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IAS® Standard 26 Accounting and Reporting by Retirement Benefit Plans



Co-funded by the
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IAS 26

IAS 19



KEY DEFINITIONS



Retirement
Benefit
Plans

Retirement Benefit Plans

These are agreements in which employee benefits at the end of or after their service can be determined or estimated prior to retirement based on specified conditions or the practice of the business.



Defined
Contribution
Plans

Defined Contribution Plans

These are the plans in which the pension benefit amount to be obtained by the participants as a result of the contributions made to the pension fund and various investment earnings from these contributions is determined

Defined
Benefit
Plans

Defined Benefit Plans

These plans are benefit plans in which retirement benefits are calculated mostly based on the current earnings or length of service of the employees

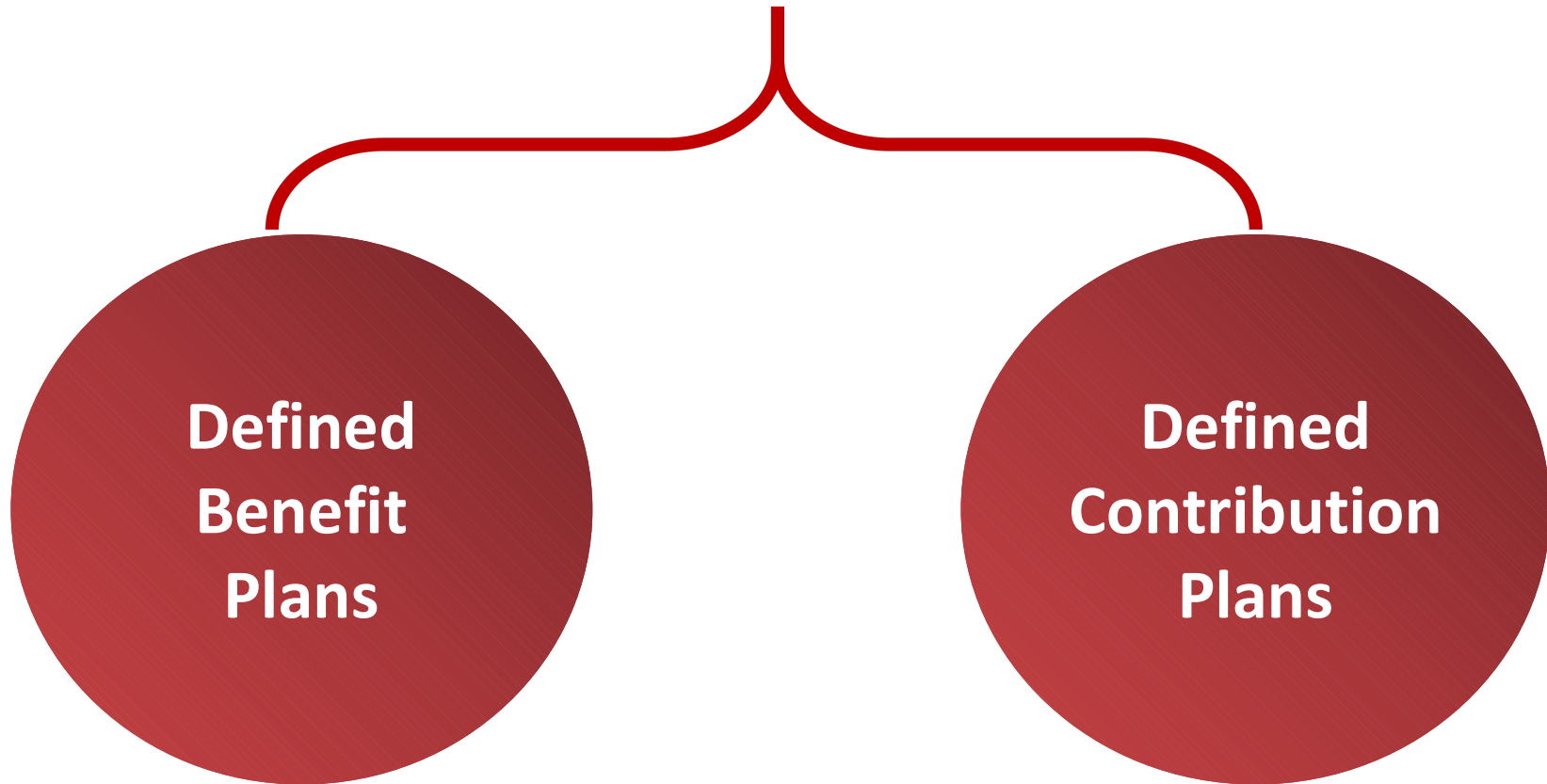


Funding

Funding

The transfer of assets to an entity other than the employer entity to meet obligations related to future payments of retirement benefits

RETIREMENT BENEFIT PLANS





**Defined
Contribution
Plans**

EXAMPLE

Seniority	Percentage
5-10 Years	5 %
10-15 Years	7 %
15-20 Years	10 %
20 Years and above	12 %

