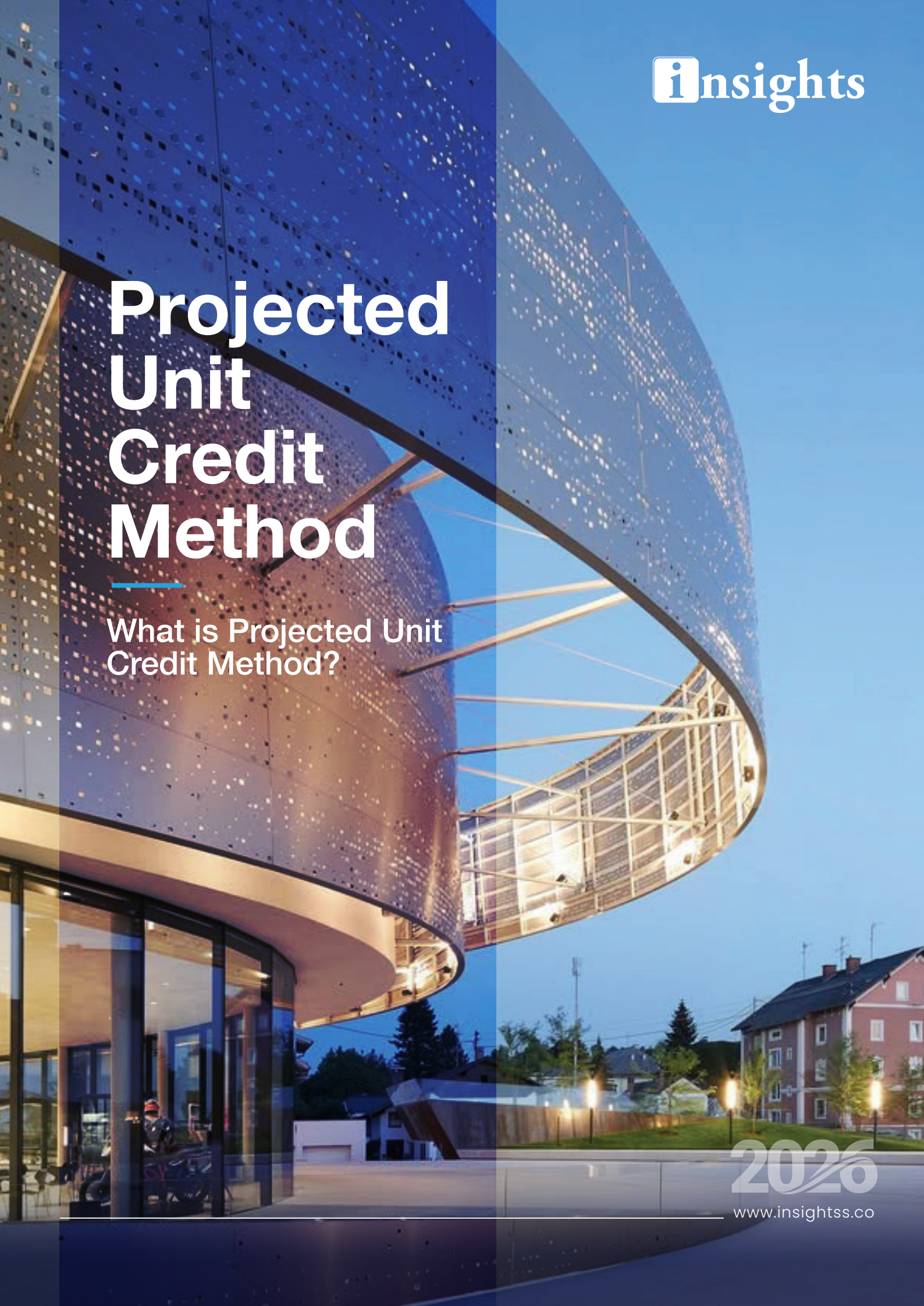


insights

Projected Unit Credit Method

What is Projected Unit Credit Method?

2026

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Projected Unit Credit Method

What is Projected Unit Credit Method?

Paragraph 67 of IAS 19 requires the Projected Unit Credit (PUC) method to determine the present value of the defined benefit obligation and the related current service cost.

PUC treats each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately. The valuation projects the benefit the employee is expected to receive on exit, using expected future salary, attributes the portion earned for service to the valuation date, and discounts it to the reporting date.

Aggregated across all employees, this gives the present value of the defined benefit obligation (DBO). The current service cost is the increase in the DBO from one further year of service.

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The mechanics

Projection:

The expected benefit at each possible exit date, using projected salary and the plan formula.

Attribution:

The portion of that benefit relating to service to date (paragraphs 70 to 74)



Probability weighting:

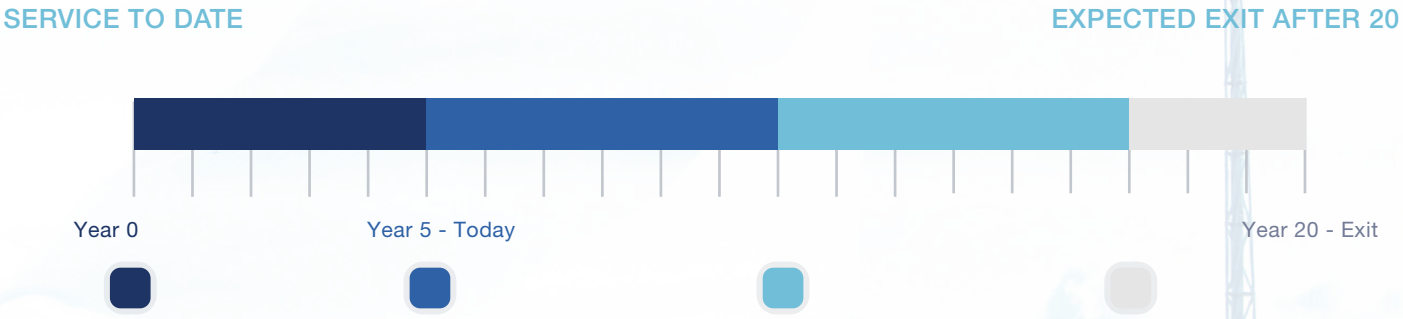
Exits through resignation, retirement, death or disability are weighted by their assumed probabilities.

