
PROPOSED STATUTORY BOARD FINANCIAL REPORTING STANDARD GUIDANCE NOTE 5

EXPOSURE DRAFT

Reporting of CPF Contributions and Key Management Personnel Compensation

Comments to be received by 12 April 2013

This exposure draft guidance note *Reporting of CPF Contributions and Key Management Personnel Compensation* is issued by the Accountant-General's Department Financial & Management Reporting Branch for comments only and does not necessarily represent the views of the Branch. The proposals may be modified in the light of the comments received before being issued as a Statutory Board Financial Reporting Standard (SB-FRS).

Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, clearly explain the problem and provide a suggestion for alternative wording with supporting reasoning.

Comments should be submitted in writing, so as to be received by **12 April 2013** preferably by email to AGD_ASSB_Feedback@agd.gov.sg or addressed to:

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Proposed Statutory Board Financial Reporting Standard (SB-FRS) Guidance Note 5

Reporting of CPF Contributions and Key Management Personnel Compensation

Objective

1. The objective of this Guidance Note is to provide guidance on the reporting of CPF contributions and key management personnel compensation.

Reporting of CPF Contributions

Defined Contribution Plans

2. As required by the Central Provident Fund Act (Chapter 36), Statutory Boards (SBs) as employers, contribute to the CPF accounts of their employees. The CPF, besides catering for retirement needs, can also be used before retirement for specific purposes such as payment of hospitalisation bills and medical insurance premiums.
3. The CPF is a defined contribution plan as employers are not obliged to contribute amounts beyond what they are statutorily required to. SB-FRS 19 *Employee Benefits* requires SBs to disclose the amount recognised as an expense for defined contribution plans.
4. Some SBs have referred to the CPF as a post-employment or retirement benefit plan / scheme in the notes to their financial statements. However, as some SBs also have other types of post-employment benefit plans, it may not be clear to the users of the financial statements what these post-employment benefit plans are. To provide better clarity, additional disclosure on CPF contributions is recommended.
5. SBs can consider adopting the following wordings in the “Significant Accounting Policies” section of their notes to the financial statements when describing CPF contributions :

Defined Contribution Plans

“Contributions on the employees’ salaries are made to the Central Provident Fund (CPF) as required by law. The CPF contributions are recognised as expenses in the period when the employees rendered their services.”

Disclosure of Key Management Personnel Compensation

6. SB-FRS 24 *Related Party Disclosures* requires the disclosure of key management personnel compensation.
7. Key management personnel is defined in the SB-FRS 24 as persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Key management personnel typically comprise not only board members, but also the Chief Executive, Deputy Chief Executives and key management staff under them like the Chief Financial Officer, the Chief Operating Officer and/or other first level management. Who the key management personnel are depends on the organisation structure and distribution of authority within the SB. This is for each SB to determine for itself.

8. SBs are not required to disclose the remuneration of their key management personnel in bands, as this is a requirement for listed companies under the SGX-ST Listing Manual. Similarly, SBs are also not required to fully disclose the remuneration of each individual director and the CEO on a named basis, which is a requirement for companies under the revised Code of Corporate Governance. For greater clarity, an additional category “CPF Contributions” should be added within the key management personnel compensation disclosure. Some illustrative examples of the disclosure requirements are provided in Annex A.

Effective Date

9. This Guidance Note is operative for financial statements covering periods beginning on or after 1 April 2012.

ANNEX A

Examples to Illustrate Disclosure under SB-FRS 24

Scenario 1

Statutory Board A has 5 members on its board. One of the board members is also its CEO. The remaining members are non-executive board members. Besides these board members, it has also determined that its key management personnel include its CFO, COO and 3 General Managers. A total of \$1,474,200 was paid to key management in FY2012:

