



IPSAS 49

Retirement Benefit Plans Guideline

September 2025

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1. Introduction

Background

The International Public Sector Accounting Standards Board (IPSASB) issued International Public Sector Accounting Standards (IPSAS) 49 "Retirement Benefit Plans" in November 2023 for application for periods beginning 1st January 2026. In Kenya, the standard is applicable from 1st July 2026. This standard borrows heavily from IAS 26 – Accounting and Reporting by Retirement Benefit Plans issued by the IASB.

Objective

This standard prescribes accounting treatment for public sector retirement benefit plans for employees and any other eligible participants. Its aim is to improve transparency and accountability by providing useful information to users about a plan's obligation in respect of participants' promised retirement benefits.

2. Scope

IPSAS 49 applies to Public Sector Retirement Benefit Plans reporting under IPSAS accrual. It considers the retirement benefit plan as a separate entity from the employers or sponsors of participants. It also applies to separate funds established by plans, whether or not the plan has separate legal entities and trustees. Further, the standard covers both defined benefits/hybrids and defined contribution plans.

Not Within the Scope:

- a) The Standard does not cover reports provided to individual participants regarding their specific retirement benefit rights.
- b) Excludes other forms of employment benefits, such as termination payments, deferred compensation, long-service leave, special early retirement or redundancy plans, health and welfare plans, or bonus plans.
- c) This Standard does not cover government social security arrangements, e.g, National Social Security Fund (NSSF).

3. Definitions of Key Terms

a) Retirement benefit plans: These are arrangements where an employer/sponsor provides benefits to participants on or after termination of services as employees (either in the form of an annual income and/or a lumpsum) 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.

b) Defined benefit plans: These are retirement benefit plans other than the defined contribution plans. It 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. It is important to note that defined benefit plans include hybrid plans, which are retirement benefit plans that contain characteristics of both defined benefit plans and defined contribution plans.

Examples of defined benefit plans include Local Authorities Pension Trust (LAPTRUST) and Public Service Pensions Scheme at the National Treasury

c) Defined contribution plans: These are retirement benefit plans in which an amount is to be paid as retirement benefits as determined by contributions to a fund and investment earnings thereon. Examples: Public Service Superannuation Scheme (PSSS), Local Authorities Provident Fund (LAPFUND), University of Nairobi Pensions Scheme 2007.

d) Defined contribution obligations are the amounts owed to participants/members (beneficiaries) under a defined contribution plan. This amount includes the total participant contributions and the investment earnings.

e) Retirement benefits obligations: This is defined according to the nature of the scheme as follows:

Defined benefits Plan - the actuarial present value of promised retirement benefits accrued through service by the plan participants.

Defined contribution plans – the defined contribution obligations.

f) Funding: A transfer of assets to an entity (retirement benefit plan) separate from the employer/sponsor contributions to meet future obligations to pay retirement benefits. In the case of a defined benefit plan, such a scenario would arise if the scheme has a shortfall between the net assets of the plan and the present value of promised retirement benefits.

g) Retirement benefits obligations: This comprises:

- Defined benefits Plan - the actuarial present value of promised retirement benefits and the defined contribution obligations.
- Defined contribution plans – the defined contribution obligations.

h) Participants: Members of a retirement benefit plan and others entitled to benefits under the plan.

4. Recognition

In defined benefit plans, retirement benefit obligations owed to participants shall be recognised in the statement of financial position (SOP) as a provision representing the actuarial present value of the promised retirement benefits. An actuary will generally calculate this provision in accordance with the plan's rules.

In defined contribution plans, retirement benefit obligations owed to participants shall be recognised in the statement of financial position (SOP) as defined contribution obligations, which are net assets available for benefits minus reserves retained for any specific purpose.

5. Measurement

Plan Investments

The retirement benefit plan investments shall be measured at fair value as per IPSAS 41 and IPSAS 16, respectively.

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of the promised Retirement Benefits shall comprise the benefits promised under the plan's terms on service rendered to date, using the projected salary levels. Projected salary levels are used because salaries are used because benefits are measured in the feature against salaries applicable at the point benefits become due.

If the actuarial valuation has not been prepared as at the date of the financial statements, the most recent actuarial valuation shall be used. However, that valuation shall be updated to reflect any changes in actuarial assumptions such as changes in interest rates (discount rates) and expected inflation of rate of projected salaries.