Discounting:

Each expected payment is brought back using the discount rate at the reporting date.

Worked illustration

Take an employee with 5 years of service today and an expected exit after 20. The valuation projects the benefit payable at year 20, recognises the proportion attributable to the first 5 years, and discounts it to today. Next year the attributed share increases and interest on the opening liability adds to the charge. Both are recognised in profit or loss.



Why it matters in practice



Cost follows service:

The charge is matched to the years in which employees provide service.



Consistency:

Every year is measured on the same basis, so movements are explainable..



Auditability:

Because the method is prescribed, any departure from it will be challenged.



Common Practice:

Method is used mostly by actuaries around the globe.

Questions to every finance professional and our solutions to them.

Questions	Solutions
Is your valuation based on the method IAS 19 prescribes?	Every valuation we issue applies the Projected Unit Credit method and states it in the report.
Can you trace the total back to each employee?	We provide employee-level results that sum to the reported obligation, so every figure can be reconciled.
Do you understand what drives the yearly cost?	Our report explains service cost and interest cost, and rolls the obligation forward.
Does your benefit formula fit a standard approach?	We build your specific terms into the valuation, including scales, caps and eligibility rules.

Contact Us

Our IAS 19 valuations apply the Projected Unit Credit method which is widely accepted around the globe.

Contact us to discuss your year-end EOSB valuation.

2026

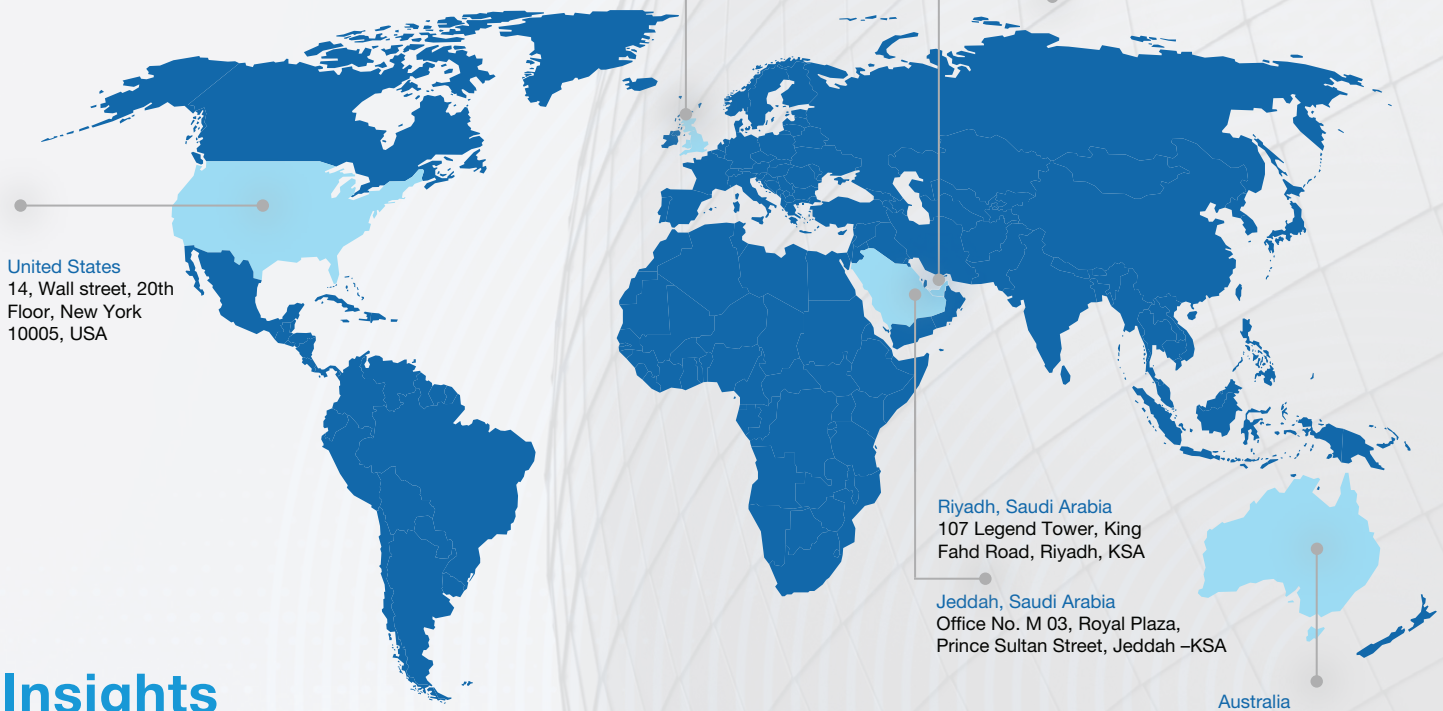
Contact Us

Please contact us for a tailored consultation and let us partner with you to enhance your financial reporting and compliance.

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