IFRS® Foundation

IAS 19 *Employee Benefits*

Review of common reporting practice

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Objective of common practice research

- The Disclosure Initiative project is part of the Board's plan to promote Better Communication in Financial Reporting. This project is exploring how to improve the way the Board develops and drafts disclosure objectives and requirements *in the future* (draft Guidance).

- The Board has selected IAS 19 *Employee Benefits* and IFRS 13 *Fair Value Measurement* to test the draft Guidance. These Standards were selected considering feedback from stakeholders that their disclosures could be improved.

- The staff initiated a common reporting practice project on employee benefit disclosures to inform the Board's project and to assess whether improvements can be made to the IFRS Taxonomy.

Scope of common practice research

- Our common reporting practice analysis spans all types of employee benefits covered by IAS 19:
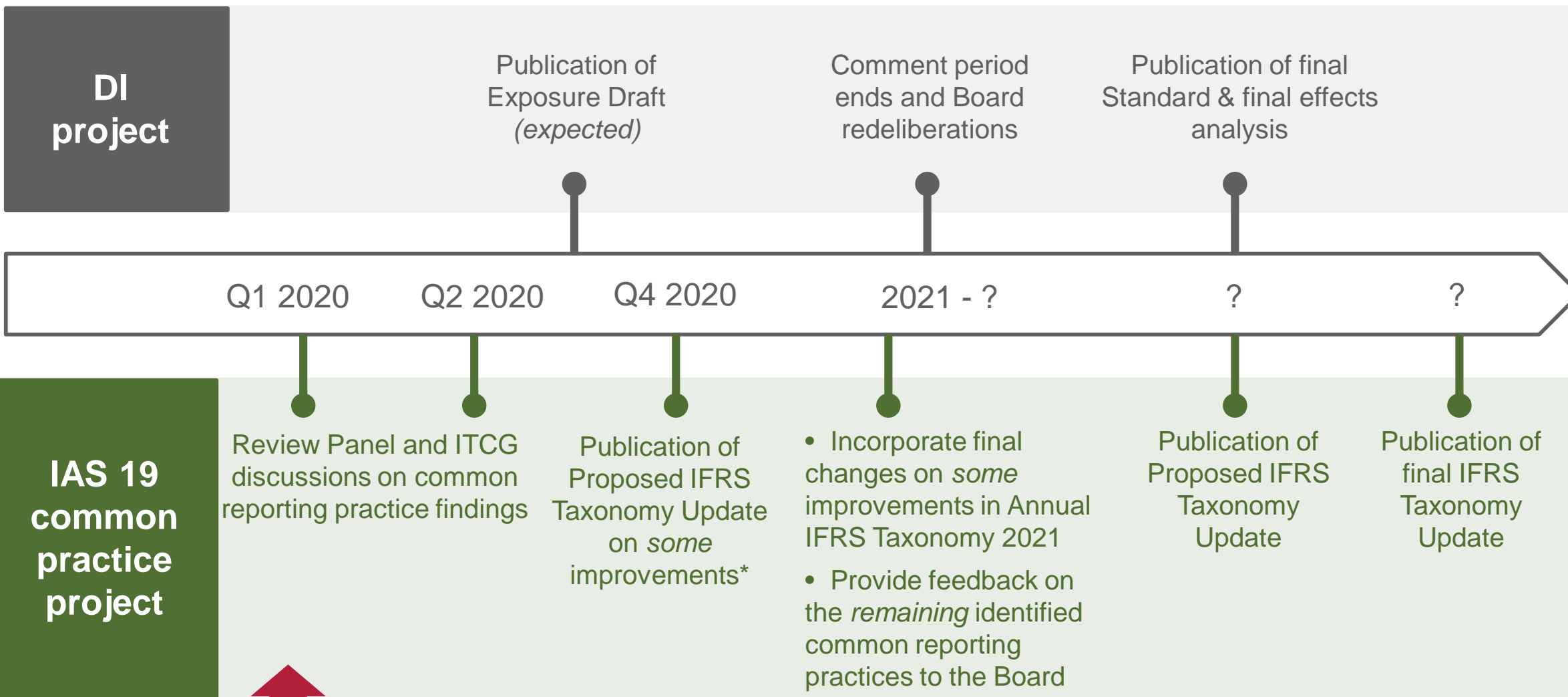
This ITCG meeting	• Proposed changes to the IFRS Taxonomy for defined benefit plans
Future ITCG meeting	• Proposed changes to the IFRS Taxonomy for other employee benefit plans • Feedback to the Board on common reporting practices not resulting in IFRS Taxonomy improvements

- We have prioritised defined benefit plans because feedback through the Board's project indicates that users focus primarily on those plans.