6. Applicability of Other IPSAS

Unless specifically overwritten by IPSAS 49, all other IPSAS apply to the financial statements of retirement benefit plans when applicable.

7. Presentation

A retirement benefit plan, whether defined benefit or defined contribution, shall present the following.

1. A statement of financial position.
2. A statement of changes in net assets available for benefits.
3. A cash flow statement, and
4. Notes to the financial statements.

The statement of financial position shall present the actuarial present value of promised retirement benefits and defined contribution obligation to plan participants below net assets available for benefits, for defined benefit plans and defined contribution plans, respectively.

Benefits due and payable to participants are shown above the net assets available for benefits and only include those amounts that are immediately payable.

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 the items will depend on the terms of plan.

The structure of a retirement benefit plan, whether a defined benefit plan or defined contribution plan, may determine how contributions and benefits are accounted for.

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. Depending on the circumstances, the line items for contributions and benefits paid may be shown differently on the face of the statement of changes in retirement benefit obligations or in the disclosure of the reconciliation between the opening and closing retirement benefit obligation balances.

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) Disclose in the notes to the financial statements a reconciliation between the opening and closing retirement benefit obligation balances.

Contents of the financial statement

1. The statement of financial position shall contain and not limited to the following; plan investments, contribution receivables, other assets, benefits due and payables, any other liabilities excluding retirement benefit obligations to participants, net assets available for benefits, provision for actuarial present value of promised retirement benefits in a defined benefit plan, define contribution obligation to participants and excess or deficit for the period.
2. The statement of changes in net assets available for benefits shall present opening and closing balances and include line items that are directly attributable to the plan, such as (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 (analysed, 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.

3. The cash flow statement shall be prepared using the direct method as per IPSAS 2, Cashflow Statement. This is 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. Individual retirement benefit plans may treat certain transactions differently, however, the classification adopted shall be applied consistently by a retirement benefit plan.

4. The statement of changes of retirement benefit obligations (RBO) is presented based on the structure of the retirement plan. The statement shall be prepared as a financial statement or as a reconciliation in the notes of the financial statement. The statement or the reconciliation shall contain the following information;

- (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.

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8. Illustrative Example – Defined Contribution Plans

XXX Defined Contribution

Statement of Changes in Net Assets Available for Benefits for the year ended xx

Description	Note	Insert Current FY	Insert Comparative Period
		Kshs	Kshs
Dealings with Members			
Contributions received & Receivable		xxx	xxx
Benefits paid and Payable		(xxx)	(xxx)
Net Surplus from dealings with members		xxx	xxx
 Return on Investments			
Investment Income		xxx	xxx
Miscellaneous Income		xxx	xxx
Gains/loss on sale of investments		xxx/(xxx)	xxx/(xxx)
Fair value gain/loss on revaluation of Investments		xxx/(xxx)	xxx/(xxx)
Investment Management Expenses		(xxx)	(xxx)
Property related expenses		(xxx)	(xxx)
Total Net Return on Investments		xxx	xxx
 Operating expenses			
Staff Costs		xxx	xxx
Administration Costs		xxx	xxx
Provisions		xxx	xxx
Total operating expenses		xxx	xxx
 Increase in Net Assets before Tax			
Tax expense		xxx	xxx
 Increase in Net Assets for the Year		 xxx	 xxx
 As Previously Reported			
Net Assets for the year		xxx	xxx

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XXX Defined Contribution Statement of Financial Position as at xx

Description	Note	Insert Current FY	Insert Previous Year
		Kshs	Kshs
Assets			
Cash and Cash Equivalent		xxx	xxx
Plan Investments		xxx	xxx
Treasury Bills		xxx	xxx
Treasury Bonds		xxx	xxx
Corporate Bonds		xxx	xxx
Quoted Investments		xxx	xxx
Unquoted investments		xxx	xxx
Private Equities		xxx	xxx
Offshores		xxx	xxx
Total Plan Investments		xxx	xxx
Property, Plant and Equipment		xxx	xxx
Investment Property		xxx	xxx
Intangible Assets		xxx	xxx
Contributions receivable		xxx	xxx
Trade And Other Receivables		xxx	xxx
Tax Recoverable		xxx	xxx
Total Assets		xxx	xxx
Liabilities		xxx	xxx
Benefits payable		xxx	xxx
Lease liability		xxx	xxx
Tax Payable		xxx	xxx
Trade and Other Payables		xxx	xxx
Total Liabilities		xxx	xxx
Net Assets available for benefit		xxx	xxx
Represented By:			
Members Fund		xxx	xxx
Reserves		xxx	xxx
Fund Value		xxx	xxx

