

IPSAS® ACCOUNTING STANDARD

IPSAS 49, *RETIREMENT BENEFIT PLANS*

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IPSAS 49, RETIREMENT BENEFIT PLANS

Acknowledgment

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IPSAS 49, RETIREMENT BENEFIT PLANS

History of IPSAS Accounting Standard

This version includes amendments resulting from IPSAS Accounting Standards issued up to January 31, 2026.

IPSAS 49, *Retirement Benefit Plans* was issued in November 2023.

Since then, IPSAS 49 has been amended by the following IPSAS Accounting Standards:

- IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards* (issued November 2025)

Table of Amended Paragraphs in IPSAS 49

Paragraph Affected	How Affected	Affected By
26	Amended	IPSAS 33 November 2025

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International Public Sector Accounting Standard 49, *Retirement Benefit Plans*, is set out in paragraphs 1–27. All the paragraphs have equal authority. IPSAS 49 should be read in the context of its objective, the Basis for Conclusions, the *Preface to IPSAS Accounting Standards and IPSASB SRS Standards*, and *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*. IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*, provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Objective

1. The objective of this Standard is to prescribe the accounting and reporting requirements for public sector retirement benefit plans, which provide retirement benefits to public sector employees and other eligible participants.

Scope

2. **A retirement benefit plan that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard.**
3. Retirement benefit plans are sometimes referred to by various other names, such as 'pension schemes', 'superannuation schemes' or 'retirement benefit schemes'. This Standard regards a retirement benefit plan as a reporting entity separate from the employers of the participants in the plan. All other Standards only apply to the financial statements to the extent that they are not superseded by the requirements in this Standard.
4. This Standard deals with accounting and reporting requirements for the plan for all participants as a group. It does not deal with reports to individual participants about their retirement benefit rights.
5. This Standard deals with retirement benefits for public sector employees and other participants who are eligible to join the plan. It does not deal with other forms of employment benefits, such as employment termination payments, deferred compensation arrangements, long-service leave benefits, special early retirement or redundancy plans, health and welfare plans or bonus plans. Government social security arrangements are also excluded from the scope of this Standard.
6. Retirement benefit plans are normally described as either defined benefit plans or defined contribution plans, each having their own distinctive characteristics. Occasionally plans exist that contain characteristics of both. For the purposes of this Standard, defined benefit plans include hybrid plans, which are retirement benefit plans that contain characteristics of both defined benefit plans and defined contribution plans. References in this Standard to defined benefit plans shall be read as encompassing hybrid plans.
7. Many retirement benefit plans require the creation of separate funds, which may or may not have separate legal identity and may or may not have trustees, to which contributions are made and from which retirement benefits are paid. This Standard applies regardless of whether such a fund is created and regardless of whether there are trustees.
8. Retirement benefit plans with assets invested with insurance companies are subject to the same accounting and funding requirements as privately invested arrangements. Accordingly, they are within the scope of this Standard unless the contract with the insurance company is in the name of a specified participant or a group of participants and the retirement benefit obligation is solely the responsibility of the insurance company.

Definitions

9. **The following terms are used in this Standard with the meanings specified:**

Actuarial present value of promised retirement benefits is the present value of the expected payments by a retirement benefit plan to participants attributable to service, as employees, already rendered.

Defined benefit plans are, for the purposes of this Standard, retirement benefit plans other than defined contribution plans.

Defined contribution obligations are the amounts owed to participants under the terms of a defined contribution plan.

Defined contribution plans are, for the purposes of this Standard, retirement benefit plans under which amounts to be paid as retirement benefits are determined by contributions to a fund together with investment earnings thereon.

Funding is the transfer of assets to an entity (the retirement benefit plan) separate from the employer/sponsor to meet future obligations for the payment of retirement benefits.

Net assets available for benefits are:

- (a) For defined benefit plans – the assets of a plan less liabilities other than the actuarial present value of promised retirement benefits and, in a hybrid plan, the defined contribution obligation to participants; and
- (b) For defined contribution plans – the assets of a plan less liabilities other than the defined contribution obligations to participants.

Participants are the members of a retirement benefit plan and others who are entitled to benefits under the plan.

Retirement benefit obligations are:

- (a) For defined benefit plans – the actuarial present value of promised retirement benefits; and
- (b) For defined contribution plans – the defined contribution obligations.

Retirement benefit plans are arrangements whereby an employer/sponsor provides benefits for participants on or after termination of service as employee (either in the form of an annual income and/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 employer's/sponsor's practices.

Vested benefits are benefits, the rights to which, under the conditions of a retirement benefit plan, are not conditional on continued employment.

Any other terms defined in other IPSAS are used in this Standard with the same meaning as in those Standards and are reproduced in the Glossary of Defined Terms published separately.

Recognition

- 10. For defined benefit plans, retirement benefit obligations owed to participants shall be recognized in the statement of financial position as a provision for the actuarial present value of the promised retirement benefits.
- 11. For defined contribution plans, retirement benefit obligations owed to participants shall be recognized in the statement of financial position as defined contribution obligations.

Measurement

Valuation of Plan Investments

- 12. Retirement benefit plan investments shall be measured at fair value.

Actuarial Present Value of Promised Retirement Benefits

- 13. The actuarial present value of promised retirement benefits for defined benefit plans shall be based on the benefits promised under the terms of the plan on service rendered to date using projected salary levels.

14. If an actuarial valuation has not been prepared at the date of the financial statements, the most recent actuarial valuation, updated for any material transactions and material changes in circumstances shall be used.

