NZ International Accounting Standard 26 (PBE)

Accounting and Reporting by Retirement Benefit Plans (NZ IAS 26 (PBE))

Issued November 2012

This Standard was issued by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 24(1)(a) of the Financial Reporting Act 1993.

This Standard is a Regulation for the purposes of the Regulations (Disallowance) Act 1989.

As at 1 December 2012, the requirements in this Standard are identical to the requirements in NZ IAS 26 *Accounting and Reporting by Retirement Benefit Plans* as applied by public benefit entities. Versions of NZ IAS 26 applied by public benefit entities prior to adoption of this Standard are available on the Archived Standards page of the External Reporting Board (XRB) website at xrb.govt.nz

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NZ INTERNATIONAL ACCOUNTING STANDARD 26 (PBE)
ACCOUNTING AND REPORTING BY RETIREMENT BENEFIT PLANS (NZ IAS 26 (PBE))

NZ International Accounting Standard 26 (PBE) *Accounting and Reporting by Retirement Benefit Plans* (NZ IAS 26 (PBE)) is set out in paragraphs NZ 0.1–NZ 37.2. NZ IAS 26 (PBE) is based on International Accounting Standard IAS 26 *Accounting and Reporting by Retirement Benefit Plans* (IAS 26) (reformatted 1994) issued by the International Accounting Standards Committee (IASC) and adopted by the International Accounting Standards Board (IASB). All the paragraphs have equal authority but retain the IASC format of the Standard when it was adopted by the IASB. NZ IAS 26 (PBE) should be read in the context of Part B of the New Zealand *Conceptual Framework for Financial Reporting (PBE)* (NZ *Framework (PBE)*). NZ IAS 8 (PBE) *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Any additional material is shown with grey shading. The paragraphs are denoted with "NZ" and identify the types of entities to which the paragraphs apply.

This Standard uses the terminology adopted in International Financial Reporting Standards (IFRSs) to describe the financial statements and other elements. NZ IAS 1 (PBE) *Presentation of Financial Statements* paragraph 5 explains that entities other than profit-oriented entities seeking to apply the Standard may need to amend the descriptions used for particular line items in the financial statements and for the financial statements themselves. For example, profit/loss may be referred to as surplus/deficit and capital or share capital may be referred to as equity.

HISTORY OF AMENDMENTS

Table of Pronouncements – NZ IAS 26 (PBE) ***Accounting and Reporting by Retirement Benefit Plans***

This table lists the pronouncement establishing NZ IAS 26 (PBE).

Pronouncements	**Date approved**	**Early operative date**	**Effective date (annual reporting periods… on or after …)**
NZ IAS 26 (PBE) *Accounting and Reporting by Retirement Benefit Plans*	Nov 2012	Early application permitted	1 Dec 2012

Table of Amended Paragraphs in NZ IAS 26 (PBE)		
Paragraph affected	**How affected**	**By … [date]**
Paragraph NZ 0.1	Inserted	NZ IAS 26 (PBE) [Nov 2012]
Paragraphs 37–NZ 37.1	Deleted	NZ IAS 26 (PBE) [Nov 2012]
Paragraph NZ 37.2	Inserted	NZ IAS 26 (PBE) [Nov 2012]

The following tables list the pronouncements establishing and substantially amending NZ IAS 26 as applied by PBEs prior to the issue of this Standard as NZ IAS 26 (PBE).

Pronouncements	**Date approved**	**Early operative date**	**Effective date (annual reporting periods… on or after …)**
NZ IAS 26 *Accounting and Reporting by Retirement Benefit Plans*	Nov 2004	1 Jan 2005	1 Jan 2007
Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to IFRSs Financial Reporting Standards Reporting Regime (Framework for Differential Reporting)	June 2005	1 Jan 2005	1 Jan 2007
NZ IAS 1 *Presentation of Financial Statements* (revised 2007)	Nov 2007	Early application permitted	1 Jan 2009

Pronouncements	**Date approved**	**Early operative date**	**Effective date (annual reporting periods… on or after …)**
Amendments to NZ IAS 26 *Accounting and Reporting by Retirement Benefit Plans*	Sept 2010	Early application permitted	1 Apr 2010

Table of Amended Paragraphs in NZ IAS 26		
Paragraph affected	**How affected**	**By … [date]**
Paragraph 1	Amended	Amendments to NZ IAS 26 [Sept 2010]
Paragraphs NZ 1.1 to NZ 1.4	Deleted	Amendments to NZ IAS 26 [Sept 2010]
Paragraph NZ 1.6	Deleted	Amendments to NZ IAS 26 [Sept 2010]
Paragraph NZ 8.1	Deleted	Amendments to NZ IAS 26 [Sept 2010]
Paragraph NZ 13.1	Deleted	Amendments to NZ IAS 26 [Sept 2010]
Paragraphs NZ 17.1 and NZ 17.2	Deleted	Amendments to NZ IAS 26 [Sept 2010]
Paragraph 27	Amended	Amendments to NZ IAS 26 [Sept 2010]
Paragraph NZ 27.1	Deleted	Amendments to NZ IAS 26 [Sept 2010]
Paragraph NZ 37.1	Inserted	Amendments to NZ IAS 26 [Sept 2010]

