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| FRD 17 |  |  | Wage Inflation and Discount Rates for Employee Benefits (April 2022) |
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| Purpose |  |  | To prescribe the wage inflation and discount rates to be used in calculating an entity’s leave liability for annual leave and long service leave. |
| Application |  |  | Applies to all entities defined as either a public body or a department under section 3 of the *Financial Management Act* 1994 (FMA). |
| Operative date |  |  | Reporting periods commencing 1 July 2013. |
|  |  |  | FRD 17B *Wage Inflation and Discount Rates for Employee Benefits* is renamed to FRD 17 *Wage Inflation and Discount Rates for Employee Benefits* effective 1 April 2022. |
| Requirements |  |  | To calculate the present value of leave liabilities for the quarter concerned, an entity must use the wage inflation rate and discount rates advised by the Assistant Treasurer, *unless* the entity can demonstrate that an alternative rate is more relevant and reliable. |
|  |  |  | An entity must seek approval from the Assistant Treasurer and consult with the Victorian Auditor-General’s Office prior to the use of an alternative rate. |
| Guidance |  |  | DTF issues the wage inflation and discount rates on a quarterly basis. Current and historical rates are available on the DTF website at:  <https://www.dtf.vic.gov.au/financial-reporting-policy/wage-inflation-and-discount-rates> |
|  |  |  | An entity must, in writing, seek prior approval from the Assistant Treasurer for the use of an alternative rate and provide the following information in its request:  proposed alternative rate;  reasons for using the alternative rate; and  other information relevant in supporting an entity's request, such as a comparison of the financial effect of using the specified rate and an alternative rate. |
|  |  |  | The request should be forwarded to the Executive Director, Financial Reporting, DTF. |
| Relevant pronouncements |  |  | AASB 119 *Employee Benefits* |
| Background |  | 7.1 | Using the wage inflation and discount rates specified by the Assistant Treasurer will ensure consistent measurement is applied in the preparation and presentation of consolidated financial reports.  FRD 17 has been amended to apply to annual leave liabilities (where applicable). This is because the revised AASB 119 also changed the definition of short-term employee benefits. The superseded AASB 119 defined short-term employee benefits as those due to be settled within 12 months after the end of the period in which the employee rendered the related service. The revised AASB 119 defines them as benefits that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employee rendered the service.  The change in definition changed the focus to the benefit as a whole, and to when the entity expects the benefit to be settled, as opposed to when settlement is due. As a result, this may result in benefits previously classified as short-term being treated as long-term benefits, which will require measurement on a discounted basis. |
|  |  | 7.2 | This FRD was updated in:  April 2022 to update references to the Minister for Finance to the Assistant Treasurer and provide additional guidance. |