Presentation and Disclosure

Presentation of Financial Statements

15. **A retirement benefit plan, whether defined benefit or defined contribution, shall present the following:**
- (a) **A statement of financial position;**
 - (b) **A statement of changes in net assets available for benefits;**
 - (c) **A cash flow statement; and**
 - (d) **Notes to the financial statements.**
16. **A retirement benefit plan shall also explain the changes in retirement benefit obligations to participants either by:**
- (a) **Presenting a statement of changes in retirement benefit obligations; or**
 - (b) **Disclosing in the notes to the financial statements a reconciliation between the opening and closing retirement benefit obligation balances.**

Financial Statement Content

Statement of Financial Position

17. **The face of the statement of financial position shall include line items that present the following amounts (if applicable and as appropriate, but not limited to):**
- (a) **Plan investments (suitably classified);**
 - (b) **Contributions receivable;**
 - (c) **Other assets;**
 - (d) **Benefits due and payable;**
 - (e) **Any other liabilities excluding retirement benefit obligations to participants;**
 - (f) **Net assets available for benefits;**
 - (g) **Provision for actuarial present value of promised retirement benefits in a defined benefit plan;**
 - (h) **Defined contribution obligation to participants; and**
 - (i) **Excess or deficit.**

Statement of Changes in Net Assets Available for Benefits

18. **The statement of changes in net assets available for benefits shall present opening and closing balances and include line items that present the following amounts, (if applicable and as appropriate, but not limited to):**
- (a) **Employer/sponsor contributions;**
 - (b) **Participant contributions;**
 - (c) **Investment income;**
 - (d) **Other income;**

- (e) **Benefits paid or payable (analyzed, for example, as retirement, death and disability benefits, or lump sum payments);**
- (f) **Transfers from and to other plans;**
- (g) **Administrative expenses;**
- (h) **Other expenses; and**
- (i) **Taxes on income.**

Cash Flow Statement

19. **A retirement benefit plan shall prepare a cash flow statement, using the direct method, in accordance with IPSAS 2, *Cash Flow Statements*.**

Changes in Retirement Benefit Obligations

20. **Paragraph 16 requires a retirement benefit plan to present information that explains the changes in retirement benefit obligations to participants either as a financial statement or as a reconciliation in the notes to the financial statements.**
21. **This statement or note shall present opening and closing balances and the following information (if applicable and as appropriate, but not limited to):**
- (a) **Amendments to the plan (e.g., changes in participant benefits);**
 - (b) **Changes in the nature of the plan (e.g., a merger with another plan);**
 - (c) **Participant benefits allocated to defined contribution participant accounts;**
 - (d) **Net changes to defined benefit participant-accrued benefits (e.g., actuarial movements);**
 - (e) **Employer/sponsor contributions;**
 - (f) **Participant contributions;**
 - (g) **Taxes on contributions;**
 - (h) **Benefits paid; and**
 - (i) **Administration expenses.**

Disclosure

22. The notes to the financial statements of a retirement benefit plan, whether defined benefit or defined contribution, shall disclose the following:
- (a) A summary of significant accounting policies;
 - (b) A description of the plan (see paragraph 24) and the effect of any changes in the plan during the period;
 - (c) The basis for the valuation of all plan assets, including fair value measurement disclosure per class of plan assets as required by the applicable IPSAS;
 - (d) Details of any single investment exceeding either 5 percent of the net assets available for benefits or 5 percent of any class or type of security;
 - (e) Details of any investment in the employer/sponsor;
 - (f) Liabilities other than the provision for actuarial present value of promised retirement benefits or the defined contribution obligation to participants; and

- (g) A description of the funding policy, including any obligations by the employer/sponsor to meet any actuarial determined shortfall in assets in a funded retirement benefit plan.
23. For defined benefit plans the following shall also be disclosed in the notes to the financial statements:
- (a) The actuarial present value of promised retirement benefits, distinguishing between vested benefits and non-vested benefits;
 - (b) A description of the:
 - (i) Significant actuarial assumptions made; and
 - (ii) Method used to calculate the actuarial present value of promised retirement benefits;
 - (c) The effect of any changes in actuarial assumptions that have had a significant effect on the actuarial present value of promised retirement benefits; and
 - (d) The date of the actuarial valuation and when the next valuation will be undertaken.
24. A retirement benefit plan's financial statements shall contain a description of the plan. It shall contain the following:
- (a) The name(s) of the employer(s)/sponsor(s) and the participant groups covered;
 - (b) The number of participants receiving benefits and the number of other participants, classified as appropriate;
 - (c) The type of plan – defined contribution or defined benefit;
 - (d) A note as to whether participants contribute to the plan;
 - (e) A description of the retirement benefits promised to participants;
 - (f) A description of any plan termination terms; and
 - (g) Changes in items (a) to (f) during the period covered by the financial statements.

Effective Date and Transition

Effective Date

25. **A retirement benefit plan shall apply this Standard for annual financial statements beginning on or after January 1, 2026. Earlier application is permitted. If a retirement benefit plan applies this Standard for a period beginning before January 1, 2026, it shall disclose that fact.**
26. When a retirement benefit plan adopts accrual basis IPSAS Standards as defined in IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards* for financial reporting purposes subsequent to this effective date, this Standard applies to the retirement benefit plan's financial statements covering periods beginning on or after the date of adoption of IPSAS Standards.

Transition

27. This Standard shall be applied prospectively as of the beginning of the annual period in which it is initially applied.

Appendix A

Application Guidance

This appendix is an integral part of IPSAS 49.

Objective (see paragraph 1)

- AG1. The objective of this Standard is to prescribe the accounting and reporting requirements for public sector retirement benefit plans which provide retirement benefits primarily to public sector employees. Some public sector retirement benefit plans may also be open to participants working in the same field in the private sector (e.g., teachers in private sector schools) and are in the scope of this Standard. The aim is to improve the transparency and accountability of public sector retirement benefit plans, by providing information that is useful to users about a public sector retirement benefit plan's obligation in respect of participants' promised retirement benefits.
- AG2. This Standard applies to retirement benefit plans established by public sector employers/sponsors to provide retirement benefits (either in the form of an annual income and/or lump sum) primarily to former employees. It does not apply to old-age pensions provided through welfare or social security programs, nor to social security schemes that provide pensions to all citizens.
- AG3. The objective of reporting by a defined benefit plan is to provide information about the financial resources and activities of the plan that is useful in assessing the relationship between the accumulation of resources (where the defined benefit plan is funded) and plan benefits over time and, in particular, the extent of any deficits. This objective is usually achieved by providing financial statements that include the following:
- (a) The recognition of the actuarial present value of promised retirement benefits (and for hybrid plans, the defined contribution obligation);
 - (b) Actuarial information about the retirement benefit obligations, including the measurement basis;
 - (c) A description of significant activities for the period and the effect of any changes relating to the plan, and its membership and terms and conditions;
 - (d) Statements reporting on the transactions and investment performance for the period and the financial position of the plan at the end of the period;
 - (e) A description of the investment policies; and
 - (f) How a pay-as-you-go¹ retirement benefit plan obligation is funded.
- AG4. The objective of reporting by a defined contribution plan is to provide information about the plan and the performance of its investments. That objective is usually achieved by providing financial statements that include the following:
- (a) The recognition of the defined contribution obligation;
 - (b) A description of significant activities for the period and the effect of any changes relating to the plan, and its membership and terms and conditions;
 - (c) Statements reporting on the transactions and investment performance for the period and the financial position of the plan at the end of the period; and

