



13 June 2013

Our ref: ICAEW Rep 84/13

Mme Françoise Flores
Chair
European Financial Reporting Advisory Group
13-14 Avenue des Arts
B-1210 Brussels

Chère Mme Flores

ED/2013/4 *Defined Benefit Plans: Employee Contributions*

ICAEW welcomes the opportunity to comment on EFRAG's draft comment letter on the International Accounting Standards Board Exposure Draft ED/2013/4 *Defined Benefit Plans: Employee Contributions*. Our responses to the main issues highlighted by EFRAG are set out below. A copy our response to the IASB is attached to this letter. Please refer to this response for our detailed views on the IASB's proposals.

Please contact me should you wish to discuss any of the points raised in the attached response.

Yours sincerely

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ICAEW REPRESENTATION

**EFRAG'S DRAFT COMMENT LETTER ON ED/2013/4 DEFINED BENEFIT PLANS:
EMPLOYEE CONTRIBUTIONS**

Memorandum of comment submitted in June 2013 by ICAEW, in response to EFRAG's draft comment letter on IASB's exposure draft ED/2013/4 *Defined Benefit Plans: Employee Contributions* published in March 2013.

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INTRODUCTION

1. ICAEW welcomes the opportunity to comment on EFRAG's draft comment letter on the IASB's Exposure Draft ED/2013/4 *Defined Benefit Plans: Employee Contributions*.

WHO WE ARE

2. ICAEW is a world-leading professional accountancy body. We operate under a Royal Charter which obliges us to work in the public interest. ICAEW's regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the UK Financial Reporting Council. We provide leadership and practical support to over 140,000 member chartered accountants in more than 160 countries, working with governments, regulators and industry in order to ensure that the highest standards are maintained.
3. ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.
4. The Financial Reporting Faculty is recognised internationally as a leading authority on financial reporting. The Faculty's Financial Reporting Committee is responsible for formulating ICAEW policy on financial reporting issues, and makes submissions to standard setters and other external bodies. The faculty also provides an extensive range of services to its members, providing practical assistance in dealing with common financial reporting problems.

MAJOR POINTS

We support the proposals

5. Like EFRAG, we agree with the IASB's proposals as they will significantly simplify the accounting for contributions from employees and third parties.

More clarity is needed

6. We do, however, have some concerns about some of the detail of the proposals. This are detailed in our response to the IASB. In particular, we are concerned that the phrase 'linked solely to the employee's service rendered in the same period in which they are payable' is open to interpretation and have therefore suggested to the board that this is changed to 'payable at a level that reflects only the employee's service rendered in the period in respect of which they are payable, regardless of the length of service'.

Application guidance is needed

7. Those entities that do not qualify for the proposed relief – or that choose not to elect to take advantage of it – will find that the attribution of contributions under paragraph 93 will be complex. It would therefore be useful for the IASB to issue illustrative examples based on those discussed by the IFRS Interpretations Committee in November 2012 as application guidance or educational material.

RESPONSES TO SPECIFIC QUESTIONS RAISED BY EFRAG

Are constituents aware of any circumstances where the application of the practical expedient would result in contributions being inappropriately recognised as reductions in service cost? If so, please provide details.

8. No. We are not aware of any such circumstances.

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