

STAFF PAPER

March 2013

IASB Meeting

Project	Defined Benefit Plans: Employee Contributions (Proposed amendments to IAS 19 <i>Employee Benefits</i>)		
Paper topic	Summary of due process followed		
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This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IASB and does not represent the views of the IASB or any individual member of the IASB. Comments on the application of IFRSs do not purport to set out acceptable or unacceptable application of IFRSs. Technical decisions are made in public and reported in IASB *Update*.

Introduction and purpose

1. In February 2013 the IASB tentatively decided to publish an Exposure Draft proposing amendments to IAS 19 *Employee Benefits*. These amendments are intended to specify the accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan.
2. The balloting process of Exposure Draft *Defined Benefit Plans: Employee Contributions* (Amendments to IAS 19) (the Exposure Draft) is underway and its publication is scheduled for the end of March 2013.
3. The purpose of this paper is to:
 - (a) provide the IASB with a brief summary of the proposed amendments ;
and
 - (b) explain the steps in the due process that the IASB has taken before the publication of the Exposure Draft (see Appendix A) and ask the IASB to confirm that it has complied with the due process requirements to date.

Summary of the proposals

4. The issue originated from a submission to the IFRS Interpretations Committee, which recommended that the IASB amend the Standard.

5. The IASB proposes to amend IAS 19 to specify that contributions from employees or third parties set out in the formal terms of a defined benefit plan are recognised as a reduction in service cost in the same period in which they are paid, if the contributions are linked solely to the employee's service rendered in that period. An example would be if the contributions are a fixed percentage of salary and that percentage of salary does not change regardless of the number of years of service or any other factors.
6. The IASB also proposes to address an inconsistency in the requirements relating to how contributions from employees or third parties should be attributed. The IASB proposes to specify that the negative benefit from such contributions is attributed to periods of service in the same way as for the attribution of the gross benefit in accordance with paragraph 70.

Confirmation of due process steps

7. In Appendix A we have summarised the due process steps followed by the IASB in developing the Exposure Draft. For summarising these steps and thereby demonstrating that the IASB has met all the due process requirements to date, we used the reporting template 'Development and publication of an Exposure Draft (ED) for a Standard, Practice Guidance or *Conceptual Framework* chapter' in the Due Process Protocol¹.

Compliance with Due Process to date

8. We note that the required due process steps applicable so far at this stage in the due process have been completed, as documented in appendix A.

Question for the IASB on compliance with Due Process

Is the IASB satisfied that all required Due Process steps applicable so far have been complied with?

¹ <http://www.ifrs.org/DPOC/Documents/2013/Due-Process-Protocol-Tables.pdf>

Appendix A

Confirmation of Due Process Steps followed in the development of the Exposure Draft *Defined Benefit Plans: Employee Contributions* (Amendments to IAS 19 *Employee Benefits*).

The following table sets out the due process steps followed by the IASB in the development of the Exposure Draft (prepared as at 6 March 2013):

<i>Step</i>	<i>Required/Optional</i>	<i>Metrics or evidence</i>	<i>Evidence provided to DPOC</i>	<i>Actions</i>
Board meetings held in public, with papers available for observers. All decisions are made in public session.	Required	Meetings held. Project website contains a full description with up-to-date information. Meeting papers posted in a timely fashion.	Members of the IASB have discussed with the DPOC the progress of the due process that is being conducted on major projects. The DPOC has reviewed, when appropriate, the comments that have been received from interested parties on the due process that the IASB followed.	This issue was discussed on the basis of publicly available agenda papers at the IFRS Interpretations Committee (the Interpretations Committee) meetings in September, November 2012 and January 2013. The results of the discussions of the Interpretations Committee was also summarised in the IFRIC Update for the meetings. Afterwards, the IASB discussed the issue at its February 2013 meeting and decided to add this issue to its agenda and to propose a narrow-scope amendment to IAS 19. A project webpage is being prepared.
Consultation with the Trustees and the Advisory Council.	Required	Discussions with the Advisory Council.	The DPOC has met with the Advisory Council to understand stakeholders' perspectives. The Advisory Council Chair is invited to Trustees' meetings and meetings of the DPOC.	This proposed amendment is part of the IASB's and the Interpretations Committee's work on maintenance of IFRSs. The proposed amendment is narrow in scope and occupies little of the IASB's time. Given the limited nature of the project and the narrow scope of the proposed amendment, the IASB does not undertake a separate consultation with the Advisory Council.
Consultative groups used, if formed.	Optional	Extent of consultative group meetings, and evidence of substantive involvement in issues. Consultative group review of the draft ED.	The DPOC has received from the IASB a report of the activity of the consultative group.	N/A
Fieldwork is undertaken to analyse proposals.	Optional	The IASB has described publicly the approach taken on fieldwork. The IASB has explained to the DPOC why it does not believe fieldwork is warranted, if that is the preferred path. Extent of field tests	If the IASB has deemed fieldwork to not be a requirement, the DPOC will have the opportunity to discuss and review the IASB's explanation for its decision. The DPOC has received a report of fieldwork activities and how findings have been taken into consideration by IASB.	N/A

