Accounting for Pension and Employee Benefits in Canada – Where do we stand?

With the passage of IFRS in Canada along with evolving changes under the various accounting standards, the world of Canadian pension and employee benefit (PEB) accounting faces major changes.

Here is a summary of where we stand in the area of PEB accounting in Canada in January 2012.

.

Publicly Accountable Enterprises

- Must adopt IFRS on or after January 1st, 2011
- Amendments to IAS19 effective in 2013
- Changeover date to IFRS is being deferred by one year for rate regulated entities and by two years for investment companies

Private Enterprises

- Election to adopt either Canadian Made standards or IFRS on or after January 1, 2011
- Two possible approaches under Canadian Made standards
  - Immediate recognition
  - Deferred amortized approach

Not-for-profit (NFPO's) Entities

- Private sector
  - Must elect between Canadian Made standards or IFRS on or after January 1st, 2012
- Public sector
  - Use Public Sector Accounting (PSA) standards on or after January 1st , 2012

Government Businesses (other than NFPO's entities)

- Use IFRS standards on or after January 1, 2011 if such accounting standards better meet the need of users
- Otherwise use PSA standards

Pension Plans

- Pension plans must report under CICA section 4600 (not IAS 26) for Fiscal Year beginning on or after January 1, 2011

Denis Plouffe

F.S.A, F.C.I.A., C.C.P.

Montreal, Canada

Contact information

Office	514 274-1964
Mobile	514 271-6641
Fax	514 274-9332

JANUARY 6th, 2012

denis.plouffe@globalbenefit.ca

www.globalbenefit.ca

GBC Consultation Avantages Sociaux

Accounting for Pension and Employee Benefits in Canada – Where do we stand?

Denis Plouffe

F.S.A, F.C.I.A., C.C.P.

Montreal, Canada

Contact information

Office 514 274-1964

Mobile 514 271-6641

Fax 514 274-9332

JANUARY 6th, 2012

denis.plouffe@globalbenefit.ca

www.globalbenefit.ca

Observations

As you can see from the exhibit on the previous page, various accounting standards are being amended. A move closer to Fair Value pension accounting (removing the smoothing mechanisms) along with new presentation format embedded into IFRS will come into effect in 2013 for Publicly. Accountable Enterprises (ie.Enterprises that issue shares or some forms of securities traded on the public stock market). Private enterprises and Not-For-Profit (NFPO's) entities must elect to remain under Canadian made standards (ie. CICA Section 3461) or to move to IFRS. Canadian made standards for pension and employee benefits applicable to private enterprises and to certain NFPO's entities will also face major amendments in the near future. An exposure draft to that effect is expected to be released towards the end of January 2012.

Entities in the public sector have their own set of accounting standards called the Public SectorAccounting Standards. Finally, the pension plans are considered separate entities and they are subject to their own reporting requirements. Effective with fiscal year beginning on or after January 1st, 2011, the reporting of pension plans formerly addressed under CICA section 4100 will fall under the new CICA section 4600 with additional disclosure and reporting items being required.

Whether the reporting entity is company listed on the stock exchange, a private enterprise, a university, an hospital or a pension plan, all such entities must report under accounting standards specific to their organization. Reporting entities must often face important decisions during transition periods which can have significant impact on their balance sheet and income statement.

Conclusion

As shown on this newsletter, a lot of activities are under development in the area of accounting for pension and employee benefits in Canada and these changes represent significant challenges for reporting entities.

GBC has developed expertise over the years to assist entities and their auditors with financial reporting. Do not hesitate to contact Denis Plouffe for enquiries or for further assistance with pension and employee benefits.

GBC
Consultation Avantages Sociaux