

6.5 Accounting and Reporting by Pension Funds

- 10.1.2.145 The Code (following IFRS 1) requires authorities that administer pension funds to disclose an opening IFRS Net Assets Statement at 1 April 2009. Other than with regard to the disclosure of the 'actuarial present value of promised retirement benefits', which it is optional to disclose in the Net Assets Statement, the requirements of the Code are the same as the 2009 SORP. Where an authority has opted not to disclose the actuarial present value of promised retirement benefits in the Net Asset Statement, the Net Assets Statement at 31 March 2009 would be used unchanged as the 1 April 2009 opening IFRS Net Assets Statement.

Authorities should note that the assumption in paragraph 10.1.2.145 that statements can be used unchanged where pension liabilities are disclosed in the notes to the accounts or by reference to an accompanying actuarial report will be valid only where additional adjustments in respect of the employer's augmentation contributions are not required. Details of these adjustments can be found at the end of this section of the Transition Guidance Notes.

Paragraph 6.5.2.9 of the Code permits three options for disclosing the 'actuarial present value of promised retirement benefits', as follows:

Option A – *in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit*

Option B – *in the notes to the accounts*

Option C – *by reference to this information in an accompanying actuarial report.*

The Code (paragraph 6.5.2.10) only permits option A to be used where the actuarial present value of promised retirement benefits is valued as at the Balance Sheet date. Under options B and C, the most recent valuation can be used, even where this is before the balance sheet date. Further guidance can be found in paragraphs E12 – E14 of the Code Guidance Notes.

Where an authority has chosen to disclose the actuarial present value of promised retirement benefits using option B or C, no transition requirements will arise in the statements themselves. The 31 March 2009 Net Assets Statement will form the restated 1 April 2009 Net Assets Statement without any changes being required. However, authorities will need to provide information (either in the notes to the accounts or by reference to an accompanying actuarial report) regarding the 'actuarial present value of promised retirement benefits' on an IAS 19 basis. This information will need to have been prepared as at 31 March 2009 or in the two previous years. Where this information was prepared as at 31 March 2009, it can also be used for the restated 2009/10 accounts and the 2010/11 accounts in the absence of more up to date information.

As authorities will be obtaining the triennial valuation as at 31 March 2010, it would be appropriate to request a valuation of the fund liabilities at that date on an IAS 19 basis. This could then be relied on under options B and C until the next triennial valuation.

- 10.1.2.146 Where an administering authority chooses to disclose the 'actuarial present value of promised retirement benefits' in its Net Asset Statement it will need

to determine this in accordance with the requirements of the Code (ie on an IAS 19 basis not on the basis of the pension funds funding assumptions).

Where an authority has chosen to disclose the actuarial present value of promised retirement benefits using option A, the Net Assets Statement (both as at 1 April 2009 and as at 31 March 2010) and Fund Account (for 2009/10 only) will need to be restated. The restatement of the Fund Account is covered in paragraph 10.1.2.148 below. At the end of the Net Assets Statement, the following additional information should be disclosed:

Actuarial present value of promised retirement

*Vested benefits
Non-vested benefits*

Net pension liability or asset at the period end

Lines in bold are mandatory; other lines may be disclosed on the face of the statement or in the notes to the accounts.

- 10.1.2.147 Where an authority has opted not to disclose the actuarial present value of promised retirement benefits in the Net Asset Statement, the Fund Account and Net Assets Statement at 31 March 2010 would be used unchanged as the comparative amounts to the 31 March 2010 statement.

As discussed above, where an authority has chosen to disclose the actuarial present value of promised retirement benefits using option B or C, no transition requirements will arise. The 31 March 2010 Net Assets Statement and 2009/10 Fund Account will form the restated comparative accounts without any change. As discussed under paragraph 10.1.2.145, information regarding the 'actuarial present value of promised retirement benefits' will need to be provided; this may need to be updated from the information provided in relation to the 1 April 2009 Net Assets Statement where more up to date information (but prior to 31 March 2010) is available, or where the information in relation to the 1 April 2009 Net Assets Statement was prepared as at a date prior to 31 March 2007.

- 10.1.2.148 Where an administering authority chooses to disclose the 'actuarial present value of promised retirement benefits' in its Net Asset Statement at 31 March 2011 it will need to determine the comparative amount for the previous year in accordance with the requirements of the Code.

Where an authority has chosen to disclose the actuarial present value of promised retirement benefits using option A, the Net Assets Statement will need to be restated. The Net Assets Statement should include the additional information outlined above. The Fund Account will also need to be restated, and will need to include the following additional information:

Change in actuarial present value of promised retirement

*Vested benefits
Non-vested benefits*

Surplus/(deficit) on the pension fund for the year

Lines in bold are mandatory; other lines may be disclosed on the face of the statement or in the notes to the accounts.

Additional adjustments in respect of Employers' Augmentation Contributions

Under the SORP, employers' augmentation contributions would have been accounted for either in accordance with the agreement under which they were being paid, or on a receipts basis. This is in line with paragraph 2.48 of the Pensions SORP. Under the Code, augmentation contributions should be accounted for on an accruals basis; this brings the accounting in the Pension Fund in line with the accounting in the authority's own accounts. Where authorities have accounted for employers' augmentation contributions on a basis other than an accruals basis, the Pension Fund accounts will need to be restated.

In the opening 1 April 2009 Net Assets Statement, the difference between the contributions included under the SORP on a receipts basis or in line with the agreement, and the accrued contributions included under Code should be shown as a current asset (or as a non-current asset if contributions are not due to be received within 12 months). This will increase the net assets of the scheme, and where the 'actuarial present value of promised retirement benefits' is presented as part of the Net Assets Statement (Option A above), the net pension liability or asset at the period end will need to be amended.

The comparative 31 March 2010 Net Assets Statement will need to be restated on the same basis as the 1 April 2009 Net Assets Statement. The comparative 2009/10 Fund Account will also need to be restated, by increasing or decreasing the contributions from employers for the difference between the contributions included under the SORP on a receipts basis or in line with the agreement, and the accrued contributions included under Code. Adjustments will also be needed to the net increase (decrease) in the net assets available for benefits during the year, and, where the 'actuarial present value of promised retirement benefits' is presented as part of the Net Assets Statement (Option A above), the surplus/(deficit) on the pension fund for the year.