¹ Many public pension systems operate on a pay-as-you-go basis. This means that pensions paid to current pensioners are typically financed from general taxation and from contributions paid by current participants or sponsors during the same period in which pensions are paid.

(d) A description of the investment policies.

- AG5. Given the prevalence and significance of retirement benefit scheme obligations primarily to current and former employees, to achieve the objective of improved transparency and accountability, this Standard requires retirement benefit plans to present, on the face of the statement of financial position as obligations, the estimated present value of promised retirement benefits based on the type of plan, with defined benefit plan obligations and defined contribution plan obligations presented differently.

Scope (see paragraphs 2–8)

- AG6. A retirement benefit plan is a reporting entity. That is, it reports separately from the employer of the participants in the plan and separately from the entity that administers the plan (which may be the employer or an outsourced service provider). For example, where an entity administers more than one separate retirement benefit plan, this Standard applies to each of those plans and requires financial statements to be prepared for each retirement benefit plan.
- AG7. Retirement benefit plans can also be classified as single employer, multi-employer², or state plans³. That classification may have an impact on the application of IPSAS 39, *Employee Benefits*, but does not alter the application of this Standard.
- AG8. Many public sector entities provide retirement benefits for their employees by way of a multi-employer plan or state plan. Multi-employer plans and state plans are defined in IPSAS 39. Multi-employer plans and state plans can be either defined benefit plans or defined contribution plans. However, for entities providing defined benefit pensions for employees using either a multi-employer or state plan, IPSAS 39 allows entities to use defined contribution accounting if there is insufficient information to use defined benefit accounting. This has the potential to underestimate the obligation owed to employees when that entity applies IPSAS 39. Therefore, the full obligation may not be reported in the employer's financial statements.
- AG9. Some retirement benefit plans have sponsors other than employers; this Standard also applies to the financial statements of such plans.
- AG10. Most retirement benefit plans are based on formal agreements. Some plans are informal but have acquired obligations as a result of employers' established practices. While some plans permit employers to limit their obligations under the plans, it is usually difficult for an employer to cancel a plan if employees are to be retained. The same basis of accounting and reporting applies to an informal plan as to a formal plan.
- AG11. Some retirement benefit plans provide for the establishment of separate funds into which contributions are made and out of which benefits are paid. Such funds may be administered by parties who act independently in managing fund assets. Those parties are called trustees in some countries. The term trustee is used in this Standard to describe such parties regardless of whether a trust has been formed. Many public sector retirement benefit plans are unfunded, operating on a pay-as-you-go basis whereby benefits are payable from general taxation.

² Multi-employer plans are defined in IPSAS 39 as defined contribution plans (other than state plans) or defined benefit plans (other than state plans) that:

- (a) Pool the assets contributed by various entities that are not under common control; and
- (b) Use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees.

³ State plans are defined in IPSAS 39 as plans established by legislation that operate as if they are multi-employer plans for all entities in economic categories laid down in legislation.

Definitions (see paragraph 9)

- AG12. For the purposes of this Standard, defined benefit plans are those plans which do not meet the definition of a defined contribution plan. This includes hybrid plans, which are retirement benefit plans that contain characteristics of both defined benefit plans and defined contribution plans. A defined benefit plan is a retirement benefit plan under which amounts to be paid as retirement benefits are typically determined by reference to a formula usually based on participants' earnings and/or years of service. The extent of the obligation for future retirement benefits is determined by the measurement of the promised retirement benefits and not by the level of contributions. Defined benefit plans might be funded, through plan investments, and where a shortfall arises, the employer/sponsor has a legal or constructive obligation to provide for the additional promised benefits. For unfunded plans, such as those established on a pay-as-you-go basis, all benefits payable will be financed from, for example, general taxation.
- AG13. A defined benefit plan usually needs the periodic advice of an actuary to assess the financial condition of the plan, review the assumptions and recommend future contribution levels by employers/sponsors. Because the employer/sponsor is obligated to provide for any shortfall of retirement benefits over plan investments based on these assumptions, any investment risk typically falls on the employer/sponsor.
- AG14. The retirement benefit plan accounts for its defined benefit obligation at the present value of the payments expected to settle promised retirement benefits, which it bases on the calculations performed periodically by an actuary. The retirement benefit plan accounts for the plan assets (if any) separately.
- AG15. Defined contribution plans differ from defined benefit plans in that the amounts to be paid as retirement benefits are determined by the amount of contributions to a participant's plan together with investment earnings. The extent of the obligation for future retirement benefits is, therefore, capped by the size of the fund at the reporting date.
- AG16. Under a defined contribution plan, the amount of a participant's future benefits is determined by the contributions paid by the employer/sponsor, the participant, or both, and the operating efficiency and investment earnings of the fund. An employer's/sponsor's obligation is usually discharged by contributions to the fund. Therefore, any investment risk typically falls on the participant. An actuary's advice is not normally required although such advice is sometimes used to estimate future benefits that may be achievable based on present contributions and varying levels of future contributions and investment earnings.

