employer plans accounted for as defined benefit plans, we think the information captured by this requirement is already reflected by the Board's tentative decisions about the items of information to meet the objective on expected future cash flows resulting from the defined benefit obligation (see paragraph 24). For multi-employer plans accounted for as defined contribution plans, see staff analysis about paragraph 148(d)(iii)-(iv) of IAS 19 below.
	(b) a 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 multi-employer plan	We think the information captured by this requirement is already reflected by the Board's tentative decisions about the items of information to meet the objective about nature and risks of the plans (see paragraph 45).
	(c) a description of any agreed allocation of a deficit or a surplus on: i. wind-up of the plan; or ii. the entity's withdrawal from the plan	The Board's tentative decisions do not specify the information captured by this requirement. The Board introduced this requirement into IAS 19 as part of the amendments to the Standard in 2011. The Board decided to require such qualitative information because contingent liabilities may arise from an entity's participation in multi-employer plans. This supports the requirement in IAS 37 *Provisions, Contingent Assets and Contingent Liabilities*. The draft Guidance requires the Board to consider disclosures necessary to support recognition and measurement requirements in the Standard even if the information was not identified by users. We think this is one such case. Therefore, we think the Board should incorporate this into the items of information to meet the objective about nature and risks for multi-employer defined benefit plans.

	(d) if the entity accounts for that plan *as if it were a defined contribution plan* in accordance with paragraph 34, it shall disclose the following in addition to the information required by (a)-(c) and instead of the information required by paragraphs 139-147: i. the fact that the plan is a defined benefit plan.	The Board's tentative decisions do not reflect the information captured by this requirement. We think identifying the plan as a defined benefit plan would be useful contextual information about the risks associated with the plan. Therefore, we think the Board should incorporate this into the items of information to meet the objective about nature and risks for multi-employer defined benefit plans accounted for as defined contribution plans.
	ii. the reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan	The Board's tentative decisions do not reflect the information captured by this requirement. Some are of the view that this information could potentially be useful in assessing management's stewardship. However, we think the information that would be disclosed would be boilerplate and repeat the words in paragraph 36 of IAS 19.
	iii. the expected contributions to the plan for the next annual reporting period	The Board's tentative decisions do not reflect information captured by these requirements. The Board introduced these requirements into IAS 19 as part of the amendments to the Standard in 2011. The Board made this decision in order to align disclosures about expected future contributions for these plans with those required for defined benefit plans. We think information about whether the plan as a whole is in deficit or surplus could provide useful context about the risks of the entity's involvement in a multi-employer defined benefit plan. For example, it could be useful in assessing whether the entity's contribution into the plan is adequate, or whether there is a risk that the entity may need to provide additional contribution in future to address any existing deficit in the plan. Therefore, we think the Board should incorporate such information into the items of information to meet the objective about nature and risks for multi-employer defined
	iv. information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any, for the entity.	

		benefit plans accounted for as defined contribution plans.
	v. an indication of the level of participation of the entity in the plan compared with other participating entities.	We think the information captured by this requirement is already reflected by the Board's tentative decisions about the items of information to meet the objective about nature and risks of the plans (see paragraph 45).

47. Considering the above, we recommend that the Board include additional items of information that, while not mandatory, may enable an entity to meet the specific disclosure objective about nature and risks for multi-employer plans, as follows:

(a) for all multi-employer defined benefit plans, a description of the agreed allocation of a deficit or surplus on the wind-up of the plan or the entity's withdrawal from the plan.

(b) for a multi-employer defined benefit plan accounted for as a defined contribution plan:

(i) the fact that the plan is a defined benefit plan; and

(ii) information about any deficit or surplus in the plan that may affect the amount of future contributions to be paid by the entity.

Question 9
Does the Board agree with the staff recommendation in paragraph 47?

Group Plans

Board's tentative decisions

48. Similar to multi-employer plans, the Board's tentative decisions for group plans differed depending on how these plans are accounted for. Group plans are defined as *defined benefit plans* that share risks between entities under common control (see paragraph 40 of IAS 19).