Introduction to NZ IAS 26 (PBE)

NZ IAS 26 (PBE) is identical to NZ IAS 26 applied by public benefit entities prior to the issuance of NZ IAS 26 (PBE). That is, there are no changes to the recognition, measurement, presentation and disclosure requirements of NZ IAS 26 on adoption of this Standard.

The Standard applies to both defined benefit plans and defined contribution plans when such plans are for the benefit of employees or others.

When IAS 26 was introduced to New Zealand the following changes were made to IAS 26. NZ IAS 26 (PBE):

(a) exempts certain small superannuation schemes from the scope of NZ IAS 26 (PBE) (paragraph NZ 5.1)

(b) does not include the option for defined benefit plans to present the actuarial present value of promised retirement benefits in an accompanying actuarial report (paragraph 17). References to this presentation option have been deleted (paragraphs 22(c), 26, 28(c), 30, 31 and 35(d));

(c) acknowledges the existence of legislative requirements for obtaining valuations (footnote to paragraph 27);

(d) requires a statement of cash flows to be prepared by all retirement benefit plans (paragraph NZ 34.1); and

(e) includes a number of additional disclosures for defined contribution plans (paragraphs NZ 35.1 to NZ 35.2) and defined benefit plans (paragraphs NZ 35.3 to NZ 35.6 and NZ 36.1).

Differential reporting

Qualifying entities must comply with all the provisions in NZ IAS 26 (PBE).

NZ International Accounting Standard 26 (PBE)

Accounting and Reporting by Retirement Benefit Plans (NZ IAS 26 (PBE))

Scope

NZ 0.1 This Standard applies only to public benefit entities.

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

All Entities

NZ 1.1 to NZ 1.4 [Deleted]

NZ 1.5 Superannuation schemes that are not issuers as defined by section 4 of the Financial Reporting Act 1993 and with membership at the end of the reporting period consisting of one person, or two persons where each member is able to obtain special purpose financial information that meets their needs are not required to comply with this Standard. Superannuation schemes using paragraph NZ 1.5 will not be able to assert compliance with International Financial Reporting Standards.

NZ 1.6 [Deleted]

2 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 NZ IFRS PBE apply to the financial statements of retirement benefit plans to the extent that they are not superseded by this Standard.

3 This Standard deals with accounting and reporting by the plan to all participants as a group. It does not deal with reports to individual participants about their retirement benefit rights.

4 NZ IAS 19 (PBE) *Employee Benefits* is concerned with the determination of the cost of retirement benefits in the financial statements of employers having plans. Hence this Standard complements NZ IAS 19 (PBE).

5 Retirement benefit plans may be defined contribution plans or defined benefit plans. Many 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.

6 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.

7 This Standard does not deal with other forms of employment benefits such as employment termination indemnities, deferred compensation arrangements, long-service leave benefits, special early retirement or redundancy plans, health and welfare plans or bonus plans. Government social security type arrangements are also excluded from the scope of this Standard.

Definitions

8 The following terms are used in this Standard with the meanings specified:

***Retirement benefit plans* are arrangements whereby an entity provides benefits for its 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 employer's contributions towards them, can be determined or estimated in advance of retirement from the provisions of a document or from the entity's practices.**

***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.**

***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.**

***Funding* is the transfer of assets to an entity (the *fund*) separate from the employer's entity to meet future obligations for the payment of retirement benefits.**

For the purposes of this Standard the following terms are also used:

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

***Net assets available for benefits* are the assets of a plan less liabilities other than the actuarial present value of promised retirement benefits.**

***Actuarial present value of promised retirement benefits* is the present value of the expected payments by a retirement benefit plan to existing and past employees, attributable to the service already rendered.**

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

All Entities	
NZ 8.1	**[Deleted]**

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

10 Most retirement benefit plans are based on formal agreements. Some plans are informal but have acquired a degree of obligation 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.

11 Many 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.

12 Retirement benefit plans are normally described as either defined contribution plans or defined benefit plans, each having their own distinctive characteristics. Occasionally plans exist that contain characteristics of both. Such hybrid plans are considered to be defined benefit plans for the purposes of this Standard.

Defined contribution plans

13 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.

All Entities	
NZ 13.1	[Deleted]

14 Under a defined contribution plan, the amount of a participant's future benefits is determined by the contributions paid by the employer, the participant, or both, and the operating efficiency and investment earnings of the fund. An employer's obligation is usually discharged by contributions to the fund. 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.

