IAS 26
Accounting and reporting by retirement benefit plans

1. Objective

This Standard is applied in the financial statements of retirement benefit plans where such financial statements are prepared. This Standard regards a retirement benefit plan as a reporting entity separate from the employers of the participants in the plan. It deals with accounting and reporting by the plan to all participants as a group. It completes IAS 19 covering the determination of the cost of retirement benefits in the financial statements of employers having plans.

2. Scope

IAS 26, just like IAS 19, defines two categories of retirement benefit plans:

- defined contribution plans, under which amounts to be paid as retirement benefits are determined by contributions to a fund together with investment earnings thereon;
- defined benefit plans, under which amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' earnings at or close to retirement, and/or years of service.

3. Accounting impact

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

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

- a statement presenting:
  - ✓ the net assets available for benefits,
  - ✓ the actuarial present value of promised retirement benefits, distinguishing between vested benefits and non-vested benefits,
  - ✓ the resulting surplus or deficit;

or

- a statement of the net assets available for benefits including:
  - ✓ either a note disclosing the actuarial present value of scheduled retirement benefits, distinguishing between vested benefits and non-vested benefits;
  - ✓ or 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 is used as a base and the date of the valuation must be disclosed. The actuarial present value of promised retirement benefits must be based on the benefits promised under the terms of the plan, on service rendered to date and 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 must also be disclosed.

Retirement benefit plan investments must be carried at fair value. In the case of marketable securities, fair value is market value. Where an estimate of fair value is not possible, the reason for this must be disclosed.

4. Disclosure

The financial statements of managing entities of retirement benefit plans – both defined contribution and defined benefit plans – must include the following information:

- a statement of changes in net assets available for benefits;
- a summary of significant accounting policies;
- a description of the investment policies and the plan's performance;
- a description of the plan and the effect of any changes in the plan during the period.