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Financial Reporting Quality of Financial Institution Pension Funds (DPLK): A Perspective from Pension Fund Accounting

Santi Theresia[1], Septian Odie Saputra[2]

[1,2,]PT Sucorinvest Asset Management

Email: santikunarjo@gmail.com; septianodhie@gmail.com;

Abstract

Financial Institution Pension Fund (DPLK) is a financial institution that manages participants' pension funds with a long-term orientation to ensure participants' welfare during retirement. As an institution that manages public funds, DPLK is required to implement the principles of transparency and accountability through the presentation of high-quality financial statements. The quality of financial statements becomes an important indicator in assessing the effectiveness of pension fund management as well as the level of compliance with applicable accounting standards. This study aims to analyze the accounting practices of DPLK based on the approach of financial statement quality concepts as regulated in Statement of Financial Accounting Standards No. 18 (PSAK 18) regarding Pension Fund Accounting and the Conceptual Framework for Financial Reporting.

The research method used is qualitative descriptive with a literature study and document analysis approach. Data were obtained from PSAK 18, the Conceptual Framework for Financial Reporting, as well as relevant scientific literature. Analysis was conducted by assessing the compliance of DPLK accounting practices with the qualitative characteristics of financial statements, namely relevance, reliability, comparability, and understandability.

Research results indicate that the implementation of PSAK 18 has generally been able to support the quality of DPLK's financial statements, particularly in presenting relevant and reliable information for financial statement users. In addition, the consistency in applying accounting standards also enhances the quality of financial statements across periods. Therefore, improving the quality of information disclosure is important to strengthen the quality of DPLK's financial statements.

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INTRODUCTION

Pension funds are long-term financial instruments that play an important role in ensuring individual welfare during non-productive years (Harahap, 2018; Kieso et al., 2019). The role of pension funds has become increasingly significant due to rising life expectancy, changes in population demographic structures, and decreasing reliance on social security systems. These conditions require pension funds to be managed professionally, transparently, and with a focus on protecting the interests of participants (Scott, 2015).

In Indonesia, the administration of pension funds is regulated under Law No. 11 of 1992 regarding Pension Funds, which was later reinforced by Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector (P2SK Law). Pension funds are categorized into Employer Pension Funds (DPPK) and Financial Institution Pension Funds (DPLK). DPLK are pension funds established by banks, life insurance companies, or investment managers to provide defined contribution pension programs. Under this scheme, the amount of pension benefits largely depends on the accumulation of contributions and the returns from investment management, making the quality of fund management and financial reporting systems crucial aspects.

As entities that manage a wealth of public funds, Financial Institution Pension Funds (DPLK) have both moral and regulatory obligations to implement accountable accounting and financial reporting practices. DPLK financial statements not only serve as a form of accountability to participants and regulators, but also as a means of providing economic information that is useful for assessing the performance of pension fund management as well as the level of security of participants' funds (Scott, 2015; Kieso et al., 2019). Therefore, DPLK financial statements must be prepared in accordance with relevant and generally accepted accounting standards to ensure the quality and usefulness of the information produced (Ikatan Akuntan Indonesia, 2020).

The accounting standard that looks over the preparation of pension fund financial statements in Indonesia is Statement of Financial Accounting Standards No. 18 (PSAK 18) on Pension Fund Accounting. PSAK 18 provides guidelines for the recognition, measurement, presentation, and disclosure of financial transactions related to pension fund activities. The implementation of PSAK 18 is expected to produce financial

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statements that fairly reflect the financial condition of pension funds and are comparable across periods as well as between entities (Kieso et al., 2019; Scott, 2015).

From a conceptual perspective, the implementation of the accounting standard cannot be separated from the quality of the information produced. Financial statements prepared in accordance with PSAK 18 do not necessarily have optimal quality if they do not meet the qualitative characteristics of financial statements as outlined in the Conceptual Framework for Financial Reporting (Ikatan Akuntan Indonesia, 2020; International Accounting Standards Board, 2018). Within this framework, the quality of financial information is determined by its ability to provide useful information for economic decision-making (Staubus, 1977; Scott, 2015).

In practice, DPLK financial statements face a high level of complexity, particularly in relation to the management and valuation of investment instruments, the recognition of fund returns, and the disclosure of risks inherent in pension funds. These conditions raise a conceptual question regarding the extent to which DPLK accounting practices are aligned with PSAK 18 while also being able to fulfill the concept of financial reporting quality. This issue is not only technical in nature but also encompasses normative and conceptual dimensions in financial reporting.