49. The Board tentatively decided that if an entity accounts for its group plan as a defined benefit plan, it should comply with the objectives and items of information the Board tentatively decided on for defined benefit plans (see

paragraphs 10-37). Furthermore, the Board decided to include additional items of information under the specific disclosure objective about nature and risks of the plans to capture particular risks and characteristics that are unique to group plans.

50. The Board tentatively decided that if an entity accounts for its group plan as a defined contribution plan, it should comply with the high-level, catch all disclosure objective for defined contribution plans (see paragraphs 38-41). Furthermore, the Board decided that the entity should comply with a specific disclosure objective, and items of information, about the nature and risks of the group plan.

51. The Board's tentative decisions about items of information to capture risks and characteristics that are unique to group plans were the same irrespective of the accounting for the plan. The items of information tentatively decided upon by the Board were:

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

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

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

Comparison with existing requirements

52. Paragraph 149 of IAS 19 captures the disclosure requirements for group plans. The following table provides our analysis of the comparison between those requirements and the Board's tentative decisions:

Existing disclosure requirements		Staff analysis
149	If an entity participates in a defined benefit plan that shares risks between entities under common control, it shall disclose:	
	(a) the contractual agreement or stated policy for charging the net defined benefit cost or the fact that there is no such policy.	The Board's tentative decisions do not reflect the information captured by these existing requirements. ***<u>Group plans accounted for as defined benefit plans</u>*** IAS 19 requires an entity to use defined benefit accounting where there is a contractual agreement or stated policy for charging the net defined benefit cost to individual group entities. In this case, we think the information captured by this disclosure requirement: (a) is closely linked to the recognition and measurement for the plans; and (b) would always be necessary for users to understand the amounts included in the primary financial statements for the entity's participation in the plans. Therefore, we think the Board should use prescriptive 'shall' language to require an entity to disclose the contractual agreement or stated policy for charging the net defined benefit cost for group plans accounted for as defined benefit plans. ***<u>Group plans accounted for as defined contribution plans</u>*** If there is no such agreement or policy, IAS 19 requires group entities other than the sponsoring entity to recognise in profit or loss their contribution payable for the period. We think a requirement to disclose the non-existence of such a policy for these entities would lead to boilerplate information.
	(b) the policy for determining the contributions to be paid by the entity.	We think the information captured by this requirement is already reflected by the Board's tentative decisions about the items of information to meet the objective about nature and risks of the plans (see paragraph 51).
	(c) if the entity accounts for an allocation of the net defined benefit cost as noted in paragraph 41, all the information	We think the information captured by this requirement is already reflected by the Board's tentative decisions. That is, those tentative decisions also require an entity that accounts for its group plan as a defined benefit plan to comply with the same disclosures as for a single employer defined benefit plan.

	about the plan as a whole required by paragraphs 135-147.	
	(d) if the entity accounts for the contribution payable for the period as noted in paragraph 41, the information about the plan as a whole required by paragraphs 135-137, 139, 142-144, 147(a) and (b).	The information captured by this disclosure requirement differs to the tentative decisions made by the Board. The practical outcome of this disclosure requirement is that an entity that accounts for its group plan as a defined contribution plan is required to comply with *some* of the existing disclosure requirements for defined benefit plans, in particular, those about: 1. characteristics and risks of defined benefit plans 2. fair value of plan assets 3. significant actuarial assumptions 4. expected future contributions. Paragraph BC47 provides the Board's rationale for requiring this information—an entity participating in a group plan would be able to obtain information about *the plan as a whole*. The Board treated an entity participating in group plans and multi-employer defined benefit plans accounted for as defined contribution plans differently. This is because information would be easier to obtain when the plan is entirely within the group. Meanwhile, the Board's tentative decisions do not require such detailed information for group plans accounted for as a defined contribution plan. Similar to multi-employer defined benefit plans accounted for as a defined contribution plan, we think information about whether the plan as a whole is in deficit or surplus would be useful to provide additional context about potential risks to such entity. However, we think the Board should not refine its tentative decisions to include the more detailed information required today because: (a) disclosing such information would not be proportionate to the responsibilities the individual group entities have towards the plan, which are the contributions payable during the period. (b) we note that detailed information may already be disclosed in the group entity's financial statements *in its entirety*. We think users are likely to find the entire set of disclosures more useful than the subset that would be in the entity's individual financial statements. (c) in light of the considerations in (a) and (b) above, we think the information is of limited relevance in this particular context. Therefore, we think the fact that the information would be available to the individual group entities should not mean it should be disclosed in their financial statements.