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Timelines

DI project

Publication of Exposure Draft *(expected)*

Comment period ends and Board redeliberations

Publication of final Standard & final effects analysis

Q1 2020 | Q2 2020 | Q4 2020 | 2021 - ? | ? | ?

IAS 19 common practice project

Review Panel and ITCG discussions on common reporting practice findings

Publication of Proposed IFRS Taxonomy Update on *some* improvements*

- Incorporate final changes on *some* improvements in Annual IFRS Taxonomy 2021
- Provide feedback on the *remaining* identified common reporting practices to the Board

Publication of Proposed IFRS Taxonomy Update

Publication of final IFRS Taxonomy Update

this meeting

*subject to Review Panel approval & ITCG review

Aims of this session

Inform you of our approach to analysing common practice findings on disclosures in IAS 19 and seek your views on the result of that analysis for defined benefit plans

		Slides
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A. Approach to analysing IAS 19 common practice findings

Planned approach—background

- We have reviewed tagged disclosures about employee benefits in the financial statements of SEC foreign private issuers. This research has identified a number of common reporting practices.

- If the Board publishes an exposure draft on the Targeted Standards-level Review of Disclosures project in Q3 2020, the *earliest date* the technical staff expects a final amendment to be issued is Q1 2022.

- Therefore, it may take several years for any possible changes to IAS 19 as part of the Targeted Standards-level Review of Disclosures project to become effective and for common practice to emerge.

? Should we propose any changes to address existing common reporting practices on employee benefits in the 2020 Proposed IFRS Taxonomy Update?

Planned approach—arguments

Against proposing changes

✕ Some may be concerned that common reporting practice may change as a result of any proposed amendments to IAS 19, thereby likely making any updates to the IFRS Taxonomy redundant

In favour of proposing changes

✓ Some observed common reporting practices are expected to be unchanged by the Board's tentative proposals on IAS 19

✓ There may be a significant period of time before any possible changes to IAS 19 affect entities' financial statements

✓ May address tagging signage errors and reduce the number of extensions created

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Planned approach—staff views

- Staff is in favour of proposing changes in a 2020 Proposed IFRS Taxonomy Update to address some existing common reporting practices on employee benefits.

- We think the common reporting practices that should be addressed in that Update should *only* be those that relate to disclosures unlikely to be affected by the Board's proposed amendments to IAS 19.

- We plan to share the remaining observed common reporting practices with the Board as part of the feedback to consider when it redeliberates proposals in the upcoming exposure draft.

Question 1 for ITCG Members   Do you have any questions or comments on our planned approach?

B1. Fair value of plan assets

Proposed changes to the IFRS Taxonomy

B1: Fair value of plan assets—background

- Paragraph 142 of IAS 19 requires an entity to disaggregate the fair value of the plan assets into classes that distinguish the nature and risks of those assets. IAS 19 provides examples of those classes of assets that an entity could distinguish between.

- This requirement is currently reflected in the IFRS Taxonomy with the following monetary line items:

[834480] Notes – Employee Benefits	
Disclosure of fair value of plan assets [line items]	line items
Cash and cash equivalents, amount contributed to fair value of plan assets	X instant, debit
Equity instruments, amount contributed to fair value of plan assets	X instant, debit
Debt instruments, amount contributed to fair value of plan assets	X instant, debit
Real estate, amount contributed to fair value of plan assets	X instant, debit
Derivatives, amount contributed to fair value of plan assets	X instant, debit
Investment funds, amount contributed to fair value of plan assets	X instant, debit
Asset-backed securities, amount contributed to fair value of plan assets	X instant, debit
Structured debt, amount contributed to fair value of plan assets	X instant, debit
Other assets, amount contributed to fair value of plan assets	X instant, debit

Interaction with the Targeted Standards-level Review of Disclosures project

- The Board has tentatively decided to include in IAS 19 a specific disclosure objective requiring companies to disclose information about the nature and risks of defined benefit plans.

- The Board also tentatively decided to state in IAS 19 that disclosing the fair value of plan assets by classes of assets may enable an entity to meet that objective.

- Therefore, **we expect that entities will continue to disclose information similar to that required by paragraph 142 in IAS 19**.

- Companies commonly expressed the disaggregation of fair value of plan assets as a **percentage.** For some companies, this was in addition to disclosing the monetary fair values.