15 The participants are interested in the activities of the plan because 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 the rights of beneficiaries. An employer is interested in the efficient and fair operation of the plan.

16 The objective of reporting by a defined contribution plan is periodically to provide information about the plan and the performance of its investments. That objective is usually achieved by providing a report including the following:

(a) 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;

(b) 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

(c) a description of the investment policies.

Defined benefit plans

17 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) [Paragraph 17(b)(ii) of IAS 26 is not reproduced in this Standard. NZ IAS 26 (PBE) requires the actuarial present value of promised retirement benefits to be included either in the statement of net assets or in a note to that statement.]

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

All Entities

NZ 17.1 [Deleted]

NZ 17.2 [Deleted]

18 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.

19 **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.**

20 Under a defined benefit plan, the payment of promised retirement benefits depends on the financial position of the plan and the ability of contributors to make future contributions to the plan as well as the investment performance and operating efficiency of the plan.

21 A defined benefit plan needs the periodic advice of an actuary to assess the financial condition of the plan, review the assumptions and recommend future contribution levels.

22 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. This objective is usually achieved by providing financial statements including the following:

(a) 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;

(b) statements reporting on the transactions and investment performance for the period and the financial position of the plan at the end of the period;

(c) actuarial information [Paragraph 22(c) amended to delete reference to the provision of actuarial information by way of a separate report. NZ IAS 26 (PBE) requires actuarial information to be provided as part of the financial statements]; and

(d) a description of the investment policies.

Actuarial present value of promised retirement benefits

23 The present value of the expected payments by a retirement benefit plan may be calculated and reported using current salary levels or projected salary levels up to the time of retirement of participants.

24 The reasons given for adopting a current salary approach include:

(a) the actuarial present value of promised retirement benefits, being the sum of the amounts presently attributable to each participant in the plan, can be calculated more objectively than with projected salary levels because it involves fewer assumptions;

(b) increases in benefits attributable to a salary increase become an obligation of the plan at the time of the salary increase; and

(c) the amount of the actuarial present value of promised retirement benefits using current salary levels is generally more closely related to the amount payable in the event of termination or discontinuance of the plan.

25 Reasons given for adopting a projected salary approach include:

(a) financial information should be prepared on a going concern basis, irrespective of the assumptions and estimates that must be made;

(b) under final pay plans, benefits are determined by reference to salaries at or near retirement date; hence salaries, contribution levels and rates of return must be projected; and

(c) failure to incorporate salary projections, when most 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.

26 The actuarial present value of promised retirement benefits based on current salaries is disclosed in the financial statements of a plan to indicate the obligation for benefits earned to the date of the financial statements. 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. In addition to disclosure of the actuarial present value of promised retirement benefits, sufficient explanation may need to be given so as to indicate clearly the context in which the actuarial present value of promised retirement benefits should be read. Such explanation may be in the form of information about the adequacy of the planned future funding and of the funding policy based on salary projections. [Paragraph 26 – final sentence deleted. NZ IAS 26 (PBE) requires actuarial information to be provided as part of the financial statements].

Frequency of actuarial valuations

27 In many countries, actuarial valuations are not obtained more frequently than every three years. 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 disclosed[*].

All Entities

NZ 27.1 [Deleted]

[*] The Superannuation Schemes Act 1989 contains requirements regarding the frequency of actuarial examinations of registered superannuation schemes.

Financial statement content

28 For defined benefit plans, information is presented in one of the following formats which reflect different practices in the disclosure and presentation of actuarial information:

(a) a statement is included in the financial statements that shows the net assets available for benefits, the actuarial present value of promised retirement benefits, and the resulting excess or deficit. The financial statements of the plan also contains statements of changes in net assets available for benefits and changes in the actuarial present value of promised retirement benefits. The financial statements may be accompanied by a separate actuary's report supporting the actuarial present value of promised retirement benefits; and

(b) financial statements that include a statement of net assets available for benefits and a statement of changes in net assets available for benefits. The actuarial present value of promised retirement benefits is disclosed in a note to the statements. The financial statements may also be accompanied by a report from an actuary supporting the actuarial present value of promised retirement benefits.

(c) [Paragraph 28(c) deleted. NZ IAS 26 (PBE) requires actuarial information to be provided as part of the financial statements.]

In each format a trustees' report in the nature of a management or directors' report and an investment report may also accompany the financial statements.

29 Those in favour of the formats described in paragraphs 28(a) and 28(b) believe that the quantification of promised retirement benefits and other information provided under those approaches help users to assess the current status of the plan and the likelihood of the plan's obligations being met. They also believe that financial statements should be complete in themselves and not rely on accompanying statements. However, some believe that the format described in paragraph 28(a) could give the impression that a liability exists, whereas the actuarial present value of promised retirement benefits does not in their opinion have all the characteristics of a liability.

