

STAFF PAPER

28 October – 1 November 2013

IASB Meeting

Project	Defined Benefit Plans: Employee Contributions (Amendments to IAS 19 <i>Employee Benefits</i>)		
Paper topic	Due process consideration		
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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*.

Purpose

1. The purpose of this paper is to set out the due process steps undertaken by the IASB in completing the narrow-scope project of *Defined Benefit Plans: Employee Contributions* (Amendments to IAS 19).

Background

2. IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit. In the IASB's view, contributions from employees or third parties reduce the ultimate cost of a defined benefit, and should therefore be accounted for consistently with the accounting for the defined benefit.
3. The IFRS Interpretations Committee (the Interpretations Committee) received two submissions in 2012 that requested clarification of the accounting requirements for contributions from employees or third parties to a defined benefit plan. Those submissions expressed concerns about the complexity of the requirements when applied to simple contributory plans. The Interpretations Committee recommended that the IASB amend IAS 19 to simplify the requirements for such plans.

4. The IASB decided to amend the requirements in IAS 19 for contributions from employees or third parties that are linked to service as follows:
- (a) if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. Examples of such contributions include those that are a fixed percentage of the employee's salary, a fixed amount of contributions throughout the service period or contributions that depends on the employee's age.
 - (b) if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service either using the contribution formula or on a straight-line basis, consistently with the attribution method required by paragraph 70 for the gross benefit.

Due process

5. The IASB and the Interpretations Committee *Due Process Handbook* ('the *Due process Handbook*'¹) sets out due process requirements for finalising a Standard.
6. In the following sections, we analyse whether the IASB has complied with all necessary due process steps based on the *Due Process Handbook*.

Consideration of comments received and consultation

Publishing an Exposure Draft

7. In March 2013, the IASB published for comment the Exposure Draft ED/2013/4 *Defined Benefit Plans: Employee Contributions—Proposed amendments to IAS 19*. These amendments were intended to specify the accounting for contributions from employees or third parties to a defined benefit plan.

¹ [IASB and IFRS Interpretations Committee Due Process Handbook, approved by the Trustees January 2013](#)

Comment letter received

8. 63 comment letters were received on the ED. A comment letter analysis was presented to the Interpretations Committee at its September 2013 meeting and then to the IASB at its September 2013 meeting.
9. In its September 2013 meeting, the IASB decided that it should proceed with the proposed amendments, subject to some changes to the proposed wording. In addition, the IASB decided that re-exposure is not necessary and the effective date should be 1 July 2014, with earlier application permitted.

Further consultation

10. We did not conduct other formal outreach such as public hearings and round-table meetings because this project is a narrow-scope amendment. We also did not undertake a separate consultation with the IFRS Advisory Council because of the narrow scope nature of the amendment.

Finalisation*Balloting*

11. The balloting process of *Defined Benefit Plans: Employee Contributions* (Amendments to IAS 19) is underway and its publication is scheduled for the end of November 2013.

Drafting

12. The Translation team, the XBRL team and the Editorial team have reviewed the pre-ballot draft of the amendments and will also review the ballot draft and the post-ballot draft before publication.

Publication

13. We will undertake the due process for publication as required by the *Due process Handbook* before issuing the final amendments.

Question

Appendix A sets out the due process steps that have been completed and that remain to be completed. Is the IASB satisfied that it has performed all necessary due process steps?

Appendix A

Confirmation of Due Process Steps followed in the finalisation of the narrow-scope project of Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

The following table sets out the due process steps followed by the IASB in the development of the narrow-scope project of *Defined Benefit Plans: Employee Contributions* (Amendments to IAS 19).

Step	Required/ Optional	Metrics or evidence	Evidence provided to DPOC	Actions
Consideration of information gathered during consultation				
The IASB posts all of the comment letters that are received in relation to the ED on the project pages.	Required if request issued	Letters posted on the project pages.	The IASB has reported on progress as part of its quarterly report at Trustee meetings, including summary statistics of respondents.	63 comment letters received – all posted on IASB website.
Round-tables between external participants and members of the IASB.	Optional	Extent of meetings held.	The DPOC has received a report of outreach activities.	N/A
IASB meetings are held in public, with papers being available for observers. All decisions are made in public sessions.	Required	<p>Meetings held.</p> <p>Project website contains a full description with up-to-date information.</p> <p>Meeting papers posted in a timely fashion.</p> <p>Extent of meetings with consultative group held and confirmation that critical issues have been reviewed with them.</p>	<p>The IASB and the DPOC have discussed progress on major projects, in relation to the due process being conducted.</p> <p>The IASB and the DPOC have reviewed the due process over the project life cycle, and how any issues about the due process have been/are being addressed.</p> <p>The DPOC has met with the Advisory Council to understand stakeholders' perspectives.</p> <p>The DPOC has reviewed and responded to comments on due</p>	<p>The IFRS Interpretations Committee discussed the issue at its September and November 2012 meetings and January and September 2013 meetings.</p> <p>The IASB discussed the issue at its February, March and September 2013 meetings.</p> <p>All Interpretations Committee and the IASB meetings have been held in public.</p> <p>Staff papers have been made available in advance of the Interpretations Committee and IASB meetings on</p>