- The percentage breakdown was found to be tagged in two ways (both equally common):

	Percentage of plan assets
Cash & Cash Equivalents	12.7%
Equity Instruments	23.4%

Approach 1:
Line item modelling

Cash and Cash Equivalents Percentage Contributed to Fair Value of Plan Assets [line item] **[extension]**

Approach 2:
Dimensional modelling

Plan Asset Allocation Percentage [line item] **[extension]**

+

Classes of Assets [axis]
Cash and Cash Equivalents [member]

B1: Fair value of plan assets—staff analysis

We considered whether to include percent elements in the IFRS Taxonomy using:

a) a **decimal approach**. This would require preparers to specify the element type (monetary or percent). We think that this approach is more likely to lead to tagging errors making the data more difficult for users to analyse. Therefore, we do not recommend exploring this approach further.

b) a **line item or dimensional approach**:

Approach 1—line item modelling	Approach 2—dimensional modelling
✓ Maintains consistency with the modelling of the monetary value in the IFRS Taxonomy. Therefore, companies would not have to change their tagging for the monetary value.	✓ Results in fewer elements in the IFRS taxonomy in total.
✓ We did not find commonly created extensions for additional classes of assets, thereby reducing the need for a dimensional approach that links extension line items to a known axis.	✗ Requires changing the modelling of the monetary value in the IFRS Taxonomy (by using an existing 'classes of assets' axis with a new 'fair value of plan assets' line item with monetary and percent item types). This means preparers will bear a retagging cost and users will bear a remapping cost of the disclosures for the monetary value.
✗ Increases the number of elements in the IFRS Taxonomy.	

- We propose **Approach 1**—to add percent elements using the line item modelling. This is because we think the benefits of a dimensional approach may not outweigh the costs.

- This would require adding new line items for all the classes of assets in the existing 'Disclosure of fair value of plan assets' table, as follows:

> Cash and cash equivalents, percentage contributed to fair value of plan assets
>
> Equity instruments, percentage contributed to fair value of plan assets
>
> Debt instruments, percentage contributed to fair value of plan assets
>
> Real estate, percentage contributed to fair value of plan assets
>
> Derivatives, percentage contributed to fair value of plan assets
>
> Investment funds, percentage contributed to fair value of plan assets
>
> Asset-backed securities, percentage contributed to fair value of plan assets
>
> Structured debt, percentage contributed to fair value of plan assets
>
> Other assets, percentage contributed to fair value of plan assets

Question 2 for ITCG Members   Do you agree with our proposal?

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B2. Reconciliation of the net defined benefit liability (asset)

Proposed changes to the IFRS Taxonomy

B2: Reconciliation—background

- Paragraphs 140-141 of IAS 19 require a reconciliation from the opening balance to the closing balance of the net defined benefit liability (asset), showing separate reconciliations for the 'plan assets', 'present value of defined benefit obligation' and the 'effect of the asset ceiling'.

- These requirements are modelled in the IFRS Taxonomy with a 'Disclosure of net defined benefit liability (asset)' table.

Axis and members

[834480] Notes – Employee Benefits	
Net defined benefit liability (asset) [axis]	axis
Net defined benefit liability (asset) [member]	member[default]
Present value of defined benefit obligation [member]	member
Plan assets [member]	member
Effect of asset ceiling [member]	member

See next slide for the line items included within this table

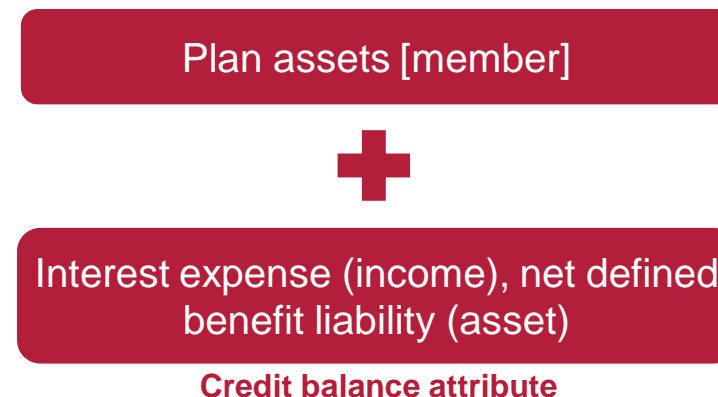# B2: Reconciliation—background

Line items

[834480] Notes – Employee Benefits

Disclosure of net defined benefit liability (asset) [line items]	line items
Net defined benefit liability (asset) at beginning of period	X instant, credit
Changes in net defined benefit liability (asset) [abstract]	
Current service cost, net defined benefit liability (asset)	X duration, credit
Interest expense (income), net defined benefit liability (asset)	X duration, credit
Gain (loss) on remeasurement, net defined benefit liability (asset) [abstract]	
Return on plan assets excluding interest income or expense, net defined benefit liability (asset)	(X) duration, debit
Actuarial losses (gains) arising from changes in demographic assumptions, net defined benefit liability (asset)	(X) duration, debit
Actuarial losses (gains) arising from changes in financial assumptions, net defined benefit liability (asset)	(X) duration, debit
Actuarial losses (gains) arising from experience adjustments, net defined benefit liability (asset)	(X) duration, debit
Loss (gain) on changes in effect of limiting net defined benefit asset to asset ceiling excluding interest income or expense, net defined benefit liability (asset)	(X) duration, debit
Total loss (gain) on remeasurement, net defined benefit liability (asset)	(X) duration, debit