Therefore, this research employs a qualitative conceptual approach by examining the accounting practices of Financial Institution Pension Funds (DPLK) based on the conceptual framework of accounting and the provisions of PSAK 18. This approach aims to gain an in-depth understanding of the alignment between principles, standards, and the concept of financial reporting quality in DPLK accounting practices without conducting statistical testing or quantitative measurement. This study is expected to provide theoretical insights into the quality of DPLK financial reporting and to serve as a basis for reflection for pension fund managers in improving transparency and accountability.

Theoretical and Financial Literature Review

Financial Institution Pension Funds (DPLK)

DPLK are pension funds established by banks, life insurance companies, or investment managers to provide pension programs for the general public (Otoritas Jasa Keuangan, 2023). DPLK administer defined contribution pension programs, in which the amount of pension benefits is not determined in advance but depends on the accumulation of participants' contributions and the returns generated from investment management. With these characteristics, the investment risk in defined contribution pension programs is, in principle, borne by the participants, while DPLK managers are

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responsible for managing the funds professionally and in accordance with applicable regulations.

The DPLK plays a strategic role in enhancing financial literacy and inclusion, particularly in preparing for the welfare of society during retirement. Unlike Employer Pension Funds (DPPK), which are limited to employees of a specific company, DPLK are more open and flexible, as they can be joined by both employees and self-employed individuals. This flexibility requires stronger governance, considering that DPLK managers collect funds from various parties with diverse risk characteristics and needs.

In the context of accounting, DPLK are reporting entities that are separate from their founders and are required to prepare financial statements as a form of accountability for fund management. DPLK financial statements serve as the primary means for participants and regulators to assess the performance of pension fund management, the financial condition, and the level of security of the managed funds (Kieso et al., 2019; Scott, 2015). Therefore, the presentation of DPLK financial information must adhere to relevant accounting standards and be supported by adequate information quality.

PSAK 18: Pension Fund Accounting

Statement of Financial Accounting Standards No. 18 (PSAK 18) on Pension Fund Accounting is a standard that specifically regulates the accounting treatment for pension funds, including Financial Institution Pension Funds (DPLK) (Ikatan Akuntan Indonesia, 2020). PSAK 18 aims to provide accounting guidelines that enable the preparation of pension fund financial statements that are reliable, relevant, and comparable.

PSAK 18 covers several key aspects of pension fund accounting, including the recognition and measurement of contributions and investments, the recognition of fund returns, the recognition of operating expenses, as well as the presentation and disclosure of financial statements. In the context of DPLK, participants' contributions are recognized as increases in pension fund assets, while investment returns are recognized based on the accrual basis and valuation methods appropriate to the types of investment instruments held.

From a conceptual standpoint, PSAK 18 is not solely technical but also embodies fundamental accounting principles such as accountability, transparency, and fair presentation. The standard underscores that pension funds are entities primarily aimed at managing participants' funds, rather than generating profit. Contributions are recognized when due or received, in accordance with the accrual basis, emphasizing the role of pension funds as fiduciary entities rather than profit-oriented entities.

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In this study, PSAK 18 serves as a normative framework for analyzing DPLK accounting practices. A qualitative conceptual approach is employed to evaluate the extent to which DPLK financial reporting practices align with the provisions of PSAK 18, without conducting quantitative empirical testing.

Concept of Financial Reporting Quality

According to the Conceptual Framework for Financial Reporting, the quality of financial statements is determined by qualitative characteristics, which are categorized into fundamental qualitative characteristics and enhancing qualitative characteristics (Ikatan Akuntan Indonesia, 2020; International Accounting Standards Board, 2018).

The fundamental qualitative characteristics consist of relevance and faithful representation. Financial information is considered relevant when it can influence users' decisions, either through predictive or confirmatory value. Faithful representation, on the other hand, requires that financial information be presented completely, neutrally, and free from material misstatement, thereby reflecting the underlying economic substance.

Enhancing qualitative includes characteristics such as comparability, verifiability, timeliness, and understandability. Comparability enables users to compare financial statements across periods and between entities, verifiability allows information to be tested for accuracy, timeliness ensures that information is available when needed, and understandability helps users comprehend information clearly and systematically.

Conceptually, the quality of financial statements is rooted in decision usefulness theory as proposed by Staubus (1977), which emphasizes that accounting information must be useful for economic decision-making. Therefore, all of these qualitative characteristics aim to ensure that the financial information presented is truly useful for users.