Recognition (see paragraphs 10 and 11)

- AG17. This Standard requires the obligations to participants to be recognized and presented on the face of the statement of financial position. In a defined benefit plan, the obligation is a provision (a liability of uncertain timing or amount) called "the actuarial present value of promised retirement benefits"; it will generally be calculated by an actuary in accordance with the rules of the plan (e.g., qualifying service and salary) using actuarial assumptions. A hybrid plan will also have defined contribution obligations (see paragraphs 11 and AG18). The responsibility for making good any deficit between the value of any plan assets and the promised retirement benefit obligations may lie with the employer/sponsor of the plan, or with the appropriate level of government, or, in a shared funding arrangement, one or more of the employers/sponsors, depending on the rules of the retirement benefit plan and/or legislation.
- AG18. In a defined contribution plan, the amount to be recognized for obligations to participants equate to the net assets less, if required by the rules of the plan or other regulations, any retention for specified purposes (e.g., investment risks).

Measurement (see paragraphs 12–14)

Valuation of Plan Investments

- AG19. The term ‘plan assets’ is an overarching term for all assets of the retirement benefit plan. Plan investments are a subset of plan assets and are those assets that are required specifically for their investment potential to fund payment of retirement benefit obligations.
- AG20. This Standard requires all plan investments to be measured at fair value. Any plan investments that are financial instruments shall be measured at fair value in accordance with IPSAS 41, *Financial Instruments*. Other plan investments shall be measured at fair value in accordance with the applicable IPSAS (e.g., IPSAS 16, *Investment Property*). Other plan assets shall be measured in accordance with the applicable IPSAS.

Actuarial Present Value of Promised Retirement Benefits

- AG21. The actuarial present value of promised retirement benefits based on projected salaries is disclosed to indicate the magnitude of the potential obligation on a going concern basis which is generally the basis for funding. This obligation reflects the expectation of future benefits determined using actuarial methods, and projected salaries are used because benefits are measured in the future against salaries applicable at the point the benefits become due.
- AG22. Actuarial valuations are not always obtained annually; some retirement benefit plan regulations might require actuarial valuations every three or five years, for example. If an actuarial valuation has not been prepared at the date of the financial statements, the most recent valuation is likely to be suitable as a starting point for the current year’s valuation. This requires the most recent actuarial valuation to be updated for any material transactions and other material changes in circumstances (including changes in market prices, interest rates, and expected inflation rate of projected salaries) up to the end of the reporting period.
- AG23. Because a retirement benefit plan may have different risks and assumptions when compared to the employer/sponsor, an actuarial valuation may result in different valuations of the same defined benefit obligations for the retirement benefit plan and for the employer/sponsor. For example, the discount rate applied by the employer/sponsor may differ from that of the retirement benefit plan as a result of different risks related to the employer/sponsor compared to the plan. When the actuarial valuation performed for the employer/sponsor is used as a base, any necessary adjustments shall be made for determining the obligation of the retirement benefit plan.

Applicability of Other IPSAS

- AG24. Unless specifically overwritten by this Standard, all other IPSAS apply to the financial statements of retirement benefit plans when applicable. For example, if a retirement benefit plan is required or elects to make their approved budget(s) publicly available, IPSAS 24, *Presentation of Budget Information in Financial Statements* shall also apply.

Presentation and Disclosure (see paragraphs 15–24)

Presentation of Financial Statements

- AG25. This Standard overrides the requirements of IPSAS 1, *Presentation of Financial Statements* by setting out in paragraphs 15 and 16 which financial statements a retirement benefit plan shall present.

Statement of Financial Position

- AG26. Plan investments are to be shown on the face of the statement of financial position and suitably classified. This requires grouping assets of a similar nature – for example, as equities, fixed income securities, and investment funds.

- AG27. The statement of financial position is required to present the actuarial present value of promised retirement benefits and defined contribution obligation to plan participants below net assets available for benefits. Inclusion of this obligation(s) addresses the principal objective of this Standard to increase the transparency and accountability about retirement benefit plan obligations of public sector entities to participants.
- AG28. This line item differs from the presentation of liabilities for benefits due and payable to participants (if applicable). Liabilities for benefits due and payable to participants are shown above the net assets available for benefits and only include those amounts that are immediately payable. For example, it may represent a monthly defined benefit pension payment yet to be paid or a withdrawal from a defined contribution plan requested by the participant that is yet to be paid.

Statement of Changes in Net Assets Available for Benefits

- AG29. The line items shown in the statement of changes in net assets available for benefits are only those that are directly attributable to the plan. The nature of those items will largely depend on the terms of a plan. For example, some retirement benefit plans may specify that some administrative costs (such as the salaries of plan's investment managers) are paid out of investment income.

Statement of Changes in Retirement Benefit Obligations or Disclosure of Reconciliation Between the Opening and Closing Retirement Benefit Obligation Balances

- AG30. The structure of a retirement benefit plan – such as whether it is a defined benefit plan or defined contribution plan and whether it is funded or pay-as-you-go – may determine how contributions and benefits are accounted for.
- AG31. Some retirement benefit plans account for contributions and benefits as revenue and expenses respectively, while others account for contributions and benefits as changes in liabilities to participants. In some cases, the structure of retirement benefit plans might mean that a mixed approach is taken to accounting for contributions and benefits. Depending on the circumstances, the line items for contributions and benefits paid may need to be shown differently on the face of the statement of changes in retirement benefit obligations (see the Illustrative Examples) or in the disclosure of the reconciliation between the opening and closing retirement benefit obligation balances.

Cash Flow Statement

- AG32. When preparing the cash flow statement, a retirement benefit plan shall consider the requirements and guidance in IPSAS 2, *Cash Flow Statements*. This Standard requires cash flows to be reported using the direct method, because the structure of the other financial statements makes it unlikely that an annual surplus or deficit will be reported, making the indirect method impracticable.
- AG33. Individual retirement benefit plans may treat certain transactions differently. For example, contributions may be revenue or a liability to the participant, depending on the terms of the retirement benefit plan. Therefore, the classification of transactions as operating, investing, or financing cash flows may differ between retirement benefit plans. However, the classification adopted shall be applied consistently by a retirement benefit plan.

