

- 1   **Q.     Further to the reply to CA-NP-47, please provide a copy of Sections 3461. 76-77 of**  
2   **the CICA standards referred to therein.**  
3  
4   A.     Attachment A provides a copy of CICA Standards Sections 3461.76-77.

**Excerpt from CICA Standards**  
**Sections 3461.76-77**  
**Employee Future Benefits**

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- »» Accounting Handbook
  - »» Accounting Standards
  - »» Specific Items [Sections 3000 — 3870]
  - »» 3461 - Employee Future Benefits
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## **SPECIFIC ITEMS**

### **SECTION 3461**

#### **employee future benefits**

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**Additional  
Resources**

**Background  
Information and  
Basis for Conclusions**

#### **TABLE OF CONTENTS**

	<b>Paragraph</b>
Purpose	.001
Objective and basic principles	.002-.004
Scope	.005-.008
Definitions	.009
Defined contribution plans compared to defined benefit plans	.010-.013
Defined contribution plans	.014-.023
Current service cost	.016-.017
Interest cost on contributions	.018
Past service costs	.019-.021
Interest income on plan surplus	.022-.023
Defined benefit plans	.024-.134
Definitions	.024
Introduction	.025-.028
Recognition	.029-.033
Measurement	.034-.065
Actuarial valuation method	.034-.037
Attribution	.038-.041
Attribution method	.042-.043
Measurement date of plan assets and accrued benefit obligation	.044
Measurement of cost for employee future benefits	.045-.046
Actuarial assumptions	.047-.049

Discount rate	.050-.055
Future changes in compensation levels, benefits and cost sharing	.056-.063
Medical costs	.064-.065
Plan assets	.066-.068
Determination of cost for the period	.069-.095
Components of cost for the period	.070
Current service cost	.071-.074
Interest cost on accrued benefit obligation	.075
Expected return on plan assets	.076-.078
Past service costs	.079-.086
Actuarial gains and losses	.087-.093
Temporary deviation from the benefit plan	.094-.095
Entities with two or more plans	.096-.100
Limit on the carrying amount of an accrued benefit asset	.101-.110
Settlements, insurance contracts and arrangements, and curtailments	.111-.134
Definitions	.111
Settlements compared to curtailments	.112
Settlements	.113-.121
Insurance contracts and arrangements	.122-.126
Curtailments	.127-.133
Relationship between settlements and curtailments	.134
<b>Termination benefits</b>	.135-.142
<b>Discontinued operations and disposal of a portion of a business segment</b>	.143-.144
<b>Multiemployer and multiple-employer benefit plans</b>	.145-.149
<b>Disclosure</b>	.150-.163
General	.150-.152
Defined contribution plans	.153
Defined benefit plans	.154-.160
Multiemployer plans	.161-.162
Special termination benefits	.163
<b>Transitional provisions</b>	.164-.172
<b>Glossary of defined terms</b>	.Gloss
<b>Illustrative examples</b>	

## **PURPOSE**

- .001 This Section establishes standards for the recognition, measurement, and disclosure of the cost of employee future benefits. It requires an entity to recognize the cost of retirement benefits and certain post-employment benefits over the periods in which employees render services to the entity in return for the benefits. Other post-employment benefits are recognized when the event that obligates the entity occurs.

## **OBJECTIVE AND BASIC PRINCIPLES**

- .002 The objective of accounting for the cost of employee future benefits is to

contribute to a pension plan during their service life and retirees may contribute towards the cost of a drug plan.

.073 Contributions received during a period from active employees towards the cost of a pension plan reduce the current service cost in the period.

.074 When contributions are expected to be received from employees in future periods towards the cost of retirement benefits other than pensions, an entity's accrued benefit obligation is measured as the actuarial present value of the benefits expected to be provided, reduced by the actuarial present value of contributions expected to be received from employees in future periods. In determining the amount of those contributions, an entity considers any related plan provisions, such as its past practice of consistently increasing or reducing the contribution rate as described in paragraphs 3461.061-.062. An obligation to return contributions received from employees who do not attain eligibility for future benefits, together with any interest accrued on those contributions, is recognized as a component of an entity's accrued benefit obligation. These factors are reflected also in an entity's current service cost.

**Interest cost on accrued benefit obligation**

.075 ♦ *For a defined benefit plan, the interest cost on an accrued benefit obligation for a period should be determined by applying the discount rate determined in accordance with paragraph 3461.050 as of the beginning of the period (or end of the prior period) to the accrued benefit obligation for that period. [JAN. 2000 \*\*]*

**Expected return on plan assets**

.076 ♦ *For a funded defined benefit plan, the expected return on plan assets should be based on the expected long-term rate of return on plan assets and the fair value, or a market-related value, of plan assets. [JAN. 2000]*

.077 A market-related value is a calculated amount that recognizes changes in the fair value of plan assets in a systematic and rational manner over a period not exceeding five years. Different ways of calculating market-related value may be used for different classes of assets. For example, an entity may use a fair value for bonds and a five-year moving average value for equities, but the basis of determining market-related value is applied consistently from year to year for each asset class.

.078 When plan assets are held in a taxable entity, the expected return on plan assets reflects the income and related tax expense or benefit for the period determined in accordance with INCOME TAXES, Section 3465. In other circumstances, no provision for income and related taxes is included in the expected return on plan assets.

**Past service costs**

.079 ♦ *For a defined benefit plan, an entity should amortize past service costs arising from a plan initiation or amendment by assigning an equal amount to each remaining service period up to the full eligibility date of each employee active at the date of the plan initiation or amendment who was not yet fully eligible for benefits at that date. However, when all, or almost all, of the employees are no longer active, an entity should amortize past service costs on a straight-line basis over the average remaining life expectancy of the former employees. [JAN. 2000]*

.080 When a defined benefit plan is initiated or amended, an entity may grant benefits calculated by reference to past service. Plan initiations that grant benefits for past service and plan amendments that improve benefits are granted with the expectation that the entity will realize economic benefits in future periods. Therefore, the past service costs resulting from the plan