	CEO / Board Member	CFO & COO	3 General Managers	4 Non- executive Board Members	Total
	\$	\$	\$	\$	\$
Short Term Employee Benefits					
Salaries	300,000	2*200,000	3*150,000	-	1,150,000
Bonuses	50,000	2*25,000	3*20,000	-	160,000
Board Member Fees	3,000	-	-	4*2,000	11,000
Sub-Total	353,000	450,000	510,000	8,000	1,321,000
CPF Contributions	13,600	27,200	38,400	-	79,200
Post-Employment Benefits					
Retirement Benefits	20,000	2*15,000	3*8,000	-	74,000
Sub-Total	20,000	30,000	24,000	-	74,000
Total	386,600	507,200	572,400	8,000	1,474,200

2. The disclosure of key management personnel compensation in Statutory Board A's notes to the financial statements for FY2012 under the revised *FRS 24* are as follows:

	2012
	\$
Short Term Employee Benefits	1,321,000
CPF Contributions	79,200
Post-Employment Benefits	74,000
	1,474,200

Scenario 2

3. Statutory Board B also has 5 members on its board. One of the board members is also its Managing Director. The remaining members are non-executive board members. Besides these board members, it has also determined that its key management personnel include its 2 Assistant Managing Directors. A total of \$901,800 was paid to key management in FY2012:

	Managing Director /	2 Assistant Managing	4 Non-executive Board Members	Total
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	Board Member	Directors		
	\$	\$	\$	\$
Short Term Employee Benefits				
Salaries	300,000	2*200,000	-	700,000
Bonuses	50,000	2*25,000	-	100,000
Board Member Fees	3,000	-	4*2,000	11,000
Sub-Total	353,000	450,000	8,000	811,000
CPF Contributions	13,600	27,200	-	40,800
Post-Employment Benefits				
Retirement Benefits	20,000	2*15,000	-	50,000
Sub-Total	20,000	30,000	-	50,000
Total	386,600	507,200	8,000	901,800

4. The disclosure of key management personnel compensation in Statutory Board B's notes to the financial statements for FY2012 under the revised *FRS 24* are as follows:

	2012
	\$
Short Term Employee Benefits	811,000
CPF Contributions	40,800
Post-Employment Benefits	50,000
	901,800

Scenario 3

5. Statutory Board C has 5 members on its board. One of the board members is also its CEO. The remaining members are non-executive board members. Besides these board members, it has also determined that its key management personnel include its Deputy CEO and 2 General Managers. During the financial year, 1 General Manager resigned and was replaced by another. Neither the General Manager who resigned nor his replacement was awarded bonuses or retirement benefits during the financial year.

6. Under this scenario, even though a General Manager was not in service at the end of the financial year, the salaries he received during the year should be included in the disclosure. A total of \$1,000,600 was paid to key management in FY2012:

	CEO / Board Member	Deputy CEO	2 General Managers	4 Non-executive Board Members	Total
	\$	\$	\$	\$	\$
Short Term Employee Benefits					

Salaries	300,000	200,000	150,000 + 0.5 ¹ *150,000 + 0.5 ² *150,000	-	800,000
Bonuses	50,000	25,000	20,000	-	95,000
Board Member Fees	3,000	-	-	4*2,000	11,000
Sub-Total	353,000	225,000	320,000	8,000	906,000
CPF Contributions	13,600	13,600	22,400	-	49,600
Post-Employment Benefits					
Retirement Benefits	20,000	15,000	10,000	-	45,000
Sub-Total	20,000	15,000	10,000	-	45,000
Total	386,600	253,600	352,400	8,000	1,000,600

7. The disclosure of key management personnel compensation in Statutory Board C's notes to the financial statements for FY2012 under the revised *FRS 24* are as follows:

	2012
	\$
Short Term Employee Benefits	906,000
CPF Contributions	49,600
Post-Employment Benefits	45,000
	1,000,600

¹ Assuming the manager who resigned worked for the first 6 months of the financial year.

² Assuming the replacement manager worked for the last 6 months of the financial year.