EMPLOYEE BENEFITS
ACCOUNTING UNDER
INTERNATIONAL FINANCIAL
REPORTING STANDARDS (IFRS)
Mercer is a leading global provider of actuarial and pension consulting services, with an established presence in the GCC to help you comply with all required financial information under IAS 19R standards.
More and more companies around the globe are moving towards reporting under the International Financial Reporting Standards (IFRS), mainly for the following reasons:

• **Transparency:** To enhance international comparability and quality of financial information to empower investors and other market participants to make informed economic decisions.

• **Accountability:** To provide information necessary to holding management accountable, thus reducing the gap between providers of capital and the people to whom they have entrusted their money, and providing regulators globally comparable information.

• **Efficiency:** To contribute to economic efficiency by unifying the language of performing business activities.

• **Regulatory requirement:** To adhere with the requirements of the biggest economy in the Gulf Cooperation Council (GCC), Saudi Arabia, which now requires all businesses to publish their financial statements in accordance with IFRS.

IAS 19R under the IFRS prescribes the treatment of all employee benefits given by an entity in exchange for service rendered by its employees.
WHAT ARE THE REQUIREMENTS UNDER IAS 19R?


WHAT ARE EMPLOYEE BENEFITS?

The IFRS standard governing employee benefits defines employee benefits as “all forms of benefits given by a company in exchange for service rendered by its employees or at termination of their employment”. It identifies four benefits categories, as set out below.

IFRS TREATMENT OF EMPLOYEE BENEFITS

SHORT-TERM BENEFITS
- Typically due within 12 months following the reporting date; e.g., wages, salaries, social security contributions
- Recognised when employee has rendered service in exchange for benefits
- No actuarial valuation required under IAS 19R

TERMINATION BENEFITS
- Payable as a result of termination of employment (initiated by employer); e.g., golden handshake
- Recognised as soon as employer can no longer withdraw offer of such benefits
- No actuarial valuation required under IAS 19R

POST-EMPLOYMENT BENEFITS
- Offered after employee leaves service; e.g., retirement benefits (pensions or end-of-service gratuities), post-employment medical care
- Liability must be measured by actuarial methodology
- Service cost and interest cost recorded in income statement (P&L)
- Re-measurements due to changes in assumptions or experience adjustments reflected under OCI

OTHER LONG-TERM BENEFITS
- Typically due over a period beyond 12 months following reporting date; e.g., jubilee benefits, service awards, long-term disability benefits
- Same accounting treatment as post-employment benefits, except that re-measurements due to changes in assumptions or experience adjustments recognised in P&L rather than OCI

HOW CAN MERCER HELP YOU?

Mercer can help you satisfy financial reporting requirements under IFRS by performing a periodic actuarial valuation of your employee benefits, including:

- End-of-service benefits
- Long-service awards
- Repatriation allowances
- Accrued leave encashment
- Any other benefit plan classified as a defined benefit plan under IAS 19R
WHAT IS AN ACTUARIAL VALUATION?

An actuarial valuation is an assessment of your future liabilities (as of the reporting date) calculated using an agreed set of forward-looking financial and demographic assumptions based on your company’s best estimates, preferably supported by historical data.

After an actuarial valuation, you will have insights into your:

- Defined benefit obligation, which represents the sum of each eligible employee’s accrued liabilities, based on accrued service but using the projected salary at each potential future exit date
- Service cost, which represents the sum of each eligible employee’s service cost, calculated as the present value of the employee’s benefit expected to accrue during the financial year

MERCER’S BEST-PRACTICE VALUATION PROCESS

Data
- Collect and validate data
- Reconcile membership data between two actuarial valuations
- Provide employee data summaries

Assumptions
- Analyse historical turnover and salary increase experience
- Engage HR to gain better insight into HR strategies and future workforce changes
- Recommend assumptions based on historical data analysis, discussions with the client and our experience in the region

Valuation
- Perform actuarial valuation and generate results
- Discuss results with HR and Finance
- Provide training by hosting knowledge-transfer sessions
- Discuss results with the auditors

Report
- Provide complete IAS 19R standard disclosure set
- Support the transition from current to IAS 19R reporting
- Submit a comprehensive actuarial valuation report that satisfies all actuarial and accounting reporting standards, signed by qualified actuaries
OUR SCALE AND RESOURCES

**LIABILITIES VALUED**
Valuing post-retirement benefits worth over US$ 5.3 billion*

**EMPLOYEE BENEFIT INSIGHTS**
Having insight of post-retirement benefits for over 140,000 employees

**EXPERIENCE**
Advising on IAS 19 for more than 11 years in the region

**PORTFOLIO**
100+ clients in the GCC covering private, multinational and governmental institutions

**EXPERTISE**
Our clients are well-served by 6 actuarial professionals based in the region

**GLOBAL EXPERIENCE**
Ability to leverage Mercer’s global expertise and resources

* As at 31 December 2018
MERCER’S DIFFERENTIATING ADVANTAGES

Global Reach & Regional Presence
- One of the largest actuarial and pension consulting firm in the world operating in 40+ countries with 23,000 employees

Specialists
- Specialized teams (locally & globally) in IFRS, funding, governance
- Qualified team certified with either the American Society of Actuaries or the UK Institute and Faculty of Actuaries

Regional Familiarity and Experience
- Performed actuarial valuations for 80+ companies and public sector pension funds in 25+ countries in the Middle East and Africa

Independent Actuarial Advisor
- Adhere to the standards set by professional actuarial associations, international actuarial & accounting standards and our internal Code of Professional Conduct
- Do not rely on third parties and affiliates to deliver actuarial type projects to our clients

Quality Control Measures
- Quality management and ongoing training of staff
- Mandatory peer review process in place before submission of any deliverables

Confidentiality of Information
- Respect of client confidentiality is a condition of employment at Mercer
- Protocols, systems, procedures and facilities in place (and tested regularly) to maintain the security of client data

Relation with Auditors
- Worked with the Big 4 audit firms and local audit firms
- They approve our methodology and approach to setting assumptions

Tools
- Actuarial tools and models designed for specifically for clients in the Middle East and Africa
- Demographic and financial projections
CONTACT US

Tarek Zouiten, ASA, CFA
Senior Associate and IAS 19R Expert
T: +971 4 327 8700
M: +971 54 792 9918
tarek.zouiten@mercer.com

Nelson D’lima
Associate and IAS 19R Expert
T: +971 4 327 8700
M: +971 56 401 4814
nelson.d’lima@mercer.com

Hazem Abdel Rahman, ASA, ACIA
Associate and IAS 19R Expert
T: +971 4 327 8700
M: +971 54 583 9769
hazem.abdel.rahman@mercer.com

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