

Amendments to LKAS 19 *Employee Benefits*

Actuarial assumptions: salaries, benefits and medical costs

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- 92 Some defined benefit plans require employees or third parties to contribute to the cost of the plan. Contributions by employees reduce the cost of the benefits to the entity. An entity considers whether third-party contributions reduce the cost of the benefits to the entity, or are a reimbursement right as described in paragraph 116. Contributions by employees or third parties are either set out in the formal terms of the plan (or arise from a constructive obligation that goes beyond those terms), or are discretionary. Discretionary contributions by employees or third parties reduce service cost upon payment of these contributions to the plan.
- 93 Contributions from employees or third parties set out in the formal terms of the plan either reduce service cost (if they are linked to service), or ~~reduce~~ affect remeasurements of the net defined benefit liability (asset) (if they are not linked to service). An example of contributions that are not linked to service is when (eg if the contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses). If cContributions from employees or third parties are linked to in respect of service, those contributions reduce the service cost as follows: are attributed to period of service as a negative benefit in accordance with paragraph 70 (ie the net benefit is attributed in accordance with that paragraph).
- (a) if the amount of the contributions is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method required by paragraph 70 for the gross benefit (ie either using the plan's contribution formula or on a straight-line basis); or
- (b) if the amount of the contributions is independent of the number of years of service, the entity is permitted to recognise such contributions as a reduction of the service cost in the period in which the related service is rendered. Examples of contributions that are independent of the number of years of service include those that are a fixed percentage of the employee's salary, a fixed amount throughout the service period or dependent on the employee's age.

Paragraph A1 provides related application guidance.

- 94 For contributions from employees or third parties that are attributed to periods of service in accordance with paragraph 93(a), cChanges in employee or third party the contributions in respect of service result in:
- (a) current and past service cost (if those changes in employee contributions are not set out in the formal terms of a plan and do not arise from a constructive obligation); or
- (b) actuarial gains and losses (if those changes in employee contributions are set out in the formal terms of a plan, or arise from a constructive obligation).

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Transition and effective date

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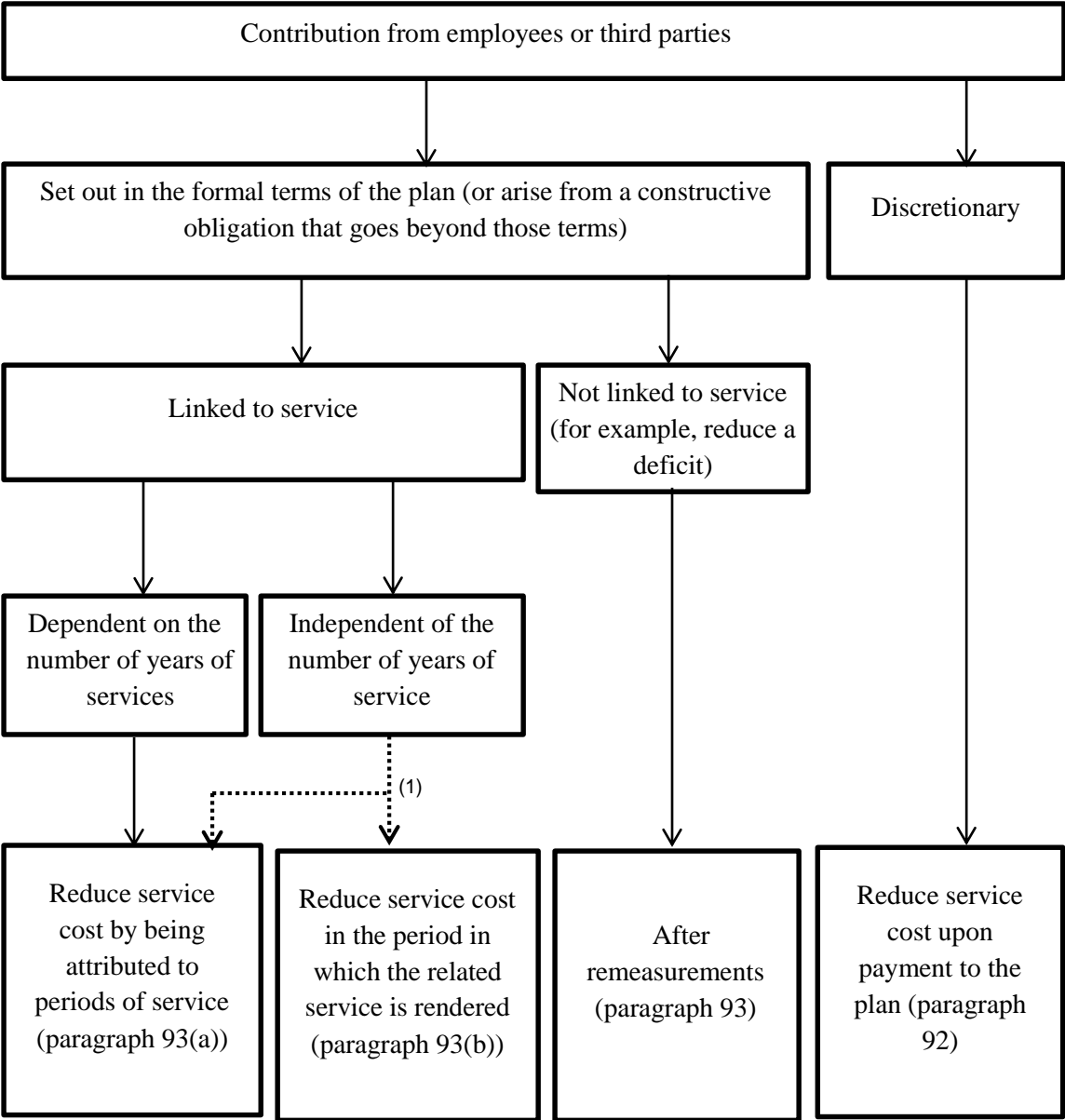
175 Defined Benefit Plans: Employee Contributions (Amendments to LKAS 19), issued in 2014, amended paragraphs 93–94. An entity shall apply those amendments for annual periods beginning on or after 1 July 2014 retrospectively in accordance with LKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact

Appendix A

Application Guidance

This appendix is an integral part of the SLFRS. It describes the application of paragraphs 92-93 and has the same authority as the other parts of the SLFRS.

A1 The accounting requirements for contributions from employees or third parties are illustrated in the diagram below.



(1) This dotted arrow means that an entity is permitted to choose either accounting.