
STATUTORY BOARD FINANCIAL REPORTING STANDARD GUIDANCE NOTE 5

Reporting of CPF Contributions and Key Management Personnel Compensation

SB-FRS Guidance Note 5 *Reporting of CPF Contributions and Key Management Personnel Compensation* applies to Statutory Boards for annual periods beginning on or after 1 January 2013.

Contents

paragraphs

**Statutory Board Financial Reporting Standard Guidance Note 5
Reporting of CPF Contributions and Key Management Personnel Compensation**

| | |
|--|--------------|
| OBJECTIVE | 1 |
| REPORTING OF CPF CONTRIBUTIONS | 2 - 5 |
| Defined Contribution Plans | 2 - 5 |
| DISCLOSURE OF KEY MANAGEMENT PERSONNEL COMPENSATION | 6 - 8 |
| EFFECTIVE DATE | 9 |
| ANNEX A | |

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. 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 January 2013. Earlier adoption is permitted.

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 / Board Member \$ | 2 Assistant Managing Directors \$ | 4 Non-executive Board Members \$ | Total \$ |
|-------------------------------------|---|--|--|-----------------|
| 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 |

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.

| | | | | | |
|---------------------------------|----------------|----------------|----------------|--------------|------------------|
| | | | | | |
| 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 |