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Local Government Bulletin

Service Delivery Division
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Discounting of Employee Benefits under AASB 119

Purpose

This Bulletin is to advise local governments of the rates applicable to Commonwealth Government Securities as at 30 June 2009 for the purpose of discounting non-current employee benefits under the Accounting Standard AASB 119 Employee Benefits.

Overview

Main features of the Standard:

- (a) Prescribes general recognition criteria for employee benefits and specific recognition criteria for wages and salaries, compensated absences, profit sharing and bonus plans, termination benefits and certain post-employment benefits;
- (b) Requires liabilities that arise in respect of wages and salaries, leave entitlements and other employee benefits expected to be settled within 12 months of the reporting date, to be measured at their nominal amounts;
- (c) Requires employee benefit liabilities expected to be settled more than 12 months after the reporting date to be measured at present value;
- (d) Requires the market yields on national government bonds to be used in determining the present value of non-current employee benefit liabilities;
- (e) Requires disclosures to be made about:
 - i. Liabilities and assets that are a consequence of employing employees;
 - ii. Defined benefit superannuation plans.

Note that for the purposes of the calculation of employee entitlements, Councillors are regarded as employees.

The Tropical illustrative financial statements model provides further guidance on classification of leave entitlements.

Rates

The Commonwealth Bond yields at close of business on 30 June 2009 were as follows:

<i>Coupon</i>	<i>Maturing</i>	<i>Yield</i>
7.50%	September – 2009	3.000%
5.25%	August – 2010	3.445%
5.75%	June – 2011	4.007%
5.75%	April – 2012	4.555%
6.50%	May – 2013	4.913%
6.25%	June – 2014	5.213%
6.25%	April – 2015	5.312%
6.00%	February – 2017	5.402%
5.25%	March – 2019	5.515%
5.75%	May – 2021	5.620%

Further Information

For a copy of the Standard visit the AASB website, www.aasb.gov.au, under Quick Links – Table of Standards.

Any further enquiries on this matter should be addressed to Natalee Jennings, Program Office, Service Delivery Division, Phone: (07) 3225 8653, Fax: (07) 3225 1350, Email: natalee.jennings@dip.qld.gov.au. The Department's postal address is PO Box 15031, City East, Brisbane Qld, 4002.

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