



<b>To:</b>	<b>AASB Members</b>	<b>Date:</b>	13 October 2010
<b>From:</b>	<b>Dean Ardern</b>	<b>Agenda Item:</b>	8.1
<b>Subject:</b>	<b>Tier 2 Disclosure Proposals in relation to ED 195 <i>Defined Benefit Plans</i> (proposed amendments to AASB 119) -</b>	<b>File:</b>	

## Action

Consider staff proposals in relation to the disclosure requirements that would apply to Tier 2 entities under the proposals in ED 195 *Defined Benefit Plans* (proposed amendments to AASB 119).

## Background

AASB ED 195, which incorporates the IASB Exposure Draft ED/2010/3 *Defined Benefit Plans – Proposed amendments to IAS 19*, contains proposals to change the recognition, presentation and disclosure requirements for defined benefits plans and obligations for other long-term employee benefits. The attached Agenda paper (Agenda paper 8.2) provides staffs' proposals in relation to disclosure requirements that should apply to Tier 2 entities under a revised version of AASB 119 *Employee Benefits*.

When considering staff's proposals, Board members should be aware that ED/2010/3 proposes removing all references to 'other long-term employee benefits' and requiring such benefits to be accounted for on the same basis as defined benefit plans. Currently, AASB 119 does not require an entity to provide specific disclosures about other long-term employee benefits. Consequently, if the proposals in ED/2010/3 were adopted, they would potentially increase the level of disclosures most entities would be required to provide about other long-term employee benefits, such as obligations for long-service leave.

Some types of long-term employee benefits, particularly long-service leave, are provided through industry and/or state-based arrangements that are similar in nature to a multi-employer defined benefit plan. The purpose of such arrangements is to provide employees with portable employee

benefit entitlements, particularly long-service leave, based on service to an industry rather than service to a single employer. Under staffs' proposals in Agenda paper 8.2, a Tier 2 entity:

- (a) that participates in an industry or state-based scheme for employee benefits would potentially be required to disclose a range of information in relation to these arrangements, including:
  - (i) a description of the funding arrangements;
  - (ii) the extent to which the entity can be liable for other entities' obligations under the arrangements;
  - (iii) details of any agreed deficit or surplus allocation on wind-up of the arrangements; and
  - (iv) information about any deficit or surplus of assets in the arrangement that may affect future contributions by the entity to the arrangements (see paragraph 33A in section 3 of Agenda paper 8.2); and
- (b) that does not participate in an industry or state-based scheme for long-term employee benefits would be relieved from applying most of the disclosure proposals in relation to defined benefit plans, but would be required to disclose quantitative information about the actuarial assumptions used to determine its obligations for long-term employee benefits (see paragraph 125G in section 3 of Agenda paper 8.2).

If the Board decided that Tier 2 entities should be relieved from providing any or all of the disclosures identified in (a) and (b) above in respect of what AASB 119 currently describes as other long-term employee benefits, staff consider that an RDR paragraph (or paragraphs) would be necessary to facilitate this.

## Attachments

Agenda paper 8.2      Issues paper on AASB ED 195 *Defined Benefit Plans (proposed amendments to AASB 119)* and *IFRS for SMEs Section 28 Employee Benefits*