Disclosure

- AG34. This Standard requires retirement benefit plans to provide a description of the funding policy. This description shall include information about how a retirement benefit plan intends to fund the payment of promised benefits, including the management of any funding deficit which may exist at the reporting date.
- AG35. Information about how a plan intends to fund benefit payments may provide useful information to some users about the maturity of the retirement benefit plan. Participants are interested in the activities of the plan since they directly affect the level of their future benefits. Participants are interested in knowing whether

contributions have been received and proper control has been exercised to protect their rights. An employer/sponsor is interested in the efficient and fair operation of the plan.

- AG36. Information provided in disclosures shall also reveal whether a retirement benefit plan is sufficiently funded. If the retirement benefit plan is unfunded or in deficit, the description of the funding policy shall provide information about how amounts due for promised retirement benefits will be satisfied – for example, by participant contributions or by funds from a central government.

Effective Date and Transition (see paragraphs 25–27)

- AG37. This Standard shall be applied prospectively. However, when a retirement benefit plan that has used another international or national accounting standard dealing with retirement benefit plans first applies this Standard, it shall provide restated comparative financial statements in accordance with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Appendix B

Amendments to Other IPSAS

[Deleted]

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 49.

Objective (see paragraph 1)

- BC1. This Basis for Conclusions summarizes the IPSASB's considerations in reaching the conclusions in IPSAS 49, *Retirement Benefit Plans*. This Standard is adapted from IAS 26, *Accounting and Reporting by Retirement Benefit Plans* issued by the International Accounting Standards Board (IASB). This Basis for Conclusions outlines those areas where the IPSASB decided to propose requirements for retirement benefit plans in the public sector that differ from those set out in IAS 26.

Background

- BC2. The IPSASB's *Strategy and Work Plan 2019-2023* identified a project to develop an IPSAS aligned with IAS 26 as part of Theme B – 'Maintaining alignment with IFRS' which then led to the development of this Standard. The IPSASB approved the Project Brief for this Standard at its March 2021 meeting.
- BC3. Multi-employer plans and state plans are common in the public sector. Because IPSAS 39, *Employee Benefits* allows employers contributing to these types of plans to report on a defined contribution basis, even if they are a defined benefit plan, the IPSASB was of the view that there may be a lack of transparent reporting of these plans' obligations for retirement benefits. The IPSASB noted that, while IPSAS 39 was aligned with IAS 19, *Employee Benefits*, there was no IPSAS equivalent to IAS 26.
- BC4. IAS 26 was issued in January 1987 and its objective is to provide the accounting and reporting requirements for arrangements through which an entity provides retirement benefits (for example, an annual income) to employees after they terminate from service. Prior to the issuance of this Standard there were no corresponding requirements in IPSAS for the accounting by retirement benefit plans.
- BC5. Therefore, the IPSASB considered it was important to develop a Standard which would require retirement benefit plans to provide a more complete view of the public sector retirement benefit obligation for accountability purposes. Further, because governments are often responsible for funding the deficits of defined benefit plans, this information also supports governments in making fiscal decisions about whether continuing to provide defined benefit pensions (in particular) is sustainable; making such decisions is challenging without easy access to the expected cost of providing retirement benefits in the form of an obligation on the plan's statement of financial position. The IPSASB noted that this Standard complements the requirements in IPSAS 39, and therefore provides the desired information on public sector retirement benefit obligations for each retirement benefit plan that reports under this Standard.
- BC6. The IPSASB discussed whether relevant entities should consolidate a retirement benefit plan into a greater economic entity, based on the concepts in IPSAS 35, *Consolidated Financial Statements*. The IPSASB concluded that where the greater economic entity does not control the retirement benefit plan, consolidation under IPSAS 35 is not appropriate. When consolidation is not appropriate, the IPSASB confirmed the principles in IPSAS 39 provide the appropriate information about the totality of public sector retirement benefit obligations in the greater economic entity.
- BC7. When discussing the Project Brief, the IPSASB noted that the age of IAS 26 means it is out of step with some of the developments in financial reporting since 1987. The IPSASB concluded that it was likely that some of the options available in IAS 26 would be inappropriate for public sector financial reporting and decided to proceed on the basis that the project would be an adaptation project rather than an alignment project.
- BC8. The IPSASB also considered whether the title of this Standard should differ from IAS 26 and decided that the title should be shortened to *Retirement Benefit Plans*.

Scope (see paragraphs 2–8)

- BC9. Respondents to Exposure Draft 82, *Retirement Benefit Plans* proposed better aligning the requirements of IPSAS 49 with the requirements in other IPSAS. For example, some respondents suggested aligning the definitions and requirements of IPSAS 49 with those in IPSAS 39, arguing that aligning definitions and requirements would better ensure that key measurements such as the actuarial present value of promised retirement benefits would be consistent and enable balances presented under IPSAS 49 to be consolidated into the employer/sponsor's financial statements when applying IPSAS 35.
- BC10. The IPSASB concluded alignment between IPSAS 49 and IPSAS 39 was not necessary for the following reasons:
- Financial information presented using IPSAS 49 provides different information and satisfies different user needs than financial information presented using IPSAS 39. The primary users of financial information provided by IPSAS 49 are participants of the plan. They require information that supports their ability to understand if the retirement benefit plan can fund their retirement. The primary users of the financial information provided by IPSAS 39 are users of the financial information of the employer/sponsor. The financial information provided by IPSAS 39 makes up only a portion in the broader set of the employer's/sponsor's financial statements. These users are concerned with the employer's/sponsor's liability to fund the plan and require the ability to compare that retirement benefit liability with similar entities. The IPSASB concluded different user needs warrant the need for different measurements.
 - The requirements of what an employer/sponsor shall include in its financial statements related to a retirement benefit plan are stated in IPSAS 39. IPSAS 49 provides guidance on how to present and measure this balance in a set of financial statements for the retirement benefit plan. Since the retirement benefit liability is already presented in the financial statements of the employer/sponsor, the IPSASB concluded an employer/sponsor is not expected to apply the requirements of this Standard as any pension obligations are captured in its financial statements when applying the requirements of IPSAS 39.
- BC11. The IPSASB also discussed whether the scope of this Standard should be expanded to include benefit plans that have similar characteristics to retirement benefit plans but provide benefits more generally to meet societal needs other than solely retirement benefits to public sector employees and other participants who are eligible to join the plan (see paragraph 5 of this Standard). The IPSASB decided to retain the scope of IAS 26 because the primary purpose of the Standard is to provide guidance for accounting and reporting by retirement benefit plans in the public sector. The IPSASB noted that, for plans that have characteristics similar to retirement benefit plans, application of relevant parts of this Standard by analogy could be appropriate under paragraphs 12-15 of IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*. Other schemes may have characteristics that make application of relevant parts of IPSAS 39 or IPSAS 42, *Social Benefits* appropriate.
- BC12. The IPSASB also agreed that the retirement benefit plan is the reporting entity; this is consistent with IAS 26. Therefore, entities that administer multiple retirement benefit plans must prepare financial statements for each individual plan.

