

Exposure Draft ED/2012/3  
*Defined Benefit Plans: Employee Contributions*  
*(Proposed amendments to IAS 19)*

# **response to exposure draft**

25 July 2013

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

Our ref: Responses/130718 SC0199  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
Submitted electronically to [www.ifrs.org](http://www.ifrs.org)  
July 2013

Dear IASB secretariat

**Exposure Draft ED/2013/4**  
***Defined Benefit Plans: Employee Contributions***  
***(Proposed amendments to IAS 19)***

CIPFA is pleased to present its comments on the matters discussed in this Exposure Draft, which have been reviewed by CIPFA's Accounting and Auditing Standards Panel.

While CIPFA has an interest in financial reporting generally, we have a specific interest in both public sector and wider not-for-profit reporting. We therefore have a particular interest in questions relating to the use of IASB standards by these entities.

**Responses to the Questions for respondents**

Responses to these are provided in the attached annex.

I hope this helps the Board in its standards development.

Yours faithfully

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<b>Questions for respondents</b>
<p><b>Question 1—Reduction in service cost</b></p> <p><b>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 may be recognised as a reduction in the service cost in the same period in which they are payable if, and only if, they are linked solely to the employee’s service rendered in that period. An example would be contributions that are a fixed percentage of an employee’s salary, so the percentage of the employee’s salary does not depend on the employee’s number of years of service to the employer. Do you agree? Why or why not?</b></p>
<p>CIPFA is content that this approach is a pragmatic solution which will simplify reporting by allowing the continuation of present practice in specific circumstances. While it may introduce minor variations in accounting depending on whether preparers opt to use this option for reporting, we do not consider that this would be problematic, especially when viewed in the context of the generality of disclosures required for defined benefit reporting.</p>
<p><b>Question 2—Attribution of negative benefit</b></p> <p><b>The IASB also proposes to address an inconsistency in the requirements that relate to how contributions from employees or third parties should be attributed when they are not recognised as a reduction in the service cost in the same period in which they are payable. The IASB proposes to specify that the negative benefit from such contributions is attributed to periods of service in the same way that the gross benefit is attributed in accordance with paragraph 70. Do you agree? Why or why not?</b></p>
<p>CIPFA is content with this proposal.</p>
<p><b>Question 3—Other comments</b></p> <p><b>Do you have any other comments on the proposals?</b></p>
<p>CIPFA has no other comments on the proposals.</p>