XXX Defined Contribution Plan
Statement of Changes in Retirement Obligations for the year ended XX

Description	Note	Insert Current FY	Insert Comparative FY
		Kshs	Kshs
Retirement benefit obligations (beginning of the year)		xxx	xxx
Contributions received and receivable		xxx	xxx
Total increase in retirement benefit obligations		xxx	xxx
Benefits paid and payable		(xxx)	(xxx)
Tax on contributions		(xxx)	(xxx)
Total decrease in retirement benefit obligations		(xxx)	(xxx)
Retirement benefit obligations		xxx	xxx

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XXX Defined Contribution Statement of Cash Flows for the year ended xx

Description	Note	Insert Current FY	Insert Comparative FY
		Kshs	Kshs
Cash flows from operating activities			
Receipts		xxx	xxx
Contributions received Employer		xxx	xxx
Contributions received Employee		xxx	xxx
Interest received		xxx	xxx
Dividends Received		xxx	xxx
Total cash inflows		xxx	xxx
Payments			
Benefits paid		xxx	xxx
Taxation paid		(xxx)	(xxx)
Operational and administrative Expenses paid		(xxx)	(xxx)
Total cash outflow		xxx	xxx
Net Cash flows from operating activities		xxx	xxx
Cash flows from investing activities			
Proceeds from disposal of intangible assets		xxx	xxx
Purchase of investment property		(xxx)	(xxx)
Proceeds from disposal of investment property		xxx	xxx
Purchase of treasury bonds		(xxx)	(xxx)
Proceeds from sale of treasury bonds		xxx	xxx
Purchase of corporate bonds		(xxx)	(xxx)
Proceeds from disposal of quoted investments		xxx	xxx
Purchase of unquoted investments		(xxx)	(xxx)
Proceeds from disposal of unquoted investments		xxx	xxx
Purchase of offshore investments		(xxx)	(xxx)
Proceeds from disposal of offshore investments		xxx	xxx
Purchase of private equities		(xxx)	(xxx)
Proceeds from disposal of private equities		xxx	xxx
Net cash generated from investing activities		xxx	xxx
Cash flows from financing activities			
Specify if any		xxx	xxx
Net cash generated from financing activities		xxx	xxx
Increase/(decrease) in cash and cash equivalents		xxx	xxx
Cash and cash equivalents at beginning of year		xxx	xxx
Cash and cash equivalents at end of the year		xxx	xxx

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9. Illustrative Example – Defined Benefit Plans

ABC Defined Benefits **Statement of Changes in Net Assets Available for Benefits for the year XX.**

Description	Note	Insert Current FY	Insert Comparative FY
		Kshs	Kshs
Net assets available for benefits (at the beginning of the year)		xxx	xxx
Dealings with Members			
Contributions received & receivable		xxx	xxx
Funding from the sponsor		xxx	xxx
Benefits accrued		(xxx)	(xxx)
Benefits paid and payable		(xxx)	(xxx)
Net Surplus from dealings with members		xxx	xxx
Return on Investments			
Investment Income		xxx	xxx
Miscellaneous Income		xxx	xxx
Gains/loss on sale of investments		xxx	xxx
Fair value gain/loss on revaluation of Investments		xxx	xxx
Investment Management Expenses		(xxx)	(xxx)
Property related expenses		(xxx)	(xxx)
Total Net Return on Investments		xxx	xxx
Operating expenses			
Staff Costs		xxx	xxx
Administration Costs		xxx	xxx
Provisions		xxx	xxx
Total operating expenses		xxx	xxx
Increase in Net Assets before Tax for the Year		xxx	xxx
Tax expense		xxx	xxx
Increase in Net Assets for the Year		xxx	xxx
Net Assets available for benefits		xxx	xxx

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ABC Defined Benefit Statement of Financial Position as at 30 June XXX