Definitions (see paragraph 9)

- BC13. The IPSASB noted that 'defined benefit plans' and 'defined contribution plans' are already defined in IPSAS 39, *Employee Benefits* but with different definitions to those in IAS 26 and discussed whether the IPSAS 39 definitions should be used in this Standard. The IPSASB decided that the IPSAS 39 definitions were not appropriate because they were written from the perspective of an employer contributing to a

retirement benefit plan, whereas the IAS 26 definitions are written from a retirement benefit plan's perspective.

- BC14. The IPSASB decided to retain the IAS 26 definition for 'defined contribution plans', with additional guidance noting that for a defined contribution plan it is the participants in the plan who bear the principal investment risk.
- BC15. The IPSASB did, however, decide to amend the IAS 26 definition for 'defined benefit plans' from:
 "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 participants' earnings and/or years of service"; to
 "Defined benefit plans are retirement benefit plans other than defined contribution plans".
- BC16. The IPSASB made this change to ensure that all retirement benefit plans that did not meet the definition of a defined contribution plan would be accounted for as a defined benefit plan. It was also decided to include Application Guidance to help distinguish between a defined benefit plan and a defined contribution plan. For example, the guidance indicates that for a defined benefit plan it is the employer/sponsor that bears the principal investment risk.
- BC17. The IPSASB considered whether the IAS 26 definition for the 'actuarial present value of promised retirement benefits' should be replaced with the IPSAS 39 definition for the 'present value of defined benefit obligations'. The IPSASB noted that the definitions were written from different perspectives and that the plan perspective is appropriate in this Standard, even if the different perspectives may result in different valuations for fundamentally the same obligation (refer to BC18 below). Therefore, it was decided to retain the IAS 26 definition.

Recognition (see paragraphs 10–11)

- BC18. The IPSASB noted that IAS 26 provides three options for defined benefit plans to present information on the actuarial present value of promised retirement benefits: recognition on the face of the financial statements, presentation in the notes to the financial statements, or by reference to an accompanying actuarial report. The IPSASB considers that the actuarial present value of promised retirement benefits is key information and decided that this information shall be recognized on the face of the statement of financial position as a separate provision. The IAS 26 options permitting only disclosure of this information in notes to the financial statements, or in a separate actuarial report, are therefore not included in this IPSAS.
- BC19. The IPSASB also noted that IAS 26 is silent on whether or where retirement benefit obligations for defined contribution plans should be recognized and presented in the financial statements of a retirement benefit plan. To improve the accountability and transparency of such plans, the IPSASB decided that defined contribution obligations owed to participants under the terms of the plan shall also be recognized and presented on the face of the statement of financial position. In contrast, the employer's/sponsor's financial statements should not present an obligation related to contributions when there is no liability for unpaid contributions. There are differing views on the precise nature of defined contribution obligations; are they liabilities of uncertain timing and/or amount (and thus be accounted for as provisions); potential distribution to owners; or are they akin to stakeholder' equity? The IPSASB is of the view that the nature of defined contribution obligations may be linked to the design of the defined contribution plans and decided, therefore, not to describe them as any particular element of financial statements.

Measurement (see paragraphs 12–14)

Valuation of Plan Investments

- BC20. IAS 26 requires plan investments to be measured at fair value. However, the IPSASB noted that IAS 26 seems to allow plan investments to be measured at another value if an estimate of fair value is not possible.

The IPSASB agreed that fair value measurement guidance in other IPSAS is sufficient and decided that plan investments shall be measured at fair value using the guidance in other IPSAS as relevant to the type of plan investments.

Actuarial Present Value of Promised Retirement Benefits

- BC21. The IPSASB noted that IAS 26 allows the actuarial present value of promised retirement benefits to be measured using either current salaries or projected salaries. The IPSASB discussed whether it was appropriate to keep both options in this Standard. The IPSASB decided that the option to use current salaries should be removed from this Standard because it has the potential to understate the actuarial present value of promised retirement benefits. Plan participants are interested in the sustainability of the retirement benefit plan and therefore require a best estimate of the present value of future obligations using projected salaries. It was also noted that using projected salaries is consistent with IPSAS 39, under which the present value of a defined benefit obligation is required to be measured using projected salaries. Further, using projected salaries is consistent with the objective of this Standard to increase the transparency and accountability of retirement benefit plans for retirement benefit obligations owing to participants. The IPSASB noted that the benefit of providing an estimate based on projected salaries would outweigh any cost implication to the retirement benefit plan.
- BC22. The IPSASB considered including a practical expedient whereby, under certain circumstances, the trustees of a retirement benefit plan could use the employer's/sponsor's actuarial valuation to measure the actuarial valuation of promised retirement benefits for the purposes of this Standard. The IPSASB noted the use of such a practical expedient in some jurisdictions, but also noted that in other jurisdictions regulatory requirements may result in a different measurement for the same obligation, due to, amongst others, the different discount rates applied by actuaries and the impact of collective versus individual participant valuation, especially prevalent in multi-employer plans. The IPSASB is also of the view that if the trustees of a retirement benefit plan considered the IPSAS 39 measurement was appropriate for retirement benefit plan purposes, e.g., there are no material differences in approach, assumptions, or discount rates applied by actuaries, they may use it without needing a practical expedient in this Standard. Therefore, it was decided not to include such a practical expedient.

