



IFRS AT A GLANCE
IAS 26 Accounting and Reporting
by Retirement Benefit Plans



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DEFINITION

Retirement benefit plans: an arrangement by which an entity provides benefits (annual income or lump sum) to employees after they terminate from service.

Defined benefit plans

A retirement benefit plan by which employees receive benefits based on a formula usually linked to employee earnings.

Defined contribution plans

A retirement benefit plan by which benefits to employees are based on the amount of funds contributed to the plan plus investment earnings thereon.

DEFINED BENEFIT PLANS

The report of a defined benefit plan should contain either:

- ▶ A statement that shows the net assets available for benefits; the actuarial present value of promised retirement benefits (distinguishing between vested benefits and non-vested benefits) and the resulting excess or deficit
- ▶ A statement of net assets available for benefits, including either a note disclosing the actuarial present value of promised retirement benefits (distinguishing between vested benefits and non-vested benefits) or a reference to this information in an accompanying actuarial report.

DEFINED CONTRIBUTION PLANS

The report of a defined contribution plan should contain:

- ▶ A statement of net assets available for benefits and a description of the funding policy.

VALUATION OF PLAN ASSETS

Retirement benefit plan investments must be carried at fair value. If fair values cannot be estimated for certain retirement benefit plan investments, disclosure should be made of the reason why fair value is not used.

- ▶ If an actuarial valuation has not been prepared at the reporting date of a defined benefit plan, the most recent valuation should be used as a base and the date of the valuation disclosed
- ▶ The actuarial present value of promised retirement benefits should be based on the benefits promised under the terms of the plan on service rendered to date, using either current salary levels or projected salary levels, with disclosure of the basis used
- ▶ The effect of any changes in actuarial assumptions that have had significant effect on the actuarial present value of promised retirement benefits should be disclosed
- ▶ The report should explain the relationship between the actuarial present value of promised retirement benefits and the net assets available for benefits, and the policy for the funding of promised benefits.

SCOPE

Financial statements of retirement benefit plans (where such financial statements are prepared).

DISCLOSURE

Disclosure requirements of IAS 26 are onerous. The main disclosures required are set out below. This list is not exhaustive. It is recommended that entities refer to IAS 26.34 - 36 for all disclosure requirements.










- ▶ Statement of net assets available for benefit, showing:
 - Assets at the end of the period
 - Basis of valuation
 - Details of any single investment exceeding 5% of net assets or 5% of any category of investment
 - Details of investment in the employer (if any)
 - Liabilities other than the actuarial present value of plan benefits.
- ▶ Statement of net assets available for benefits, showing:
 - Employer contributions
 - Employee contributions
 - Investment income
 - Other income
 - Benefits paid
 - Administrative expenses
 - Other expenses
 - Income taxes
 - Profit or loss on disposal of investments
 - Change in fair value of investments
 - Transfer to/from other plans.
- ▶ Description of funding policy
- ▶ Summary of significant accounting policies
- ▶ Other details about the plan
- ▶ Description of the plan and of the effect of any changes in the plan during the period
- ▶ Disclosures for defined benefit plans:
 - Actuarial present value of promised benefit obligations distinguishing between vested and non-vested benefits
 - Description of actuarial assumptions
 - Description of the method used to calculate the actuarial present value of promised benefit obligations.

Contact

For further information about how BDO can assist you and your organisation, please get in touch with one of our key contacts listed below.

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