Past service cost and gains (losses) arising from settlements, net defined benefit liability (asset) [abstract]	
Past service cost, net defined benefit liability (asset)	X duration, credit
Losses (gains) arising from settlements, net defined benefit liability (asset)	(X) duration, debit
Net past service cost and gains (losses) arising from settlements, net defined benefit liability (asset)	X duration, credit
Increase (decrease) through changes in foreign exchange rates, net defined benefit liability (asset)	X duration, credit
Contributions to plan, net defined benefit liability (asset) [abstract]	
Contributions to plan by employer, net defined benefit liability (asset)	(X) duration, debit
Contributions to plan by plan participants, net defined benefit liability (asset)	(X) duration, debit
Total contributions to plan, net defined benefit liability (asset)	(X) duration, debit
Payments from plan, net defined benefit liability (asset)	(X) duration, debit
Payments in respect of settlements, net defined benefit liability (asset)	(X) duration, debit
Increase (decrease) through business combinations and disposals, net defined benefit liability (asset)	X duration, credit
Increase (decrease) through other changes, net defined benefit liability (asset)	X duration, credit
Total increase (decrease) in net defined benefit liability (asset)	X duration, credit
Net defined benefit liability (asset) at end of period	X instant, credit

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- The line items in slide 18 have balance attributes that determine the sign to be used in the XBRL filing:
  - credit: a positive (negative) value represents **an increase (decrease)** in the net defined benefit liability (asset).
  - debit: a positive (negative) value represents **a decrease (increase)** in the net defined benefit liability (asset).

- Our approach means companies should tag their reconciliation as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Beginning balance	15,890	(10,567)	5,323
…			
Interest on pensions	1,890	(568)	1,322

Plan assets [member]

+

Interest expense (income), net defined benefit liability (asset)

Credit balance attribute

The value for **interest income** reported under the 'Fair value of plan assets' column should be tagged in the XBRL filing as shown on the slide but with **a negative sign**. This is because interest income increases the fair value of the plan assets and therefore **decreases the net defined benefit liability (asset)**

Interaction with the Targeted Standards-level Review of Disclosures project

- The Board has tentatively decided to include in IAS 19 a specific disclosure objective in requiring companies to disclose information about the drivers of change in the net defined benefit liability (asset).

- The Board also tentatively decided that, to meet the objective, companies could either provide a narrative explanation or a tabular reconciliation.

- Therefore, **we expect that some entities will continue to disclose information similar to that required by paragraph 140-141 in IAS 19**.

B2: Reconciliation—findings

- We observed two sets of common reporting practice relating to the reconciliation of the net defined benefit liability (asset):

①
Incorrect tagging

Slides 22-27

②
Presentation of additional line items

Slides 28-29

- Companies commonly presented positive values under the 'Fair value of plan assets' column, for example:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Beginning balance	15,890	10,567	5,323
…			
Interest on pensions	1,890	568	1,322

- Companies commonly correctly used the 'Net defined benefit liability (asset)' axis to tag their reconciliation.

- Some of these companies used the existing line items in the reconciliation table _without_ changing the sign. For example, they tagged the value of '568' using the 'Interest expense (income), net defined benefit liability (asset)' line item with a positive sign instead of a negative sign.

- Other companies instead created extensions to tag those values; in particular for interest income on plan assets.

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- We think both common reporting practices—using existing line items without changing the reported sign or creating extensions—are wrong.

- The risk of signage errors, in particular, relate to those reconciling line items that could affect *both* the defined benefit obligation and the plan assets with opposite impact on the net defined benefit liability (asset):

Interest expense (income)	Payments from plan	Contributions to plan by plan participants
Increase (decrease) through changes in foreign exchange rates	Increase (decrease) through business combinations and disposals	Net defined benefit liability (asset) at beginning of period + Net defined benefit liability (asset) at end of period

- We think the identified incorrect tagging practices are significant enough to be addressed. We considered two options (see slide 24):

  – **Option A:** retain the dimensional modelling approach and provide guidance to clarify the sign to be reported.

  – **Option B:** change to a line item modelling approach.

