**IAS 19** ***Employee Benefits*** (November 2007)

***Treatment of employee contributions***

The IFRIC received a request to clarify the treatment of employee contributions in accordance with IAS 19. The first issue is how employee contributions should be accounted for in general. The second issue is how to account for a pension plan in which the cost of providing the benefits is shared between the employees and the employer.

On the first issue, the IFRIC noted that paragraph 7 of IAS 19 defines current service cost and that paragraph 120A of IAS 19 implies that contributions by employees to the ongoing cost of the plan reduce the current service cost to the entity. The IFRIC also noted that in accordance with paragraph 91 of IAS 19, employee contributions payable when benefits are paid, such as contributions to a post-employment healthcare plan, are to be taken into account in determining the defined benefit obligation.

On the second issue, the IFRIC noted that paragraph 85 of IAS 19 states that 'If the formal terms of a plan (or a constructive obligation that goes beyond those terms) require an entity to change benefits in future periods, the measurement of the obligation reflects those changes.'

Therefore, the IFRIC noted that:

- if the terms of a defined benefit plan include surplus-sharing provisions, the employer's obligation to use any surplus in the plan for the benefit of plan participants (eg adjusting participants' benefits) should be considered when measuring its obligation.
- if the terms of a defined benefit plan include costsharing provisions, the requirement for employees to make contributions to reduce or eliminate an existing deficit should be considered when measuring the employer's obligation.

For these reasons, and because the IFRIC did not expect divergence in practice, the IFRIC decided not to take this item on to the agenda.