30–31 [Paragraphs 30 and 31 are not reproduced. NZ IAS 26 (PBE) requires actuarial information to be provided as part of the financial statements.]

All plans

Valuation of plan assets

32 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.

33 In the case of marketable securities fair value is usually market value because this is considered the most useful measure of the securities at the report date and of the investment performance for the period. Those securities that have a fixed redemption value and that have been acquired to match the obligations of the plan, or specific parts thereof, may be carried at amounts based on their ultimate redemption value assuming a constant rate of return to maturity. Where plan investments are held for which an estimate of fair value is not possible, such as total ownership of an entity, disclosure is made of the reason why fair value is not used. To the extent that investments are carried at amounts other than market value or fair value, fair value is generally also disclosed. Assets used in the operations of the fund are accounted for in accordance with the applicable Standards.

Disclosure

34 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.

All Entities

Statement of Cash Flows

NZ 34.1 The financial statements of a retirement benefit plan, whether defined benefit or defined contribution, shall also contain a statement of cash flows.

35 Financial statements provided by retirement benefit plans include the following, if applicable:

(a) a statement of net assets available for benefits disclosing:

(i) assets at the end of the period suitably classified;

(ii) the basis of valuation of assets;

(iii) details of any single investment exceeding either 5% of the net assets available for benefits or 5% of any class or type of security;

(iv) details of any investment in the employer; and

(v) liabilities other than the actuarial present value of promised retirement benefits;

(b) a statement of changes in net assets available for benefits showing the following:

  (i) employer contributions;

  (ii) employee contributions;

  (iii) investment income such as interest and dividends;

  (iv) other income;

  (v) benefits paid or payable (analysed, for example, as retirement, death and disability benefits, and lump sum payments);

  (vi) administrative expenses;

  (vii) other expenses;

  (viii) taxes on income;

  (ix) profits and losses on disposal of investments and changes in value of investments; and

  (x) transfers from and to other plans;

(c) a description of the funding policy;

(d) for defined benefit plans, the actuarial present value of promised retirement benefits (which may distinguish between vested benefits and non-vested benefits) 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; [Paragraph 35(d) final clause is not reproduced. NZ IAS 26 (PBE) requires actuarial information to be provided as part of the financial statements.] and

(e) for defined benefit plans, a description of the significant actuarial assumptions made and the method used to calculate the actuarial present value of promised retirement benefits.

All Entities

Defined Contribution Plans – Statement of Net Assets

NZ 35.1 In addition to the information required by paragraph 35, the statement of net assets of a defined contribution plan shall also disclose:

(a) the liability for promised retirement benefits;

(b) separately, the amount of promised retirement benefits allocated, when appropriate, to employees' accounts, employers' accounts and the amount of reserves; and

(c) by way of note:

  (i) details of any investment in a related party of the employer;

  (ii) movements in the liability for promised retirement benefits and each of its components;

  (iii) the trust deed's provisions and trustees' policies in respect of the use of reserves;

(iv) the value of vested benefits and the significant actuarial assumptions made and the method used to calculate the value of vested benefits;

(v) any benefits that have been guaranteed, the identity of the guarantor(s), the nature of the guarantee(s) and any changes from the corresponding preceding reporting period; and

(vi) any contributions receivable, disaggregated into those receivable from employers and those receivable from employees.

Defined Contribution Plans – Statement of Changes in Net Assets

NZ 35.2 In addition to the information required by paragraph 35, the statement of changes in net assets of a defined contribution plan shall also disclose:

(a) expenses other than benefit outflows, showing separately:

(i) those directly related to investment activities;

(ii) total trustees' remuneration, whether direct or indirect, from the plan to all trustees for the financial period; and

(iii) insurance expense for death and disability cover; and

(b) the amount of benefits accrued during the reporting period, measured as the difference between revenues and expenses.

Defined Benefit Plans – Statement of Net Assets (paragraph 17(a))

NZ 35.3 In addition to the information required by paragraph 35, the statement of net assets of a defined benefit plan that adopts the format in paragraph 17(a) shall also disclose by way of note:

(a) details of any investment in a related party of the employer;

(b) movements in the liability for promised retirement benefits;

(c) the value of vested benefits and the significant actuarial assumptions made and the method used to calculate the value of vested benefits;

(d) any benefits that have been guaranteed, the identity of the guarantor(s), the nature of the guarantee(s) and any changes from the corresponding preceding reporting period; and

(e) any contributions receivable, disaggregated into those receivable from employers and those receivable from employees.