	Option A: Retain the dimensional modelling approach with additional guidance	Option B: Switch to line item modelling approach
	Amend all element standard labels and add guidance labels to line items that could affect both the defined benefit obligation and the plan assets to clarify the sign to be reported	Remove the 'net defined benefit liability (asset)' axis and create separate sets of line items to reconcile changes in the defined benefit obligation, plan assets, and the effect of the asset ceiling
Advantages	✓ Resolves the signage errors identified *if* preparers adhere to the guidance ✓ May reduce the number of extensions created as the meaning of the elements would be clearer ✓ Preparers would not need to retag the entire reconciliation provided in previous years ✓ Results in fewer elements in the IFRS Taxonomy element in total	✓ More intuitive to use as tagging matches how preparers commonly present values within their reconciliation ✓ May reduce the number of extensions created
Disadvantages	✗ Some preparers may not pay attention to the additional guidance provided	✗ Preparers will bear a retagging cost and users will bear a remapping cost of the entire reconciliation tagged in previous years ✗ Signage errors are still likely to exist for companies that present separate reconciliation of the defined benefit obligation or plan assets with negative values ✗ Adds to the number of elements in the IFRS Taxonomy

B2: Reconciliation—staff proposal on incorrect tagging

- We propose option A—retain the dimensional approach with additional guidance to clarify the sign to be reported.

- This is because:

    – there would be a burden to preparers and users of option B—changing to a line item approach. We also note that this option is unlikely to fully address the risk of signage errors.

    – we think the benefits of option B would not significantly outweigh the costs.

- We have illustrated how option A would be implemented in the IFRS Taxonomy using the following line item as an example:

Disclosure of net defined benefit liability (asset) [line items]	
…	
Interest expense (income), net defined benefit liability (asset)	Credit

Proposed element standard label

Increase (decrease) in net defined benefit liability (asset) through interest expense (income)

Proposed guidance label

Interest expense on the defined benefit obligation represents an increase in the net defined benefit liability (asset) and should be tagged with a positive value. Interest income on the plan assets represents a decrease in the net defined benefit liability (asset) and should be tagged with a negative value.

Question 3 for ITCG Members

Do you agree with our proposal to clarify the sign to be reported for line items in the 'Disclosure of net defined benefit liability (asset)' table by:

a. amending the element standard labels of the line items; and

b. adding guidance labels to those line items that could affect both the defined benefit obligation and the plan assets?

- Companies commonly:

  1. disclosed the administrative cost of their defined benefit plans.

  2. grouped their reconciling items into:

     - ✓ those included in profit or loss;

     - ✓ those included in other comprehensive income; and

     - ✓ other changes.

	Net defined benefit asset (liability)	
	2017	2018
Balance at January 1,	(921,486)	(915,909)
Included in profit or loss		
Service cost	(6,242)	(5,289)
Interest cost	(53,624)	(49,598)
Expected return on plan assets	37,902	35,408
	(21,964)	(19,479)
Included in other comprehensive income		
Remeasurements (loss) gain:		
Actuarial (loss) gain arising from:		
- demographic assumptions	(21,054)	(15,795)
- financial assumptions	(126,708)	(178,212)
- experience adjustment	66,016	84,437
Return on plan assets excluding interest income	(16,345)	52,614
	(98,091)	(56,956)
Other		
Contributions paid by the employer	102,870	102,831
Benefits paid	20,429	317
Effect of changes in exchange rates and others	2,333	(1,493)
	125,632	101,655
Balance at December 31,	(915,909)	(890,689)

1.	To accommodate disclosure of administrative costs	We propose to add a new line item **'Increase (decrease) in net defined benefit liability (asset) through administrative expenses'** with a credit balance attribute.
2.	To accommodate disclosure of the total amount included in profit or loss	We propose to add a new total line item **'Increase (decrease) in net defined benefit liability (asset) through total expense (income) in profit or loss'** with a credit balance attribute.
3.	To accommodate disclosure of the total amount included in other comprehensive income	The IFRS Taxonomy reconciliation table already includes a line item for this disclosure. However, we propose to amend the element standard label to clearly distinguish it from the new line item above, as follows **'Decrease (increase) in net defined benefit liability (asset) through total gain (loss) on remeasurement in other comprehensive income'**.
4.	To accommodate disclosure of the total other changes	While this total value was not commonly tagged, we think including a line item for this disclosure is justified by the completeness criterion to include common practice elements. Therefore, we propose to add a new line item **'Increase (decrease) in net defined benefit liability (asset) through total other changes'** with a credit balance attribute.

Question 4 for ITCG Members	Do you agree with our proposals?

See Appendix A for an illustration of how these elements would fit into the IFRS Taxonomy table

B3. Disaggregation of amounts presented in the primary financial statements

Proposed changes to the IFRS Taxonomy

- The disclosure objective in paragraph 135(b) of IAS 19 requires an entity to identify and explain the amounts in its financial statements arising from defined benefit plans. However, other than the reconciliation, there is no specific requirement to further disaggregate the amounts presented in the primary financial statements within the notes.

