

IAS 26 *Accounting and Reporting by Retirement Benefit Plans*

as issued at 1 January 2009

This extract has been prepared by IASC Foundation staff and has not been approved by the IASB. For the requirements reference must be made to International Financial Reporting Standards.

This Standard shall be applied in the financial statements of retirement benefit plans where such financial statements are prepared.

Retirement benefit plans are arrangements whereby an entity provides benefits for employees on or after termination of service (either in the form of an annual income or as a lump sum) when such benefits, or the contributions towards them, can be determined or estimated in advance of retirement from the provisions of a document or from the entity's practices.

Some retirement benefit plans have sponsors other than employers; this Standard also applies to the financial statements of such plans.

Defined contribution plans

Defined contribution plans are retirement benefit plans under which amounts to be paid as retirement benefits are determined by contributions to a fund together with investment earnings thereon.

The financial statements of a defined contribution plan shall contain a statement of net assets available for benefits and a description of the funding policy.

Defined benefit plans

Defined benefit plans are retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' earnings and/or years of service.

The objective of reporting by a defined benefit plan is periodically to provide information about the financial resources and activities of the plan that is useful in assessing the relationships between the accumulation of resources and plan benefits over time.

The financial statements of a defined benefit plan shall contain either:

(a) a statement that shows:



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

If an actuarial valuation has not been prepared at the date of the financial statements, the most recent valuation shall be used as a base and the date of the valuation disclosed. [Paragraph 17]

For the purposes of paragraph 17, the actuarial present value of promised retirement benefits shall 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 a significant effect on the actuarial present value of promised retirement benefits shall also be disclosed.

The financial statements shall 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.

All plans

Retirement benefit plan investments shall be carried at fair value. In the case of marketable securities fair value is market value. Where plan investments are held for which an estimate of fair value is not possible disclosure shall be made of the reason why fair value is not used.

The financial statements of a retirement benefit plan, whether defined benefit or defined contribution, shall also contain the following information:

- (a) a statement of changes in net assets available for benefits;
- (b) a summary of significant accounting policies; and
- (c) a description of the plan and the effect of any changes in the plan during the period.