Defined Benefit Plans – Statement of Changes in Net Assets (paragraph 17(a))

NZ 35.4 In addition to the information required by paragraph 35, the statement of changes in net assets of a defined benefit plan that that adopts the format in paragraph 17(a) shall also disclose:

(a) expenses other than benefit outflows, showing separately:

(i) those directly related to investment activities;

(ii) total trustees' remuneration, whether direct or indirect, from the plan to all trustees for the financial period; and

(iii) insurance expense for death and disability cover;

(b) the amount of benefits accrued during the reporting period;

(c) the profit or loss measured as the difference between revenues and expenses; and

(d) by way of note, the principal components of the change during the reporting period in the promised retirement benefits.

Defined Benefit Plans – Statement of Net Assets (paragraph 17(b))

NZ 35.5 In addition to the information required by paragraph 35, the statement of net assets of a defined benefit plan that adopts the format in paragraph 17(b) shall also disclose:

(a) net assets available to pay the benefits; and

(b) by way of note:

(i) details of any investment in a related party of the employer;

(ii) the date at which the actuarial value of promised retirement benefits were determined;

(iii) when promised retirement benefits have been measured during the reporting period, the benefits that have accrued since the last date at which the actuarial value of promised retirement benefits were determined;

(iv) the value of vested benefits and the significant actuarial assumptions made and the method used to calculate the value of vested benefits;

(v) any benefits that have been guaranteed, the identity of the guarantor(s), the nature of the guarantee(s) and any changes from the corresponding preceding reporting period; and

(vi) any contributions receivable, disaggregated into those receivable from employers and those receivable from employees.

Defined Benefit Plans – Statement of Changes in Net Assets (paragraph 17(b))

NZ 35.6 In addition to the information required by paragraph 35, the statement of changes in net assets of a defined benefit plan that adopts the format in paragraph 17(b) shall also disclose:

(a) the amount of net assets available to pay benefits as at the beginning and end of the reporting period;

(b) revenues, other than investment revenues and contribution inflows, showing separately proceeds from insurance policies;

(c) expenses directly related to investment activities;

(d) total trustees' remuneration, whether direct or indirect, from the plan to all trustees for the financial period;

(e) insurance expense for death and disability cover; and

(f) the increase (decrease) in net assets during the reporting period.

36 The report of a retirement benefit plan contains a description of the plan, either as part of the financial statements or in a separate report. It may contain the following:

(a) the names of the employers and the employee 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 report.

It is not uncommon to refer to other documents that are readily available to users and in which the plan is described, and to include only information on subsequent changes in the report.

All Entities

Defined Benefit Plans – Summary of Actuarial Report

NZ 36.1 In addition to the information required by paragraph 36, the financial statements of a defined benefit plan shall also have appended to them or shall include by a way of note, a summary of the most recent actuarial report prepared for the plan in accordance with the requirements of the Superannuation Schemes Act 1989, or an equivalent report for unregistered plans. That summary shall include:

(a) the effective date of the actuarial report;

(b) the name and qualifications of the actuary;

(c) significant actuarial assumptions;

(d) the relationship between the actuarial present value of promised retirement benefits and the actuarial value of the assets and how that relationship is expected to change over the period until the next actuarial investigation if the assumptions used to calculate the actuarial present value of promised retirement benefits are borne out in practice;

(e) the relationship between the actuarial present value of vested benefits with the fair value of the assets and how that relationship is expected to change by the date of the next actuarial investigation, if the assumptions used to calculate the actuarial value of the promised retirement benefits are borne out in practice;

(f) if the actuarial value of the assets differs from the net assets shown under paragraph 35, an explanation of the difference;

(g) the opinion of the actuary, if any, as to the financial condition of the plan at the valuation date. Where the actuary does not express an opinion as to the financial condition of the plan, that fact shall be disclosed; and

(h) the actuary's recommendation of the level of future contributions.

Effective date

37–NZ 37.1 [Deleted]

NZ 37.2 This Standard applies to annual periods beginning on or after 1 December 2012. Early application is permitted. This Standard replaces NZ IAS 26 as applied by public benefit entities prior to the issuance of this Standard. There are no changes to the requirements of NZ IAS 26 as applied by public benefit entities.

FRSB Basis for Conclusions on New Zealand specific paragraphs in NZ IAS 26

This Basis for Conclusions accompanies, but is not part of, NZ IAS 26 (PBE).

Introduction

NZBC1 This Basis for Conclusions summarises the Financial Reporting Standards Board's (FRSB's) considerations in amending NZ IAS 26 *Accounting and Reporting by Retirement Benefit Plans* in 2010. Individual Board members gave greater weight to some factors than to others.

Background

NZBC2 The initial development of New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs) occurred following the Accounting Standard Review Board's (ASRB) 2002 decision that New Zealand entities would be required to apply International Financial Reporting Standards (IFRSs) for periods commencing on or after 1 January 2007, with an option to adopt for periods commencing on or after 1 January 2005. Following that decision, and in accordance with guidelines established by the ASRB, the FRSB developed NZ IFRSs to enable the standards to fit within New Zealand's jurisdictional framework and meet the needs of the wide range of entities required to apply the standards in New Zealand.