Classification of Contributions and Benefits

- BC23. The IPSASB discussed whether contributions and benefits should be classified as any particular element as defined in the Conceptual Framework. The IPSASB noted that in some jurisdictions contributions are considered to be revenue whereas other jurisdictions are of the view that contributions give rise to an obligation. Similarly, benefits may be considered expenses or a reduction in that obligation depending on the jurisdiction.
- BC24. The IPSASB decided that classifying contributions and benefits is dependent on the structure and regulations of a particular retirement benefit plan. The IPSASB acknowledged that there are many different types of retirement benefit plans, and each will have its own nuances regarding structure and regulations. Therefore, because this Standard applies to all types of plans, the IPSASB decided not to classify contributions and benefits as particular elements but instead to leave the classification in financial statements to the judgement of preparers with knowledge of the plan structure and regulations.

Presentation of Financial Statements (see paragraphs 15–21)

- BC25. The IPSASB noted that IAS 26 is not definitive about which financial statements a retirement benefit plan should present and decided that this Standard would specify which financial statements are required.
- BC26. The IPSASB noted that users of a retirement benefit plan's financial statements are mostly interested in a statement which shows a reconciliation of the opening and closing balances of the net assets available for

benefits, which shows the inflows and outflows of the retirement benefit plan and decided that a statement of financial performance would not be required. A reconciliation of the annual performance of the retirement benefit plan is presented in the statement of changes in net assets available for benefits, which does bear some resemblance to a statement of financial performance but should not be considered as such.

- BC27. The IPSASB noted that it was unclear whether IAS 26 required a retirement benefit plan to present a cash flow statement. The IPSASB was of the view that retirement benefit plans should include a cash flow statement because it provides important information for users. Therefore, the IPSASB decided that this Standard would specify that a retirement benefit plan shall present a cash flow statement. The cash flow statement shall be prepared using the direct method according to IPSAS 2, *Cash flow Statements*, because this Standard does not require a statement of financial performance. Therefore, it is not suitable to prepare a cash flow statement using the indirect method, because there is no surplus or deficit to adjust for non-cash items to derive net cash flows from operating activities.

Disclosure (see paragraphs 22–24)

- BC28. The IPSASB reviewed the IAS 26 disclosure on the valuation of plan assets in, and the funding of, a retirement benefit plan, and agreed with respondents that more information would be useful to the decision-making needs of users of the financial statements. Therefore, the IPSASB agreed to expand the disclosure requirements in the notes to the financial statements of a retirement benefit plan, whether defined benefit or defined contribution, reflected in paragraph 22, as follows:

- “(c) The basis for the valuation of all plan assets, including fair value measurement disclosure per class of plan assets as required by the applicable IPSAS”; and
- “(g) A description of the funding policy, including any obligations by the employer/sponsor to meet any actuarial determined shortfall in assets in a funded retirement benefit plan”.

- BC29. The IPSASB further agreed to enhance the application guidance in AG36 regarding the inclusion of disclosure on the funding policy of the retirement benefit plan by referring, for example, to the contributions expected from participants, central government, or another entity.

Effective Date and Transition (see paragraphs 25–27)

- BC30. The IPSASB considered that the key information in the General Purpose Financial Statements of a retirement benefit plan comprises the obligation of future benefits, the extent of any deficit, and the change in those figures over the reporting period. The IPSASB concluded that requiring the application of the guidance on the prospective basis would best serve the needs of users of retirement benefit plan information because it enables the retirement benefit plan to provide the information sooner than if retrospective application were required. Prospective application will require a retirement benefit plan to prepare an opening and closing Statement of Financial Position, and other Statements only for the year of adoption. This more quickly achieves one of the project objectives, which was to provide users with a more accurate view of the retirement benefit obligations of public sector entities. Retrospective application would require additional historical information and the key information would not be available as quickly as under prospective application.

Implementation Guidance

This guidance accompanies, but is not part of, IPSAS 49.

Factors to consider in determining whether contributions and benefits are revenue and expenses or liabilities and a reduction in liabilities.

Q: How do preparers determine the accounting treatment of contribution and benefits?

A: There may be many different retirement benefit plan structures and frameworks even within the same jurisdiction, as well as across jurisdictions. In order to determine the economic substance of the arrangements in each plan, and therefore the most appropriate accounting treatment, the preparers of the retirement benefit plan financial statements should exercise professional judgment in making this determination and consider the following factors:

- (a) Characteristics of the plan;
- (b) Structure of the plan;
- (c) Regulatory environment;
- (d) Legislative environment;
- (e) Purpose of the contributions;
- (f) Types of benefits provided; and
- (g) The type of other expenses borne by the plan.

Illustrative Examples

These examples accompany, but are not part of, IPSAS 49.

The following illustrative examples (IE) provide examples of styles and formats for retirement benefit plans to present financial statements that are consistent with IPSAS 49. These IEs are not comprehensive nor mandatory. Other styles and formats are acceptable if they meet the requirements of this IPSAS.

These IEs show three potential ways in which the required financial statements can be presented, depending on the judgment made about how to present contributions and benefits. The different line items in the IEs are illustrative.

IE 1 relates to a *defined benefit plan* where the contributions and benefits are treated as revenue and expenses and all cash flows are treated as operating cash flows.

IE 2 relates to a *defined benefit plan* where the contributions are treated as a liability and the benefits as a reduction in that liability. Regarding cash flows, returns on investments, administrative payments, investment payments, and taxes paid on investment income are operating cash flows. Purchases and sales of plan investments are investing activities. Contributions and benefits, transfers to and from other plans, and income tax on contributions are financing activities.

IE 3 relates to a *defined contribution plan* where the contributions and benefits are treated as revenue and expenses. Regarding cash flows, return on investments, administrative payments, contributions received, benefits paid (and associated receipts and payments), and income taxes are operating activities. Purchases and sales of plan investments are investing activities.