- The IFRS Taxonomy includes a few common practice elements to tag the disaggregation of amounts in the primary financial statements for defined benefit plans within the notes:

[834480] Notes – Employee Benefits		
Disclosure of defined benefit plans [line items]	line items	
Description of type of plan	text	IAS 19.139 a Disclosure
Description of nature of benefits provided by plan	text	IAS 19.139 a (i) Disclosure
Description of regulatory framework in which plan operates	text	IAS 19.139 a (ii) Disclosure
Description of effect of regulatory framework on plan	text	IAS 19.139 a (ii) Disclosure
Description of any other entity's responsibilities for governance of plan	text	IAS 19.139 a (iii) Disclosure
Description of risks to which plan exposes entity	text	IAS 19.139 b Disclosure
Description of significant concentrations of risk related to plan	text	IAS 19.139 b Disclosure
Description of plan amendments, curtailments and settlements	text	IAS 19.139 c Disclosure
Surplus (deficit) in plan [abstract]		
Defined benefit obligation, at present value	(X) instant, credit	IAS 19.57 a Common practice
Plan assets, at fair value	X instant, debit	IAS 19.57 a Common practice
Net surplus (deficit) in plan	X instant, debit	IAS 19.57 a Common practice

These line items are within the 'Disclosure of defined benefit plans' table

[800200] Notes – Analysis of income and expense		
Classes of employee benefits expense [abstract]		
Short-term employee benefits expense [abstract]		
Wages and salaries	X duration, debit	IAS 19.9 Common practice
Social security contributions	X duration, debit	IAS 19.9 Common practice
Other short-term employee benefits	X duration, debit	IAS 19.9 Common practice
Total short-term employee benefits expense	X duration, debit	IAS 1.112 c Common practice
Post-employment benefit expense, defined contribution plans	X duration, debit	IAS 19.53 Disclosure
Post-employment benefit expense, defined benefit plans	X duration, debit	IAS 19.5 Common practice
Termination benefits expense	X duration, debit	IAS 19.171 Common practice
Other long-term employee benefits	X duration, debit	IAS 19.158 Common practice
Other employee expense	X duration, debit	IAS 19.5 Common practice
Total employee benefits expense	X duration, debit	IAS 1.102 Example, IAS 1.104 Disclosure, IAS 1.99 Disclosure

Interaction with Targeted Standards-level Review of Disclosures project

- The Board has tentatively decided to include in IAS 19 a specific disclosure objective requiring companies to disclose information about the amounts and the components of those amounts in the primary financial statements.

- The Board also tentatively decided that, to meet the objective, companies would be required to disclose a breakdown of the amounts in the statements of comprehensive income, cash flows and financial position.

- Therefore, **we expect that entities will continue to disclose information similar to that required by the objective in paragraph 135(b) in IAS 19.**

- Companies commonly provided a detailed disaggregation of the amounts presented in the statements of comprehensive income and financial position separately from the reconciliation.

- For example:

Amounts recognized in respect of these defined benefit plans were as follows:

| | Years Ended December 31 | | |
| | 2016 | 2017 | 2018 |
	NT$ (In Millions)	NT$ (In Millions)	NT$ (In Millions)
Current service cost	$ 132.8	$ 145.0	$ 137.7
Net interest expense	139.4	126.5	144.1
Components of defined benefit costs recognized in profit or loss	272.2	271.5	281.8

| | Years Ended December 31 | | |
| | 2016 | 2017 | 2018 |
	NT$ (In Millions)	NT$ (In Millions)	NT$ (In Millions)
Remeasurement on the net defined benefit liability:			
Return on plan assets (excluding amounts included in net interest expense)	$ 45.7	$ 29.3	$ (71.3)
Actuarial loss arising from experience adjustments	38.2	483.9	334.7
Actuarial loss (gain) arising from changes in financial assumptions	694.6	(258.5)	597.8
Actuarial loss arising from changes in demographic assumptions	278.7	—	—
Components of defined benefit costs recognized in other comprehensive income	1,057.2	254.7	861.2

The amounts arising from the defined benefit obligation of the Company were as follows:

| | December 31, 2017 | December 31, 2018 |
	NT$ (In Millions)	NT$ (In Millions)
Present value of defined benefit obligation	$ 12,774.6	$ 13,662.7
Fair value of plan assets	(3,923.9)	(4,011.3)
Net defined benefit liability	$ 8,850.7	$ 9,651.4

Tagging approach

- We did not find any commonly created extensions to tag the detailed disaggregation of amounts in the statement of financial position in the notes. Most companies that disclosed this separate disaggregation used the common practice elements within the defined benefit plans table on slide 31.

- However, to tag the detailed disaggregation of amounts in the statement of comprehensive income in the notes:

  – some companies created extensions; while

  – other companies used the existing line items within the reconciliation table (see slide 18) *without changing the signs*.

Additional line items

- For the detailed disaggregation of amounts in the statement of comprehensive income in the notes, companies commonly:

  – disclosed the administrative cost of the defined benefit plan;

  – disaggregated the interest on pensions into interest expense and interest income; and

  – grouped the amounts by those reflected in 'profit or loss' and those in 'other comprehensive income'.