NZBC3 The guidelines in ASRB Release 8 *The Role of the Accounting Standards Review Board and the Nature of Approved Financial Reporting Standards* (2004) permitted limited changes to the requirements of IFRSs. In respect of profit-oriented entities the guidelines were intended to ensure that financial statements prepared in accordance with NZ IFRSs would also comply with IFRSs. This was to enable profit-oriented entities reporting in accordance with NZ IFRSs to be able to make an explicit and unreserved statement of compliance with IFRSs, as per NZ IAS 1 *Presentation of Financial Statements*, paragraph 16.

NZBC4 NZ IAS 26 was one of the initial NZ IFRSs approved in 2004. In developing NZ IAS 26 (2004) the FRSB took a different approach to the adoption of IFRSs than with most other standards. A number of changes were made in order to incorporate the requirements of the previous domestic standard, Financial Reporting Standard No. 32 *Financial Reporting by Superannuation Schemes* (FRS-32). A key reason for adopting this approach was the concern of the Government Actuary that adoption of the unamended requirements of IAS 26 would lead to the dilution of the current reporting requirements for superannuation schemes. The FRSB noted that the Government Actuary relied upon the disclosures in financial reports and acknowledged that comprehensive disclosures in financial reports are an essential aspect of New Zealand's regulatory regime for superannuation schemes. The main changes made to the requirements of IAS 26 were to clarify the scope of NZ IAS 26 in the New Zealand context and to align the presentation and disclosure requirements of

NZ IAS 26 with the requirements of FRS-32, whilst retaining the requirements of IAS 26. These changes were considered necessary because of potential ambiguity regarding the scope of IAS 26, the range of presentation options permitted by IAS 26 and the gaps in the disclosures required by IAS 26 compared to those required by FRS-32.

NZBC5 The FRSB acknowledged that the approach taken in developing NZ IAS 26 in 2004 differed from the general approach to the development of NZ IFRSs. In justifying this different approach to the initial development of NZ IAS 26, the FRSB noted that:

- the changes were a direct result of consultation with constituents;
- New Zealand superannuation schemes were not considered to be generally sourcing capital from international capital markets – therefore the main users of the financial statements of superannuation schemes were assumed to be local users;
- the changes to the scope of IAS 26 were intended to clarify that the public retail schemes in New Zealand were required to comply with the requirements of NZ IAS 26; and
- the Australian Accounting Standards Board (AASB) elected not to adopt IAS 26. Rather the AASB retained its existing domestic standard, AAS 25 *Financial Reporting by Superannuation Plans*. The requirements of AAS 25 were consistent with those of IAS 26 except that IAS 26 allowed changes in net market values to be recognised as an item of revenue only in certain specified circumstances. The FRSB considered taking a similar approach and retaining FRS-32 as a domestic standard but considered that this approach would be inconsistent with its obligations under ASRB Release 8 to ensure that profit-oriented entities reporting in accordance with NZ IFRSs could assert compliance with IFRSs.

NZBC6 Subsequent to the issue of NZ IAS 26 in 2004 changes in the domestic and financial reporting environment and comments from constituents prompted a review of the New Zealand specific modifications to IAS 26. These factors included:

- a greater variety of entities required, through legislation and the scope of NZ IAS 26, to comply with NZ IAS 26; and
- the view of some entities that fell within the scope of NZ IAS 26 that they were not retirement benefit plans within the scope of IAS 26 and the implications of this for asserting compliance with IFRSs. The correct determination of whether a profit-oriented entity should apply NZ IAS 26 is critical as NZ IAS 26 contains presentation and measurement requirements that differ from other NZ IFRSs.

NZBC7 International developments during the period 2004-2009 included the AASB's review of AAS 25 which led to the issue of ED 179 *Superannuation Plans and Approved Deposit Funds* (May 2009) and the decision of the Canadian Institute of Chartered Accountants (CICA) that, from 1 January 2011, publicly accountable profit-oriented enterprises in Canada would follow IFRSs, but not IAS 26.

NZBC8 In 2009 the FRSB commenced a limited scope review of the New Zealand specific modifications to the requirements of IAS 26 to identify potential inconsistencies between NZ IAS 26 and IAS 26 that could impact on a profit-oriented entity's ability to assert compliance with IFRSs. The project encompassed a review of the New Zealand specific requirements other than the additional disclosures set out in paragraphs NZ 35.1 to NZ 35.5 and NZ 36.1. Given the importance of these additional disclosures within New Zealand's regulatory regime and the fact that those additional disclosures supplement but do not depart from the requirements of IAS 26, the FRSB considered it appropriate to retain these paragraphs without modification. In reviewing the New Zealand specific modifications the FRSB had regard to ASRB Release 8 (revised 2009) and its obligation to ensure that profit-oriented entities can assert compliance with IFRSs, including IAS 26. These proposals were set out in ED 120 Proposed Amendments to NZ IAS 26 *Accounting and Reporting by Retirement Benefit Plans* (January 2010).

