Accounting for Pensions
## Table of Contents

### Chapter 1 – Pension Accounting

- Learning Objectives ........................................................................................................ 1
- Introduction ....................................................................................................................... 1
- Pension Plans ..................................................................................................................... 1
  - Terminology .................................................................................................................... 2
  - Defined Contribution Pension Plans ............................................................................. 4
  - Defined Benefit Pension Plans ...................................................................................... 5
  - Actuarial Gains and Losses/Prior Service Costs ......................................................... 13
  - Gain or Loss ................................................................................................................... 15
  - Smoothing Unexpected Gains and Losses ................................................................. 15
  - Corridor Amortization ................................................................................................. 16
  - Pension Plan Benefit Formula ..................................................................................... 18
  - Plan Assets .................................................................................................................... 18
  - Underfunding or Overfunding ...................................................................................... 19
  - Summary of Accounting for Pension Plans .............................................................. 22
  - Application Examples ................................................................................................. 23
  - Business Combinations .............................................................................................. 27
  - Discontinued Operations ............................................................................................ 27
  - Employers Having More Than One Defined Benefit Plan ....................................... 28
  - Multi-Employer Plans ................................................................................................ 28
  - Multiple-Employer Plans ............................................................................................ 29
  - Annuity (Allocated) Contracts .................................................................................... 29
  - Disclosures ................................................................................................................... 30
  - Financial Statement Analysis ..................................................................................... 34
  - Employee Retirement Income Security Act (ERISA) ................................................ 35
  - Life Insurance ................................................................................................................ 35
  - Review Questions ......................................................................................................... 36
  - Review Answers ........................................................................................................... 39

### Chapter 2 – Postretirement Benefit Obligations

- Learning Objectives ......................................................................................................... 43
- Introduction ....................................................................................................................... 43
- Settlement, Curtailment, and Termination .................................................................... 43
  - Settlement .................................................................................................................... 43
  - Curtailment ................................................................................................................... 44
  - Termination ................................................................................................................... 45
- Trustee Reporting In a Defined Benefit Pension Plan ................................................ 45
- Postretirement Benefit Plans Other than Pensions .................................................... 46
  - Accounting .................................................................................................................. 46
  - Components ................................................................................................................ 47
  - Plan Amendment ......................................................................................................... 48
  - Corridor ....................................................................................................................... 49
  - Interim Periods ............................................................................................................ 50
  - Disclosures ................................................................................................................... 50
- Employers’ Disclosures about Pension and Other Postretirement Benefits .............. 51
  - The General Requirements ......................................................................................... 51
  - The Presentation of Pension Cost ................................................................................. 52
- Pension Plan Financial Statements .............................................................................. 53
  - Net Assets Available for Benefits ................................................................................. 54
  - Investments .................................................................................................................. 54
  - Contributions Receivable ............................................................................................ 55
  - Insurance Contracts .................................................................................................... 55
  - Operating Assets ......................................................................................................... 55
  - Liabilities ...................................................................................................................... 56
# Table of Contents

Statement of Changes in Net Assets Available for Benefits ................................................................. 56  
Actuarial Present Value of Plan Benefits .................................................................................................. 56  
Changes in Actuarial Present Value of Plan Benefits .............................................................................. 58  
Required Disclosures .................................................................................................................................. 58  
Employers’ Accounting for Postemployment Benefits ............................................................................ 58  
Profit Sharing Plans .................................................................................................................................... 59  
U.S. GAAP vs. IFRS ....................................................................................................................................... 59  
Review Questions ......................................................................................................................................... 62  
Review Answers ............................................................................................................................................ 63  

Appendix ....................................................................................................................................................... 65  

Glossary ......................................................................................................................................................... 67  

Index .............................................................................................................................................................. 69