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International Accounting Standards and the Future of the Pensions SORP

Kevin Clark
Associate Partner
KPMG

What are we going to cover?

- Summary of ASB's initial proposals
- ASB's current thinking
- Impact for private sector pension schemes
- Where do we go from here?

ASB policy proposal for pension SORP

“The SORP should be updated to provide guidance on the application of IAS 26 ‘Accounting and Reporting by Retirement Benefit Plans... This standard applies in preference to all other IFRS where items fall within the scope of more than one standard.....there will be minimal changes in reporting by pension funds”



ASB's current thinking

- Pension schemes to apply Financial Reporting Standard for Small & Medium Sized Entities (FRSME)
- FRSME to include extra disclosures for investments held by 'financial institutions'
- Pension schemes included within definition of a financial institution
- FRSME to reference International Accounting Standard 26 (IAS 26)

What does IFRS/FRSME mean for pension scheme investment accounting?

| | SORP | IFRS | FRSME |
|-------------------------------|-------------------------|-------------------------------------|--------------------------------|
| Pricing hierarchy disclosures | Not required | Required | Required |
| Transaction costs | Capitalise and disclose | Expense in revenue account | Expense in revenue account |
| Risk disclosures | None | Extensive risk disclosures required | Some risk disclosures required |
| Effective interest accounting | Not required | May be required | May be required |

What would IFRS mean for Pension Scheme liabilities?

IAS 26 – Accounting for Pension Schemes

ASB 29 September 2011 - a pension fund would be required to apply IAS 26 'Accounting and Reporting by Retirement Benefit Plans' and that it would not seek to restrict the options available in that standard

- **IAS 26 allows three options for liabilities**
 - Full inclusion – create a balance sheet
 - Disclose in notes
 - Attach as a separate report

Implementation date

- Was accounting periods commencing 1 July 2013
- Pushed back to accounting periods commencing 1 January 2014

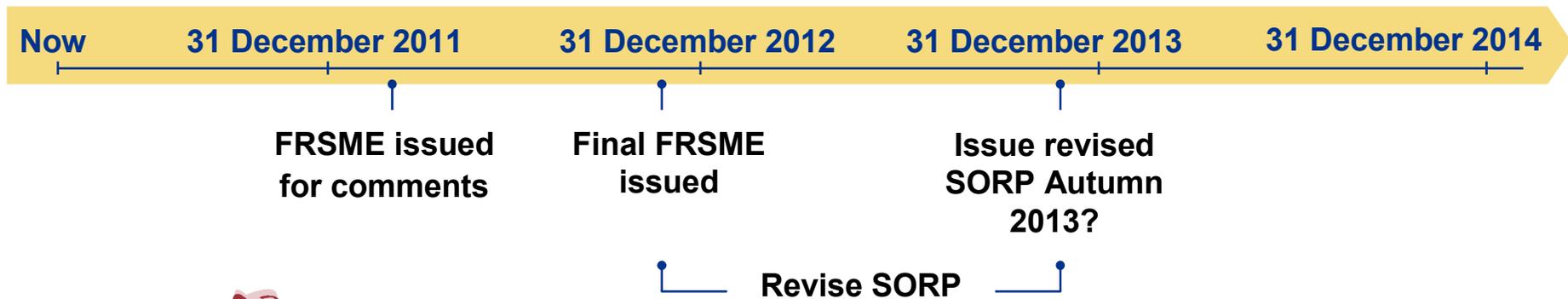
Year end

- 31 December
- 31 March
- 30 June
- 30 September

First period

- 31 December 2014
- 31 March 2015
- 30 June 2015
- 30 September 2015

Where do we go from here?





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