Description	Note	Insert Current FY	Insert Comparative FY
		Kshs	Kshs
Assets			
Cash and Cash Equivalents		xxx	xxx
Plan Investments			
Treasury Bills		xxx	xxx
Treasury Bonds		xxx	xxx
Corporate Bonds		xxx	xxx
Quoted Investments		xxx	xxx
Unquoted investments		xxx	xxx
Private Equities		xxx	xxx
Offshores		xxx	xxx
Investment Property		xxx	xxx
Total Plan Investments		xxx	xxx
Contributions receivable		xxx	xxx
Trade And Other Receivables		xxx	xxx
Other assets			
Property, Plant and Equipment		xxx	xxx
Intangible Assets		xxx	xxx
Tax Recoverable		xxx	xxx
Total Assets		xxx	xxx
Liabilities			
Benefits payable		xxx	xxx
Lease liability		xxx	xxx
Tax Payable		xxx	xxx
Trade and Other Payables		xxx	xxx
Total Liabilities		xxx	xxx
Net Assets available for benefit		xxx	xxx
Provision for the actuarial present value of promised retirement benefits		xxx	xxx
Fair Value Adjustment Reserves		xxx	xxx
Excess or deficit of funding		xxx	xxx

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Statement of Changes in Retirement Benefit Obligations for the Year Ended xx.

Description	Note	Insert Current FY	Insert Comparative FY
		Kshs	Kshs
Retirement benefit obligations (beginning of the year)		xxx	xxx
Contributions received and receivable		xxx	xxx
Funding from sponsor		xxx	xxx
Changes in actuarial assumptions		xxx	xxx
Benefits accrued*		xxx	xxx
Total increase in retirement benefit obligations		xxx	xxx
Benefits paid and payable		(xxx)	(xxx)
Tax on contributions		(xxx)	(xxx)
Total decrease in retirement benefit obligations		(xxx)	(xxx)
Retirement benefit obligations (end of year)		xxx	xxx

ABC Defined Benefits
Statement of Cash Flows for the year ended xx

Description	Note	Insert	Insert
		Current FY	Comparative FY
		Kshs	Kshs
Cash flows from operating activities			
Receipts		xxx	xxx
Contributions received Employer		xxx	xxx
Contributions received Employee		xxx	Xxx
Sponsor funding		xxx	xxx
Interest received		xxx	xxx
Dividends		xxx	xxx
Others(specify)		xxx	xxx
Total cash inflows		xxx	xxx
Payments			
Benefits paid		xxx	Xxx
Taxation paid		(xxx)	(xxx)
Operational and administrative Expenses paid		(xxx)	(xxx)
Others (specify)			
Total cash outflow		xxx	Xxx
Net Cash inflows/(outflows) from operating activities		xxx	xxx
Cash flows from investing activities			
Purchase of property, plant and equipment		(xxx)	(xxx)
Proceeds from disposal of property, plant and equipment		xxx	xxx
Purchase of intangible assets		(xxx)	(xxx)
Proceeds from disposal of intangible assets		xxx	xxx
Purchase of investment property		(xxx)	(xxx)
Proceeds from disposal of investment property		xxx	xxx
Purchase of treasury bills		(xxx)	(xxx)
Proceeds from sale of treasury bills		xxx	xxx
Purchase of treasury bonds		(xxx)	(xxx)
Proceeds from sale of treasury bonds		xxx	xxx
Purchase of corporate bonds		(xxx)	(xxx)
Proceeds from sale of corporate bonds		xxx	xxx
Purchase of quoted investments		(xxx)	(xxx)
Proceeds from disposal of quoted investments		xxx	Xxx
Purchase of unquoted investments		(xxx)	(xxx)
Proceeds from disposal of unquoted investments		xxx	xxx

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Description	Note	Insert Current FY	Insert Comparative FY
		Kshs	Kshs
Purchase of offshore investments		(xxx)	(xxx)
Proceeds from disposal of offshore investments		xxx	xxx
Purchase of private equities		(xxx)	(xxx)
Proceeds from disposal of private equities		xxx	xxx
Investment related expenses		(xxx)	(xxx)
Others(specify)		xxx	(xxx)
Net cash generated from/(used in) investing activities		xxx	xxx
Cash flows from financing activities*			
Specify if any		xxx	xxx
Net cash generated from/(used in) financing activities		xxx	xxx
Increase/(decrease) in cash and cash equivalents		xxx	xxx
Cash and cash equivalents at beginning of year		xxx	xxx
Effects of foreign exchanges rate fluctuations		xxx	xxx
Cash and cash equivalents at end of the year		xxx	xxx

10. Disclosures

The standards require that the notes to the financial statements for retirement benefit plans to describe their funding policy, a description of the plan, basis of valuation of all plan assets including their fair values, details of any single investment exceeding 5% of the net assets available for benefits or 5% of any class or type of security, details of any investments in the employer/sponsor, liabilities other than the provision for actuarial present value promised retirement benefits or defines contribution obligations to participants and the accounting policies applied.

