



MEMORANDUM

To: Technical Representatives
From: Andrew Jarvis
Date: 29 February 2016
Ref: TM 06/16

HAT PENSION SCHEMES MANUAL ~ JANUARY 2015

The HAT Pension Schemes Manual has been updated to reflect the changes to financial reporting for pension schemes for periods commencing on or after 1 January 2015. The updated Manual reflects the requirements of the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Financial Reports of Pension Schemes: A Statement of Recommended Practice (2015)' ("the SORP"), which was issued in November 2014.

The changes introduced are unlikely to have a significant impact on many pension schemes. The main changes in typical scheme will include:

- Annuities purchased in the name of trustees to settle pension liabilities (which is common practice) must now be shown on the Statement of Net Assets at 'fair value' with a matching liability. Both asset and liability are valued at the 'present value of the liability – auditors will need to ensure this information can be obtained for all existing annuities held by the scheme;
- Investments must be analysed into three categories based on how fair value has been determined (ranging from a clear market price, to more subjective pricing models; and
- There are minor changes to terminology – for example the Net Asset Statement becomes the Statement of Net Assets.

It should be noted that more complicated schemes, especially those using derivatives and other more complex investments will see more significant changes to their financial statements.

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The Manual also formally incorporates guidance on the requirement for schemes with a defined contribution element to include a governance statement within their annual report. The statement must include:

- Where members cannot select their own investment strategy, details of the investment policies followed by the scheme and how the trustees review investment performance;
- Details of how trustees ensure that transactions are processed correctly (e.g. the controls in place);
- Disclosure of the level of charges and other transaction costs borne by the scheme members; and
- Details of how trustees have fulfilled their knowledge and understanding obligations.

The Manual has also been updated to include:

- Updated audit programmes reflecting the requirements of FRS 102 and the SORP;
- A simplified structure, which mirrors the HAT Audit Manual – Chapters 1 to 3 now deal with a ‘normal’ statutory audit, with additional chapters providing guidance on non-statutory audit of Small Self-Administered Schemes (SSAS) (Chapter 4); Earmarked Schemes (Chapter 5) and non-audit assignments (Chapter 6); and
- Other recent changes to HAT documentation, including changes to briefing meetings, subsequent events reviews and pro-forma letters already communicated to users.

We are always pleased to receive feedback on our manuals. If you have any comments on this Manual then please email andrew@hatgroup.co.uk