EXAMPLE

Seniority	Average Annual Wage	Employee Contribution	Employer Contribution	Total Contribution	Net Investment (%10)
5-10 Years	CU 100,000	CU 5,000	CU 5,000	CU 10,000	CU 1,000
10-15 Years	CU 150,000	CU 7,500	CU 10,500	CU 18,000	CU 1,800
15-20 Years	CU 300,000	CU 15,000	CU 30,000	CU 45,000	CU 4,500
20 Years <	CU 200,000	CU 10,000	CU 24,000	CU 34,000	CU 3,400
TOTAL	CU 750,000	CU 37,500	CU 69,500	CU 107,000	CU 10,700

Defined Contribution Plans





**Defined
Benefit
Plans**

EXAMPLE

BENEFIT
PLAN

$$BP = 2\% \times YS \times FAS$$



EXAMPLE

BENEFIT PLAN

2% x 20years x
CU60,000 = CU24.000



Defined Benefit Plans

Net assets that can be used for benefits

Current actuarial value of committed retirement benefit rights

The resulting surplus or deficit

Statement of net assets available for benefits

**Actuarial Present Value of
Promised Retirement
Benefits**

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graph TD; A[Actuarial Present Value of Promised Retirement Benefits] --> B[Current Salary Approach]; A --> C[Projected Salary Approach];
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The diagram consists of a central dark red arrow-shaped box pointing to the right, containing the text 'Actuarial Present Value of Promised Retirement Benefits'. Two yellow arrows point downwards from the bottom corners of this box to two separate dark red rectangular boxes below. The left box contains the text 'Current Salary Approach' and the right box contains the text 'Projected Salary Approach'.

Current Salary Approach

Projected Salary Approach

WHY SHOULD WE ADOPT THE CURRENT SALARY APPROACH

Current Salary Approach

- The actuarial present value of payments for promised benefits can be calculated more objectively because it involves fewer assumptions.
- Increases in retirement benefits due to salary increases constitute the obligation of the plan at the date of the salary increase.
- The amount of liabilities to be paid in case of interruption or termination of the plan is closer to the actuarial present value calculated based on this approach.

WHY SHOULD WE ADOPT THE PROJECTED SALARY APPROACH

Projected Salary Approach

- Financial information should be prepared within the framework of the going concern principle, regardless of estimations and assumptions.
- Retirement benefit obligations payable in final payment plans are determined on the basis of salaries at or near the retirement date. For this reason, it is necessary to foresee the salaries, return on investment, and contributions to be made.
- Failure to incorporate salary projections, while most of the funding is based on salary projections may result in the reporting of an apparent overfunding when the plan is not overfunded, or in reporting adequate funding when the plan is underfunded.

HOW TO VALUATE PLAN ASSETS ACCORDING TO THE STANDARD



DISCLOSURE

Statement of changes in net assets available for benefits

A summary of significant accounting policies applied

The description of the plan and the impact of changes to the plan during the period

DISCLOSURE

Appropriately classified assets at the end of the period

Valuation principles of assets

Details of investments that exceed 5% of net assets or 5% of securities that can be used for benefits or investments made with the employer

Liabilities other than the APV of promised retirement benefits

DISCLOSURE

Employer and
Employee
Contributions

Administrative Expenses

Investment
Income

Benefit Payment /
Debts

Taxes
Calculated on
Income

Other Expenses and
Incomes

Profit or loss resulting from the disposal of investments
and changes in the value of investments

EXAMPLE



	2022(CU)	2021 (CU)
ASSETS		
Investment in the YY Entity Pension and Assistance Fund Foundation (at fair value)		
Equities	563,361	1,899,878
Bonds and Debentures	29,594,268	28,186,216
Derivatives	240,680	205,754
Property	20,828,010	20,525,528
Other Investment Instruments	123,681	132,624
Total Investments	51,350,000	50,950,000
Receivables		
Company Contributions	479,673	463,035
Accrued income	48,327	51,965
Total Receivables	528,000	515,000
Total Assets	51,878,000	51,465,000
LIABILITIES		
Accrued Liabilities	64,580	72,660
Benefits Payable	111,420	124,340
Total Liabilities	176,000	197,000
NET ASSETS AVAILABLE FOR BENEFITS	51,702,000	51,268,000

THE STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	2022(CU)	2021 (CU)
ADDITIONS TO NET ASSETS		
Investment Income (Including changes in fair value)	5,135,150	5,487,170
Contributions:		
Employee	2,524,350	2,126,365
Employer	4,736,500	4,068,465
Total Addition	12,396,000	11,682,000
DEDUCTIONS FROM NET ASSETS		
Benefits Paid to Participants	10,996,600	10,387,700
Administrative Expenses	965,400	898,300
Total Deduction	11,962,000	11,286,000
Net Increase in Net Assets	434,000	396,000
Net Assets Available for Benefits (Beginning of Year)	51,268,000	50,872,000
NET ASSETS AVAILABLE FOR BENEFITS (END OF YEAR)	51,702,000	51,268,000



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