For a defined benefit plan, the notes to the financial statement shall include the actuarial present value of promised retirement benefits, distinguishing between vested benefits and non-vested, describing significant actuarial assumptions made, and describing the method used to calculate the actuarial present value of promised retirement benefits. In the event that the scheme has an actuarial determined shortfall in assets, the entity ought to disclose its funding policy, explaining how benefit obligations will be met—such as through participant contributions or government support.

Moreover, the retirement plan shall disclose the effect of any changes in actuarial assumptions that have significantly impacted the actuarial present value of promised retirement benefits, the date of the actuarial valuation, and when the next valuation will be undertaken.

Lastly, the retirement benefits plan's financial statement shall contain.

1. the name(s) of the employer(s)/sponsor(s) and the participant groups covered.
2. number of participants receiving benefits and the number of other participants, classified as appropriate.
3. The type of plan – defined contribution or defined benefit.
4. A note as to whether participants contribute to the plan.
5. A description of the retirement benefits promised to participants.
6. A description of any plan termination terms; and
7. Changes in items (1) to (6) during the period covered by the financial statements.

11. Effective Date and Transition Provisions

In Kenya, this Standard shall be applied prospectively from 1st July 2026. 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*. In Kenya early adoption is encouraged.

12. Frequently Asked Questions

Q1. What is the effective date for IPSAS 49?

1st January 2026. However, in Kenya, the effective date is 1st July 2026.

Q2. What is the difference between a defined contribution (DC) scheme and a defined benefit (DB) scheme?

A Defined Benefit Plan is a retirement benefit plan that guarantees a fixed retirement benefit, usually based on salary and years of service. The Employer contributes, while the employee may or may not. Benefit calculations are formula-based (e.g., $2\% \times \text{years of service} \times \text{final salary}$). Payouts are done as monthly pension after retirement. These are traditional retirement plans that are common in public sector schemes and are funded by tax e.g, public service pensions, LAPTRUST

A Defined Contribution Plan is a retirement benefit plan that depends on contributions and return on investment performance. Contributions are made by both employer and employee at a fixed amount or a fixed percentage of basic salary to fund the retirement plan. Benefit calculations are based on total contribution plus investment returns. Payouts are in lump sum or annuity options based on accumulated savings at the time of exit. This is modern compared to defined benefit plans and is mostly used in private sector retirement plans, but it can also be used in public sector e.g, LAPFUND, PSSF

Q3. How is the defined benefit obligation (DBO) measured?

The DBO is measured as the actuarial present value of promised retirement benefits, using projected salaries and discounted using a high-quality government bond yield or another appropriate discount rate.

Q4. How frequently should the actuarial valuation be updated?

IPSAS 49 requires the actuarial present value of promised retirement benefits to be updated at each reporting date to reflect current assumptions. However, if an up-to-date valuation is not available, the most recent valuation can be used.

Q5. How does IPSAS 49 differ from IAS 26?

IPSAS 49 is based on IAS 26 (Accounting and Reporting by Retirement Benefit Plans), but there are adjustments to reflect public sector-specific considerations. IPSAS 49 puts more emphasis on public financial management, transparency and accountability for retirement benefit obligations in public sector plans.

Q6. Who should apply IPSAS 49?

Retirement benefit plans that present general purpose financial statements (GPFS), such as public sector pension funds or retirement schemes, apply IPSAS 49. Employers sponsoring such plans apply IPSAS 39 (Employee Benefits), not IPSAS 49

Q7. How are plan assets measured under IPSAS 49?

From a reporting perspective, measurement is done from the viewpoint of the retirement benefit plan, not the employer or sponsor. Assets held by the retirement benefit plan are measured **at fair value** in accordance with applicable IPSAS, while Liabilities, including retirement benefit obligations, are recognized and measured to reflect the plan's obligations to participants.

Disclaimer:

This guideline has been prepared to guide public sector entities in Kenya in implementing IPSAS 49. However, it does not serve as an advisory, complete standard documentation, or a replacement for IPSAS 49. For further engagements on IPSAS 49, reach out to us at

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