- Amounts in other comprehensive income could be considered before tax or after tax (see paragraph 91 of IAS 1 *Presentation of Financial Statements*). The IFRS Taxonomy includes elements to enable tagging of the total of such amounts *within the statement of comprehensive income*:

Other comprehensive income, net of tax, gains (losses) on remeasurements of defined benefit plans	Credit
Other comprehensive income, before tax, gains (losses) on remeasurements of defined benefit plans	Credit

- In our sample, we observed that companies that provided the separate disaggregation for other comprehensive income, within the notes, reported either the before tax or after-tax amounts. This was usually consistent with how the company presented the total amount within the statement of comprehensive income.

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- The value is incorrectly conveyed if line items within the reconciliation table are used to tag the separate disaggregation of amounts in comprehensive income without changing the signs.

- We illustrate why this is the case using current service cost as an example:

> The IFRS Taxonomy element 'Current service cost, net defined benefit liability (asset)' with a **credit balance attribute** should be used to tag the increase in the **net defined benefit liability (asset)** resulting from current service cost

Amounts recognized in respect of these defined benefit plans were as follows:

| | Years Ended December 31 | | |
| | 2016 | 2017 | 2018 |
	NT$ (In Millions)	NT$ (In Millions)	NT$ (In Millions)
Current service cost	$ 132.8	$ 145.0	$ 137.7
Net interest expense	139.4	126.5	144.1
Components of defined benefit costs recognized in profit or loss	272.2	271.5	281.8

(1) If this value is tagged with the existing line item without changing the sign, it would be identified as a positive value with a credit balance attribute

⬇

(2) However, **increases in expenses** in the statement of comprehensive income **should be attributed to a debit balance attribute**

⬇

(3) Therefore, using the existing line items without changing the sign conveys the wrong message about the disclosed value

- In addition, XBRL calculations would not work if the line items within the reconciliation table are used to tag the separate disaggregation of amounts in comprehensive income.

- We illustrate why this is the case with the following example:

	2018 (£ million)	How would these values be tagged if the line items in the reconciliation table were used?	
Current service cost	137.7	'Current service cost, net defined benefit liability (asset)'	**+** 'Net defined benefit liability (asset) [default member]'
Interest expense on defined benefit obligation	244.1	'Interest expense (income), net defined benefit liability (asset)'	**+** 'Present value of defined benefit obligation [member]'
Interest income on plan assets	(100)	'Interest expense (income), net defined benefit liability (asset)'	**+** 'Plan assets [member]'

XBRL calculations would not work because this combines different axis members

B3: Disaggregation of amounts in the primary financial statements—staff analysis on tagging approach

- We considered two options to address tagging of the separate disaggregation of amounts in the statement of comprehensive income:

	Option A: Maintain the line items in the reconciliation but with no balance attributes
	Requires removing (1) references to 'net defined benefit liability (asset)' from the element labels of the line items within the reconciliation table and (2) their associated balance attributes, to allow tagging of the separate disaggregation as well
Advantages	✓ The elements in the IFRS Taxonomy would represent a single economic concept irrespective of the presentation context (separate disaggregation or reconciliation) in the financial statements ✓ Results in fewer elements in the IFRS Taxonomy in total
Disadvantages	✕ Preparers would need to determine for themselves the sign to report in the reconciliation context and adjust the sign to report for the same value in the separate disaggregation context. This is likely to lead to more tagging errors than have been identified today. ✕ Some companies are still likely to create extensions to tag the separate disaggregation ✕ Calculation relationships would not work when the line items are used in the separate disaggregation context (see slide 37)

	Option B: Provide separate line items for the detailed disaggregation and the reconciliation
	Requires creating new line items with opposite balance attributes to those in the reconciliation table, and without axes, to allow tagging of the separate disaggregation
Advantages	✓ Labels and balance attributes for the line items would indicate the correct signs to report for both contexts
	✓ More intuitive to use and therefore likely to reduce the identified signage errors
	✓ Reduces the need for companies to create extensions
	✓ Calculation relationships would work with the separate line items for the disaggregation
Disadvantages	✗ A single economic concept would be represented in the IFRS Taxonomy with two separate elements depending on the presentation context (separate disaggregation or reconciliation) in the financial statements
	✗ Increases the number of elements in the IFRS Taxonomy

- We propose Option B—providing separate line items for the detailed disaggregation and the reconciliation for the reasons described in slide 39. In addition, companies that are creating extensions in this area are already applying this model.

- Our proposed option would introduce new and existing elements within the existing 'Disclosure of defined benefit plans' table to allow companies to tag disaggregation of the amounts relating to defined benefit plans in the notes. Specifically, it would add:

  - new line items for the disaggregation of amounts in profit or loss.