150	The information required by paragraph 149(c) and (d) can be disclosed by cross-reference to disclosures in another group entity's financial statements if: (a) that group entity's financial statements separately identify and disclose the information required about the plan; and (b) that group entity's financial statements are available to users of the financial statements on the same terms as the financial statements of the entity and at the same time as, or earlier than, the financial statements of the entity.	The Board's tentative decisions do not specify that the disclosure objectives could be satisfied by cross-referencing to another financial statements. We think such guidance is helpful, in particular, to reduce the need for duplication of information across financial statements. Consequently, we think the Board should refine its tentative decisions to reflect this guidance. However, we think it would be helpful for the Board to use similar language to that used in some recently issued Standards, for example the language in paragraph B6 of IFRS 7 *Financial Instruments: Disclosures*. This is reflected in our recommendation below.

53. Considering the above, we recommend that the Board:

(a) include additional items of information as follows:

(i) for a group plan accounted for as a defined benefit plan, an item of information that an entity would be *required* to disclose to meet the specific disclosure objective about amounts in the primary financial statements arising from defined benefit plans. That item is the contractual agreement or stated policy for charging the net defined benefit cost to individual group entities.

(ii) for a group plan accounted for as a defined contribution plan, an item of information that, while not mandatory, may enable an entity to meet the specific disclosure objective about the nature and risks of the plans. That item is information about any deficit or surplus in the plan that may affect the amount of future contributions to be paid by the entity.

(b) specify that an entity can satisfy the disclosure objectives by cross-reference to the disclosures in another group entity's financial statements, that is available to users of the financial statements on the same terms as the entity's financial statements and at the same time.

Question 10
Does the Board agree with the staff recommendation in paragraph 53?

Other employee benefit plans

Background

54. This section discusses other employee benefits:

(a) short-term employee benefits;

(b) other long-term employee benefits; and

(c) termination benefits.

Board's tentative decisions

55. Similar to defined contribution plans, the Board decided to include only a high-level, catch-all disclosure objective for these plans:

Short-term employee benefits	An entity **shall** disclose information that enables users of financial statements to understand how short-term employee benefits affect the entity's statements of financial performance and cash flows.
Other employee benefits	An entity **shall** disclose information that enables users of financial statements to understand how the nature of other long-term employee benefits and how those benefits affect the entity's statements of financial performance, financial position and cash flows.
Termination benefits	An entity **shall** disclose information that enables users of financial statements to understand how the nature of termination benefits and how those benefits affect the entity's statements of financial performance, financial position and cash flows.

Comparison to existing requirements

56. IAS 19 does not require specific disclosures about short-term employee benefits, other long-term employee benefits, and termination benefits (see paragraphs 25, 158 and 171 of IAS 19 respectively). Instead, the Standard refers an entity participating in these plans to other IFRS Standards that may require disclosures, for example IAS 1 *Presentation of Financial Statements* that requires disclosure of employee benefits expense.

57. It is often the case that no information about these types of employee benefit is disclosed today. We think effective compliance with the high-level, catch all objectives in paragraph 55 would achieve similar results when the information is not material. However, we think the Board's tentative decisions for these employee benefit plans would prompt preparers to disclose any material about these plans to meet user information needs.

58. Consequently, staff recommend that the Board should not refine its tentative decisions about disclosure objectives for short-term employee benefits, other long-term employee benefits and termination benefits.

Question 11
Does the Board agree with the staff recommendation in paragraph 58?