Step	Required/ Optional	Metrics or evidence	Evidence provided to DPOC	Actions
			process as appropriate.	<p>the IASB’s website.</p> <p>The project website contains a full description with up-to-date information on the project.</p> <p>The amendments are narrow in scope and occupy little of the IASB’s time. Given the limited nature of the project and the narrow scope of the amendments, the IASB does not undertake a separate consultation with the Advisory Council.</p>
Analysis of likely effects of the forthcoming Standard or major amendment, for example, costs or on-going associated costs.	Required	Publication of the Effect Analysis.	<p>The IASB and the DPOC have reviewed the results of the Affect Analysis and how it has considered such findings in the proposed Standard.</p> <p>The IASB has provided a copy of the Effect Analysis to the DPOC at the point of the Standard’s publication.</p>	<p>The staff assessed the likely effects of the amendments as limited because of the narrow scope of the amendments.</p> <p>The financial reporting effects of the amendments are described in the Basis for Conclusions of the amendments.</p>
Email alerts are issued to registered recipients.	Optional	Evidence that alerts have occurred.	The DPOC has received a report of outreach activities.	N/A
Outreach meetings to promote debate and hear views on proposals that are published for public comment.	Optional	Extent of meetings held, including efforts aimed at investors.	The DPOC has received a report of outreach activities.	N/A
Regional discussion forums are organised with	Optional	Extent of meetings held.	The DPOC has received a report of outreach activities.	N/A

Step	Required/ Optional	Metrics or evidence	Evidence provided to DPOC	Actions
national standard-setters and the IASB.				
Finalisation				
Due process steps are reviewed by the IASB.	Required	Summary of all due process steps have been 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 Standard is issued.	This paper is intended to meet this step.
Need for re-exposure of a Standard is considered.	Required	An analysis of the need to re-expose is considered at a public IASB meeting, using the agreed criteria.	The IASB has discussed its thinking on the issue of re-exposure with the DPOC.	In its September 2013 meeting, the IASB decided that re-exposure is not necessary.
The IASB sets an effective date for the Standard, considering the need for effective implementation, generally providing at least a year.	Required	Effective date set, with full consideration of the implementation challenges.	The IASB has discussed any proposed shortening of the period for effective application with the DPOC.	In its September 2013 meeting, the IASB decided that the effective date should be 1 July 2014, with earlier application permitted.
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 a Standard is issued.	The Translation team has reviewed the pre-ballot draft of the amendments and will also review the ballot draft and the post-ballot draft before publication.
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 a Standard is issued.	The XBRL team has reviewed the pre-ballot draft of the amendments and will also review the ballot draft and the post-ballot draft before publication.

Step	Required/ Optional	Metrics or evidence	Evidence provided to DPOC	Actions
Drafting quality assurance steps are adequate.	Optional	The Editorial team has been included in the review process. In addition, external reviewers used to review drafts for editorial review and the comments collected have been considered by the IASB.	The DPOC has received a summary report of the due process steps that have been followed before an 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 the amendments and will also review the ballot draft and the post-ballot draft before publication.
Drafting quality assurance steps are adequate.	Optional	Draft for editorial review has been made available to members of the 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 a Standard is issued.	N/A
Drafting quality assurance steps are adequate.	Optional	Draft for editorial review has been posted on the project website.	The DPOC has received a summary report of the due process steps that have been followed before a Standard is issued.	N/A
Publication				
Press release to announce final Standard.	Required	Press release has been announced in a timely fashion. Media coverage of the release.	The DPOC has received a copy of the press release and a summary of the media coverage.	Press release will be prepared and reviewed by the Communications team and the Editorial team.
A Feedback Statement is provided, which provides high level executive summaries of the Standard and explains how the IASB has responded to the comments	Required	Publication of the Feedback Statement.	The IASB has provided a copy of the Feedback Statement to the DPOC at the point of the Standard's publication.	No Feedback statement will be produced because of the narrow scope of this amendment.

Step	Required/ Optional	Metrics or evidence	Evidence provided to DPOC	Actions
received.				
Podcast to provide interested parties with high level updates or other useful information about the Standard.	Optional	Number of podcasts held.	The DPOC has received a report of outreach activities.	N/A
Standard is published.	Required	Official release.	The DPOC has been informed of the release.	The final amendments will be published along with the press release.