Statement of financial position	IE1	IE2	IE3
As at December 31, 20XY	(DB)	(DB)	(DC)
(in thousands of currency units)			
Assets			
Cash and cash equivalents	X	X	X
Plan investments (suitably classified)	X	X	X
Accrued interest and dividends receivable	X	X	X
Contributions receivable	X	X	X
Other assets	X	X	X
Total Assets	X	X	X

Statement of financial position	IE1	IE2	IE3
As at December 31, 20XY	(DB)	(DB)	(DC)
(in thousands of currency units)			
Liabilities			
Payables	X	X	X
Benefits due and payable	X	X	X
Income tax payable	X	X	X
Other liabilities	X	X	X
Total liabilities excluding benefit obligations to participants	X	X	X
Net assets available for retirement benefits	X	X	X
Provision for the actuarial present value of promised retirement benefits	X	X	N/A
Defined contribution obligation	N/A⁴	N/A⁵	X
Other reserves	X	X	X
Excess or deficit of funding	X	X	X

⁴ If this was a hybrid plan there would also be an amount for defined contribution obligations

⁵ As for footnote 4

Statement of changes in net assets available for benefits
For the year ended December 31, 20XY

(in thousands of currency units)

	IE1	IE2	IE3
	(DB)	(DB)	(DC)
Net assets available for benefits (beginning of the year)	X	X	X
Investment earnings			
Net change in fair value of plan investments	X	X	X
Interest revenue	X	X	X
Investment revenue	X	X	X
Dividend revenue	X	X	X
Other revenue	X	X	X
	X	X	X
Contributions			
Employer	X	X	X
Participant	X	X	X
Benefits accrued	X	X	N/A
Funding from sponsor ⁶	X	X	X
	X	X	X
Total increase in net assets available for benefits	X	X	X
Benefits paid	X	X	X
Investment related expenses	X	X	X
Operational and administrative expenses	X	X	X
Other expenses	X	X	X
Tax on income	X	X	X
	X	X	X
Total decrease in net assets available for benefits	X	X	X
Transfers to and from other plans	X	X	X
	X	X	X
Net increase/decrease in assets available for benefits	X	X	X
Net assets available for benefits (end of the year)	X	X	X

⁶ This funding is generally related to unfunded plans and may be made by, for example, a central government. It is separate from contributions from the employer.

Statement of changes in retirement benefit obligations
For the year ended December 31, 20XY

IE1 IE2 IE3
(DB) (DB) (DC)

(in thousands of currency units)

Retirement benefit obligations (beginning of the year)

X X X

Contributions

Employer

N/A X X

Participant

N/A X X

Funding from sponsor

N/A X X

Transfers from other plans

X X X

Changes in actuarial assumptions

X X N/A

Benefits accrued

X X N/A

Total increase in retirement benefit obligations

X X X

Benefits paid

X X X

Transfers to other plans

X X X

Tax on contributions

N/A X X

Total decrease in retirement benefit obligations

X X X

Retirement benefit obligations (end of the year)

X X X

NOTE: As an alternative to the statement of changes in retirement benefit obligations, this information can be provided in the notes to the financial statements.

Cash flow statement
For the year ended December 31, 20XY

IE1 IE2 IE3
(DB) (DB) (DC)

(in thousands of currency units)

Cash flows from operating activities

Receipts

Sale of plan investment	X	N/A	N/A
Interest received	X	X	X
Dividends received	X	X	X
Other receipts	X	X	X
Employer contributions received	X	N/A	X
Participant contributions received	X	N/A	X
Funding received from sponsor ⁷	X	N/A	X

Payments

Purchase of plan investments	X	N/A	N/A
Investment related payments	X	X	N/A
Participant benefits paid	X	N/A	X
Operational and administrative payments	X	X	X
Other payments	X	X	X
Tax paid on contributions	X	N/A	X
Tax paid on investments	X	X	X
Transfers to and from other plans	X	N/A	N/A
Net cash inflows (outflows) from operating activities	X	X	X

Cash flows from investing activities

Purchase of plan investments	N/A	(X)	(X)
Sale of plan investment	N/A	X	X
Investment related expenses	N/A	N/A	X
Transfers to and from other plans	N/A	N/A	X
Net cash inflows (outflows) from investing activities	N/A	X	X

⁷ This funding is generally related to unfunded plans and may be made by, for example, a central government. It is separate from contributions from the employer.

Cash flow statement	IE1	IE2	IE3
For the year ended December 31, 20XY			
(in thousands of currency units)	(DB)	(DB)	(DC)
Cash flows from financing activities			
Employer contributions received	N/A	X	N/A
Participant contributions received	N/A	X	N/A
Funding received from sponsor ⁸	N/A	X	N/A
Participant benefits paid	N/A	X	N/A
Transfers to and from other plans	N/A	X	N/A
Tax paid on contributions	N/A	(X)	N/A
Net cash inflows (outflows) from financing activities	N/A	X	N/A
Net increase (decrease) in cash and cash equivalents	X	X	X
Cash and cash equivalents at the beginning of the year	X	X	X
Cash and cash equivalents at the end of the year	X	X	X

⁸ This funding is generally related to unfunded plans and may be made by, for example, a central government. It is separate from contributions from the employer.

COMPARISON WITH IAS 26

IPSAS 49, *Retirement Benefit Plans* is drawn from IAS 26, *Accounting and Reporting by Retirement Benefit Plans*, including amendments up to February 2021.

The main differences between IPSAS 49 and IAS 26 are as follows:

- IPSAS 49 has different definitions, such as defined benefit plans and net assets available for benefits;
- IPSAS 49 requires the use of projected salaries only when measuring the actuarial present value of promised retirement benefits, while IAS 26 permits a choice of using current salary levels or projected salary levels; and
- IPSAS 49 requires the presentation of a cash flow statement for retirement benefit plans, while IAS 26 does not.

COMPARISON WITH GFS

In developing IPSAS 49, *Retirement Benefit Plans*, the IPSASB considered Government Finance Statistics (GFS) reporting guidelines.

Key similarities with GFS are as follows:

- IPSAS 49 permits contributions to the retirement benefit plans to be accounted for as either revenue or a liability to the participant, depending on the terms of the plan, and GFS also permits this depending on the type of scheme.
- IPSAS 49 requires retirement benefit obligations to be recognized in the statement of financial position. Similarly, GFS also requires pension entitlements to be presented on the balance sheet.