  - the existing line item to tag the total amount in profit or loss. This refers to the existing common practice line item 'Post-employment benefit expense, defined benefit plans' currently in a different table (see slide 31).

  - new line items for the disaggregation of amounts in other comprehensive income, distinguishing between before tax and after tax.

  - the existing line items to tag the total amount in other comprehensive income before tax and after tax. This refers to the existing line items to tag the total amounts within the statement of comprehensive income (see slide 35).

B3: Disaggregation of amounts in the primary financial statements—staff proposals (continued)

- We note that the 'Disclosure of defined benefit plans' table already includes common practice line items to tag the disaggregation of amounts in the statement of financial position (see slide 31).

Question 5 for ITCG Members	Do you agree with our proposal to add line items for companies to tag the separate disaggregation of amounts relating to defined benefit plans?

See Appendix B for an illustration of the proposals

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Appendices

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Disclosure of net defined benefit liability (asset) [line items]	
Net defined benefit liability (asset) at beginning of period	Credit
Changes in net defined benefit liability (asset) [abstract]	
Increase (decrease) in net defined benefit liability (asset) through total expense (income) in profit or loss [abstract]	
Increase (decrease) in net defined benefit liability (asset) through administrative expenses	Credit
…	
Increase (decrease) in net defined benefit liability (asset) through total expense (income) in profit or loss	Credit
Decrease (increase) in net defined benefit liability (asset) through total gain (loss) on remeasurement in other comprehensive income, net defined benefit liability (asset) [abstract]	
…	
Decrease (increase) in net defined benefit liability (asset) through total gain (loss) on remeasurement in other comprehensive income, net defined benefit liability (asset)	Debit
Increase (decrease) in net defined benefit liability (asset) through total other changes [abstract]	
…	
Increase (decrease) in net defined benefit liability (asset) through total other changes	Credit
Total increase (decrease) in net defined benefit liability (asset)	Credit
Net defined benefit liability (asset) at end of period	Credit

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Disclosure of defined benefit plans [line items]	
Surplus (deficit) in plan [abstract]	
Defined benefit obligation, at present value	Credit
Plan assets, at fair value	Debit
Net surplus (deficit) in plan	Debit
Post-employment benefit expense in profit or loss, defined benefit plans [abstract]	
Current service cost, defined benefit plans	Debit
Interest expense (income), defined benefit plans [abstract]	
Interest expense, defined benefit plans	Debit
Interest income, defined benefit plans	Credit
Interest expense (income), defined benefit plans	Debit
Administrative expenses, defined benefit plans	Debit
Past service cost and gains (losses) arising from settlements, defined benefit plans [abstract]	
Past service cost, defined benefit plans	Debit
Gains (losses) arising from settlements, defined benefit plans	Credit
Net past service cost and gains (losses) arising from settlements, defined benefit plans	Debit
Post-employment benefit expense in profit or loss, defined benefit plans	Debit

To tag the separate disaggregation of the effect of defined benefit plans on the statement of financial position

To tag the separate disaggregation of the effect of defined benefit plans on profit or loss

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Disclosure of defined benefit plans[line items] – continued	
Other comprehensive income, net of tax, gains (losses) on remeasurements of defined benefit plans [abstract]	
Return on plan assets excluding interest income or expense, net of tax, defined benefit plans	Credit
Actuarial gains (losses) arising from changes in demographic assumptions, net of tax, defined benefit plans	Credit
Actuarial gains (losses) arising from changes in financial assumptions, net of tax, defined benefit plans	Credit
Actuarial gains (losses) arising from experience adjustments, net of tax, defined benefit plans	Credit
Gains (losses) on changes in effect of limiting net defined benefit asset to asset ceiling excluding interest income or expense, net of tax, defined benefit plans	Credit
Other comprehensive income, net of tax, gains (losses) on remeasurements of defined benefit plans	Credit
Other comprehensive income, before tax, gains (losses) on remeasurements of defined benefit plans [abstract]	
Return on plan assets excluding interest income or expense, before tax, defined benefit plans	Credit
Actuarial gains (losses) arising from changes in demographic assumptions, before tax, defined benefit plans	Credit
Actuarial gains (losses) arising from changes in financial assumptions, before tax, defined benefit plans	Credit
Actuarial gains (losses) arising from experience adjustments, before tax, defined benefit plans	Credit
Gains (losses) on changes in effect of limiting net defined benefit asset to asset ceiling excluding interest income or expense, before tax, defined benefit plans	Credit
Other comprehensive income, before tax, gains (losses) on remeasurements of defined benefit plans	Credit

To tag the separate disaggregation of the effect of defined benefit plans on other comprehensive income net of tax

To tag the separate disaggregation of the effect of defined benefit plans on other comprehensive income before tax

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