



IAS 26 — Accounting and Reporting by Retirement Benefit Plans



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Overview

IAS 26 *Accounting and Reporting by Retirement Benefit Plans* outlines the requirements for the preparation of financial statements of retirement benefit plans. It outlines the financial statements required and discusses the measurement of various line items, particularly the actuarial present value of promised retirement benefits for defined benefit plans.

IAS 26 was issued in January 1987 and applies to annual periods beginning on or after 1 January 1988.

History of IAS 26

July 1985	Exposure Draft E27 <i>Accounting and Reporting by Retirement Benefit Plans</i>
January 1987	IAS 26 <i>Accounting and Reporting by Retirement Benefit Plans</i>
1 January 1988	Effective date of IAS 26 (1987)
1994	IAS 26 was reformatted

Related Interpretations

▶ None

Summary of IAS 26

Objective of IAS 26

The objective of IAS 26 is to specify measurement and disclosure principles for the reports of retirement benefit plans. All plans should include in their reports a statement of changes in net assets available for benefits, a summary of significant

accounting policies and a description of the plan and the effect of any changes in the plan during the period.

Key definitions

Retirement benefit plan: An arrangement by which an entity provides benefits (annual income or lump sum) to employees after they terminate from service. [IAS 26.8]

Defined contribution plan: A retirement benefit plan by which benefits to employees are based on the amount of funds contributed to the plan plus investment earnings thereon. [IAS 26.8]

Defined benefit plan: A retirement benefit plan by which employees receive benefits based on a formula usually linked to employee earnings. [IAS 26.8]

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. [IAS 26.13]

Defined benefit plans

The report of a defined benefit plan should contain either: [IAS 26.17]

- 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; or
- 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.

If an actuarial valuation has not been prepared at the date of the report 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 a significant effect on the actuarial present value of promised retirement benefits should also be disclosed. [IAS 26.18]

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. [IAS 26.19]

Retirement benefit plan investments should be carried at fair value. For marketable securities, fair value means market 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. [IAS 26.32]

Disclosure

- Statement of net assets available for benefit, showing: [IAS 26.35(a)]
 - 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
 - liabilities other than the actuarial present value of plan benefits
- Statement of changes in net assets available for benefits, showing: [IAS 26.35(b)]
 - employer contributions
 - employee contributions
 - investment income
 - other income
 - benefits paid
 - administrative expenses
 - other expenses
 - income taxes
 - profit or loss on disposal of investments
 - changes in fair value of investments
 - transfers to/from other plans
- Description of funding policy [IAS 26.35(c)]
- Other details about the plan [IAS 26.36]
- Summary of significant accounting policies [IAS 26.34(b)]
- Description of the plan and of the effect of any changes in the plan during the period [IAS 26.34(c)]
- Disclosures for defined benefit plans: [IAS 26.35(d) and (e)]
 - actuarial present value of promised benefit obligations
 - description of actuarial assumptions
 - description of the method used to calculate the actuarial present value of promised benefit obligations

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