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Sue Lloyd  
Chair  
IFRS Interpretations Committee  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London  
United Kingdom  
E14 4HD

Dear Ms Lloyd

## **Tentative agenda decision – Attributing benefit to periods of service (IAS 19)**

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretations Committee's publication in the December 2020 IFRIC Update of the tentative decision not to take onto the Committee's agenda the request for clarification about the periods of service to which an entity attributes benefit for a particular defined benefit plan.

We agree with the IFRS Interpretations Committee's decision not to add this item onto its agenda for the reasons set out in the tentative agenda decision. We agree that for the specific defined benefit plan illustrated in the agenda decision Example 2 illustrating IAS 19:73 provides relevant guidance for determining the periods of service to which the benefits should be attributed.

However, we believe that the principles used in Example 2 to determine the periods of service over which the benefits must be allocated are not entirely clear. In particular, we note that Example 2 also concludes "*[f]or an employee who joins at the age of 55, service beyond ten years will lead to no material amount of further benefits. For this employee, the entity attributes benefit of CU200 (CU2,000 divided by ten) to each of the first ten years.*" While this appears to be a reasonable conclusion, Example 2 does not provide a clear explanation of the principle that results in attributing the benefits to each of these years even though the years of service do not affect the amount or timing of benefits. Indeed, regardless of the number of years of service, the employee receives the same amount upon reaching the age of 65.

We believe that it is necessary to explain why in some cases benefits are allocated to years of service even though the years of service do not affect the amount or timing of benefits (e.g. an employee that joins at the age of 55 in Example 2) and in other cases no benefit is allocated to these years of services (years of service provided before the age of 35 in that same example). As the principle is not clearly explained, we are concerned that diversity in practice is likely to continue for plans that share some characteristics with the plan illustrated in the tentative agenda decision but are not exactly the same.

We suggest that this lack of clarity be addressed as part of an annual improvement project to explain in which circumstances benefits should be attributed to the whole period of service, rather than a specific period of service that affects the amount or timing of the benefits.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0) 20 7007 0884.

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Yours sincerely

A handwritten signature in grey ink, appearing to read 'V. Poole', with a stylized flourish at the end.

**Veronica Poole**  
Global IFRS Leader