Step	Required/ Optional	Metrics or evidence	Evidence provided to DPOC	Actions
		taken.		
Outreach meetings with a broad range of stakeholders, with special effort to consult investors.	Optional	Extent of meetings held. Evidence of specific targeted efforts to consult investors.	The DPOC has received a report of outreach activities. The DPOC and the IASB have reviewed the outreach plan for the ED and its approach to the optional steps to ensure extensive outreach and public consultation.	The staff did conduct outreach with the IFASS group and the IASB's Employee Benefits Working Group. The results from the outreach were discussed by the Interpretations Committee at its meeting in September 2012 and presented to the IASB in February 2013.
Webcasts and podcasts to provide interested parties with high-level updates or other useful information about specific projects.	Optional	Extent of, and participation in, webcasts.	The DPOC has received a report of outreach activities.	N/A
Public discussions with representative groups.	Optional	Extent of discussions held.	The DPOC has received a report of outreach activities.	N/A
Online survey to generate evidence in support of or against a particular approach.	Optional	Extent and results of surveys.	The DPOC has received a report of outreach activities.	N/A
The IASB hosts regional discussion forums, where possible, with national standard-setters.	Optional	Schedule of meetings held in these forums.	The DPOC has received a report of outreach activities.	N/A
Round-table meetings between external participants and members of the IASB.	Optional	Extent of meetings held.	The DPOC has received a report of outreach activities.	N/A
Analysis of the likely effects of the forthcoming Standard or major amendment, for example, initial costs or ongoing associated costs.	Required	Publication of the Effect Analysis as part of the Basis for Conclusions.	The IASB has reviewed, with the DPOC, the results of the Effect Analysis and how it has considered such findings in the proposed Standard. The IASB has provided a copy of the Effect Analysis to the DPOC at the point of the Standard's publication.	The staff assessed the likely effects of the proposed amendment as limited because the scope of the proposed amendment is narrow. The financial reporting effects of the proposed amendment are described in the Basis for Conclusions of the pre-ballot draft.
Finalisation				
Due process steps reviewed by the IASB.	Required	Summary of all due process steps discussed by the IASB before a Standard is issued.	The DPOC has received a summary report of the due process steps that have been followed before the Exposure Draft is issued.	This step will be met by this staff paper.
The ED has an appropriate comment period.	Required	The period has been set by the IASB. If outside the normal comment period, an explanation from the IASB to the DPOC has been provided, and the decision has been approved.	The DPOC has received notice of any change in the comment period length and has provided approval if required.	The IASB agreed at its February 2013 meeting that the comment period for this Exposure Draft should be no less than 120 days, which is the normal comment period in accordance with the due process handbook.

Step	Required/ Optional	Metrics or evidence	Evidence provided to DPOC	Actions
Drafting				
Drafting quality assurance steps are adequate.	Required	The Translations team has been included in the review process.	The DPOC has received a summary report of the due process steps that have been followed before the ED is issued.	The Translation team has reviewed the pre-ballot draft of these proposals, and will also review the ballot draft and the post-ballot draft.
Drafting quality assurance steps are adequate.	Required	The XBRL team has been included in the review process.	The DPOC has received a summary report of the due process steps that have been followed before the ED is issued.	The XBRL team has reviewed the pre-ballot draft of these proposals, and will also review the ballot draft and the post-ballot draft.
Drafting quality assurance steps are adequate.	Optional	The Editorial team has been included in the review process. In addition, external reviewers are used to review drafts for editorial review and the comments collected are considered by the IASB.	The DPOC has received a summary report of the due process steps that have been followed before the ED is issued, including the extent to which external reviewers have been used in the drafting process.	The Editorial team has reviewed the pre-ballot draft of these proposals, and will also review the ballot draft and the post-ballot draft.
Drafting quality assurance steps are adequate.	Optional	Drafts for editorial review have been made available to members of the International Forum of Accounting Standard-Setters (IFASS) and the comments have been collected and considered by the IASB.	The DPOC has received a summary report of the due process steps that have been followed before the Exposure Draft is issued.	N/A
Drafting quality assurance steps are adequate.	Optional	Review draft has been posted on the project website.	The DPOC has received a summary report of the due process steps that have been followed before the Exposure Draft is issued.	N/A
Publication				
ED published.	Required	ED has been posted on the IASB website.	The DPOC has been informed of the release of the ED.	This Exposure Draft is scheduled to be published at the end of March 2013.
Press release to announce publication of ED.	Required	Press Release has been published. Media coverage of the release.	The DPOC has been informed of the release of the ED.	Press release will be prepared toward the completion of the balloting process.
Snapshot document to explain the rationale and basic concepts included in the ED.	Optional	Snapshot has been posted on the IASB website.	The DPOC has received a report of outreach activities. The Snapshot has been sent to DPOC members.	N/A