NZBC9 In deciding to conduct this limited review of NZ IAS 26 the FRSB noted that, over an extended period, it had consulted with the Government Actuary and other constituents reporting in accordance with NZ IAS 26. These discussions had highlighted the desire of the Government Actuary for consistent reporting by all registered superannuation schemes and preparers' concerns regarding potential conflicts between the scope of NZ IAS 26 and IAS 26 and the fact that similar entities (such as retail superannuation schemes and retail unit trusts) are currently subject to different reporting requirements. The FRSB considered that, having regard to the requirements of ASRB Release 8, its proposed amendments to NZ IAS 26 represented the best short-term solution to the potential conflicts between NZ IAS 26 and IAS 26.

NZBC10 However, the FRSB also acknowledged that financial reporting by superannuation schemes is an extremely important issue in the New Zealand context and that a broader review of the appropriateness of current financial reporting requirements would be desirable. The FRSB noted that it operates in accordance with ASRB Release 8 and, for profit-oriented entities, is unable to propose recognition, measurement or presentation requirements that would conflict with IFRSs. The FRSB expressed the view that any proposals to substantively change the financial reporting requirements for superannuation schemes should be considered as part of a comprehensive review of superannuation schemes and similar entities. If New Zealand's regulatory reporting framework were changed to allow for the possibility of a domestic or trans-Tasman standard for superannuation schemes, it would be appropriate to consider the financial reporting requirements for similar entities in Australia.

NZBC11 The changes made to NZ IAS 26 in 2010 are summarised below.

Scope

NZBC12 In NZ IAS 26 (2004) the FRSB attempted to clarify the scope of the Standard in the New Zealand context by inserting New Zealand specific scope paragraphs which described in some detail the types of entities required to comply with the

Standard. This was considered appropriate at that time because of an apparent conflict between the definition of retirement benefits which refers to an enterprise providing benefits for employees and paragraph 9 which states that "Some retirement benefit plans have sponsors other than employers; this Standard also applies to the reports of such plans." The FRSB considered that the New Zealand specific scope paragraphs would remove any confusion generated by the mismatch in terminology between the definition of retirement benefit plans and paragraph 9.

NZBC13 Following the mandatory application of NZ IFRSs by certain entities in 2007, the FRSB became aware of concerns that the New Zealand specific paragraphs in NZ IAS 26 could require some entities to comply with NZ IAS 26 when they would not otherwise be required to comply with IAS 26. The FRSB considers that such circumstances would be rare. However, the FRSB acknowledges that many entities applying NZ IAS 26 have classified themselves as profit-oriented entities and, in accordance with ASRB Release 8 (revised 2009), should be able to assert compliance with both NZ IFRSs and IFRSs.

NZBC14 The FRSB therefore decided that the scope of NZ IAS 26 should be aligned with the scope of IAS 26. In deciding whether they are required to comply with NZ IAS 26 entities would need to form an opinion on the application of the definition of retirement benefit plans and the implications of paragraph 9.

NZBC15 The FRSB considered that there should continue to be an exemption to the scope of NZ IAS 26 for superannuation schemes that are not issuers as defined by section 4 of the Financial Reporting Act 1993 and with membership at the end of the reporting period consisting of one person, or two persons where each member is able to obtain special purpose financial information that meets their needs (refer paragraph NZ 1.5). The FRSB considered that ultimately the costs and benefits of imposing general purpose financial reporting requirements on such entities should be a matter for the relevant regulators. However, in the interests of maintaining the status quo for these entities the FRSB decided to retain this exemption.

Definitions

NZBC16 The FRSB decided to delete paragraph NZ 8.1 which defined the terms 'promised retirement benefits' and 'sponsor'. The FRSB considered that because these definitions provide guidance that is not in IAS 26, they could be regarded as an interpretation of the requirements of IAS 26. In accordance with the IASB's *Statement of Best Practice: Working Relationships between the IASB and other Accounting Standard-Setters* (2006) the FRSB avoids providing guidance that could be regarded as interpreting the requirements of IFRSs.

Statement of net assets

NZBC17 NZ IAS 26 (2004) paragraph NZ 13.1 permitted a defined contribution plan to present the information required in a statement of net assets available for benefits in a statement of financial position. Paragraph NZ 17.2 permitted defined benefit plans to do the same. The FRSB acknowledged that many entities could possibly comply with all the presentation requirements of IAS 26 within a statement of financial position. However, the FRSB considered that there was the potential for conflict between the requirements of IAS 26 and the requirements of IAS 1 regarding the disclosure of equity. The FRSB therefore decided to delete paragraphs NZ 13.1 and NZ 17.2.

