Grupo Latinoamericano de Emisores de Normas de Información Financiera

Group of Latin-american Accounting Standard Setters

July 25, 2013

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

RE: GLASS's response to exposure draft ED 2013/4 - Defined Benefit Plans: Employee Contributions

The Group of Latin American Accounting Standard Setters – GLASS[1], welcomes the opportunity to comment on the Exposure Draft related to the proposed amendment to IAS 19, *Employee Benefits*, - Defined Benefit Plans: Employee Contributions (the ED).

This response summarizes the views of our members, on the subject consulted, noting that discussions regarding the ED were conducted within a Technical Working Group (TWG), created for this purpose, in which all country members had the opportunity to appoint at least one member. The group was formed with the following countries: Argentina, Brazil, Colombia (coordinator of the TWG), Ecuador, Mexico, Peru, Uruguay and Venezuela.

With regard to the methodology used, each country sent the proposed amendment to different stakeholders to get their views about the amendment's viability. After receiving the responses, the TWG consolidated and prepared summaries of the comments, which were compared and discussed with representatives of the other member countries of GLASS.

If you have any questions about our comments, please contact glenif@glenif.org.

Yours sincerely,

Juarez Domingues Carneiro
Chairman
Group of Latin American Accounting Standard Setters – GLASS

[1] The general objective of the Group of Latin American Accounting Standard Setters (GLASS) is to present technical contributions in respect of all documents issued by the IASB. Therefore, GLASS aims to have a single regional voice before the IASB. GLASS is constituted by: Brazil (Chairman), Argentina (Vice Chairman), Colombia (Board), Mexico (Board), Uruguay (Board), Venezuela (Board), Bolivia, Chile, Ecuador, Panama, Paraguay, Peru, Dominican Republic (observer), El Salvador (observer) and Guatemala (observer).

Comment letter from GLASS on ED/2013/4 - Defined Benefit Plans: Employee Contributions.

Question 1. Reduction in service cost

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 recognized 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?

Answer:

We agree with the proposed amendment to IAS 19, *Employee Benefits*, in terms of dealing with employee or third-party contributions to defined benefit plans that are directly related to the employee's service rendered during the period as a reduction of cost of service for the period.

Reasons:

¬ The costs of service should be recognized in the same period in which they occur.

¬ It reduces complexity in relation to the measurement and recognition of the contributions made by employees or third parties to defined benefit plans.

¬ It improves understandability, transparency and provides more meaningful information to users of financial statements.

Question 2. Attribution of negative benefit

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 recognized 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?

Answer:

We agree. The attribution of the contribution should be consistent between gross profit and employee contributions. Employee contributions not related to years of service should be treated as a negative benefit, which must be distributed to periods of service in the same manner as gross profit.

Reasons:

¬ The ED proposes to correct the inconsistency in IAS 19, *Employee Benefits*, associated with the requirements relating to the attribution of contributions by employees or third parties.

¬ The ED clarifies the relationship between gross profit and employee contributions to determine the net benefits.

Question 3 - Other comments

Do you have any other comments on the proposals?

Answer:

It would be desirable to have numerical examples, especially to clarify the approach required by the revised standard in cases where the previously mentioned practical alternative is not applicable or the entity elects not to apply it.

Reasons:

¬ Numerical examples would provide additional criteria for the correct measurement and recognition of employee contributions to defined benefit plans.

¬ Numerical examples would facilitate the understanding of the revised standard.

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