Statement of cash flows

NZBC18 Paragraph NZ 34.1 requires the presentation of a statement of cash flows. This paragraph was initially included in NZ IAS 26 to avoid doubt as to whether or not an entity applying NZ IAS 26 is also required to present a statement of cash flows in accordance with NZ IAS 7 *Statement of Cash Flows*. Although IAS 26 specifies the statements that are required to be produced by retirement benefit plans, it does not specifically refer to a statement of cash flows. However, paragraph 2 states that “All other Standards apply to the financial statements of retirement benefit plans to the extent that they are not superseded by this Standard.” and there is no indication elsewhere in the Standard that the statements required by the Standard are the only statements required to be presented. Because NZ IAS 26 does not specifically override the requirements of NZ IAS 7, it could be argued that retirement benefit plans are required to present a statement of cash flows.

NZBC19 The FRSB reviewed the appropriateness of paragraph NZ 34.1 and agreed that it was still useful for the avoidance of doubt. The FRSB also noted that qualifying entities are not required to present a statement of cash flows and agreed that it would not be appropriate to permit any retirement benefit plan that is also a qualifying entity to make use of that differential reporting concession. The FRSB therefore agreed to retain paragraph NZ 34.1.

Reporting the actuarial present value of promised retirement benefits – Defined benefit plans

NZBC20 IAS 26 permits the actuarial present value of promised retirement benefits of defined benefit plans to be reported in three ways:

- in the statement of net assets (paragraph 17(a));
- in a note to the statement of net assets (paragraph 17(b)(i)); or
- in an accompanying actuarial report (paragraph 17(b)(ii)).

NZBC21 NZ IAS 26 (2004) omitted the option in paragraph 17(b)(ii). The FRSB reviewed whether the removal of this option was appropriate and decided that the option in paragraph 17(b)(ii) should continue to be omitted from NZ IAS 26. IAS 26 does not specify that an “accompanying actuarial report” must always be made available to users of financial statements. The FRSB considered that the omission of paragraph 17(b)(ii) represents the limitation of an alternative permissible treatment within an IFRS, as permitted by ASRB Release 8 (revised 2009), paragraph 25(f).

NZBC22 NZ IAS 26 (2004) paragraph NZ 17.1 restricted the use of the option in paragraph 17(a) to those plans that had an actuarial valuation at the end of the reporting period. In reviewing the appropriateness of this paragraph the FRSB noted that it is possible to argue that this modification represented the limitation of an alternative permissible treatment within an IFRS (as permitted by ASRB Release 8 (revised 2009)). However, the FRSB also noted that the inclusion of an item in the amounts recognised in a financial statement, as opposed to disclosure of that item in the notes, is a recognition issue and that ASRB Release 8 (revised 2009) does not permit the modification of recognition requirements in an IFRS in respect of profit-oriented entities. The FRSB noted that this is an uncommon issue as IFRSs generally provide guidance on the criteria for recognition of assets and liabilities. On balance, the FRSB agreed that retirement benefit plans applying NZ IAS 26 should be able to exercise the option provided in IAS 26 paragraph 17(a) without limitation on the date of the most recent actuarial valuation. The FRSB therefore decided to delete paragraph NZ 17.1.

Frequency of actuarial valuations

NZBC23 IAS 26 does not mandate the frequency with which actuarial valuations must be conducted. It does acknowledge, in paragraph 27, that requirements between countries differ. NZ IAS 26 (2004) included additional commentary, in paragraph NZ 27.1, on legislative requirements in New Zealand and encouraged more frequent valuations than specified by legislation in certain circumstances.

NZBC24 Although paragraph NZ 27.1 was consistent with the guidelines in ASRB Release 8 (revised 2009) in that it did not modify the measurement requirements in IAS 26, the main purpose of the paragraph was to alert readers to the existence of relevant legislative requirements. The FRSB therefore decided to replace paragraph NZ 27.1 with a footnote to paragraph 27 which refers readers to the relevant legislation.

Additional disclosures

NZBC25 NZ IAS 26 (2004) contained a number of disclosures additional to those required by IAS 26. As noted above, these additional disclosures were intended to ensure that the disclosures required by NZ IAS 26 were broadly consistent with those previously required by FRS-32 *Financial Reporting by Superannuation Schemes*. The FRSB noted that the original reasons for including these disclosures are still relevant and that ASRB Release 8 (revised 2009) permits the introduction of additional disclosure requirements for all entities. The FRSB considered that any review of the New Zealand specific disclosures in NZ IAS 26 should be within the context of a comprehensive review of regulatory and financial reporting requirements for superannuation schemes. The FRSB therefore decided that these disclosures should be outside the scope of the current project. Amendments to these paragraphs were limited to aligning the requirements with the remainder of the Standard.