In the context of DPLK, the quality of financial statements is highly important because these reports are used by participants to assess the performance of fund management as well as the level of security of pension funds that will serve as a source of livelihood in the future. Therefore, the analysis of DPLK financial statements not only emphasizes compliance with PSAK 18, but also the extent to which these reports fulfill the qualitative characteristics of financial statements.

This study adopts a qualitative conceptual approach by examining the relationship between PSAK 18 and the concept of financial reporting quality. The approach seeks to provide a comprehensive understanding of the quality of DPLK financial reporting based on theoretical frameworks and accounting standards, while also identifying key

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conceptual aspects that enhance the decision-usefulness of financial information for users.

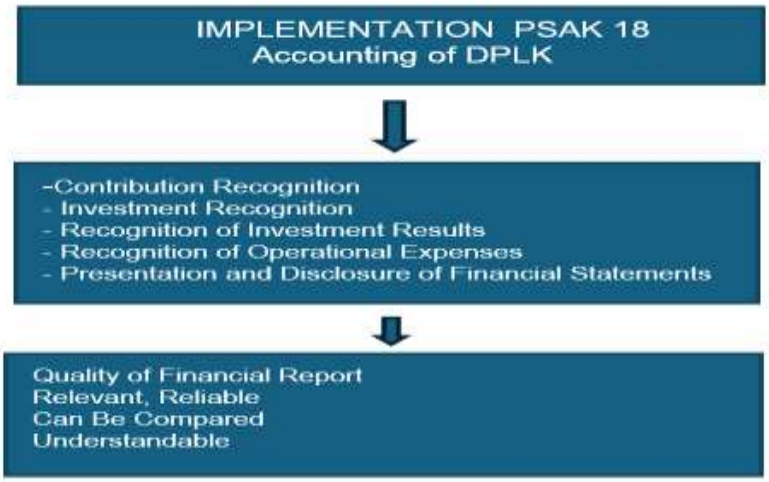
Conceptual Framework

The conceptual framework of this study is based on the premise that the application of PSAK 18 principles and provisions in DPLK accounting provides the normative basis for financial statement preparation, which is then evaluated using the concept of financial reporting quality as outlined in the Conceptual Framework for Financial Reporting.

From a conceptual standpoint, PSAK 18 offers technical guidance on the recognition, measurement, presentation, and disclosure of pension fund transactions, whereas the Conceptual Framework for Financial Reporting provides the foundation for evaluating the quality of the information produced. Accordingly, the quality of DPLK financial statements is determined not only by the degree of compliance with PSAK 18, but also by the extent to which these statements satisfy qualitative characteristics such as relevance and faithful representation.

The research framework can be illustrated as follows:

Figure 3.1 Implementation PSAK 18



Research Variables

In qualitative conceptual research, variables function as analytical categories rather than as objects for testing causal relationships. The variables in this study are as follows:

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- Independent Variable (X): Implementation of Pension Fund Accounting in accordance with PSAK 18
- Dependent Variable (Y): Quality of Financial Reporting of Financial Institution Pension Funds (DPLK)

Variable Indicators

Variable X: Implementation of PSAK 18 in DPLK, with the following indicators:

1. Recognition of contributions
   Conformity of recognizing contributions from participants and employers with the provisions of PSAK 18.
2. Recognition and measurement of investments
   The accounting treatment of pension fund investments, including the valuation basis used.
3. Recognition of investment returns
   The recognition of income generated from pension fund development in accordance with pension fund accounting principles.
4. Recognition of operating expenses
   The recording of management and administrative expenses of pension funds.
5. Presentation and disclosure of financial statements
   The presentation of statements of net assets, statements of changes in net assets, and the adequacy of disclosures in the notes to the financial statements.

Variable Y: Quality of DPLK Financial Statements, with indicators based on the qualitative characteristics of financial reporting, namely:

1. Relevance
   The ability of financial information to support users' decision-making.
2. Reliability
   The presentation of information that is complete, neutral, and free from material error.
3. Comparability
   The consistency of presentation, allowing financial statements to be compared across periods.
4. Understandability
   The clarity and systematic presentation of financial information.

The conceptual framework indicates that this study does not examine causal relationships but rather analyzes the conceptual alignment between DPLK accounting

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practices and pension fund accounting standards, as well as their implications for the quality of financial statements. Through this approach, the study is expected to provide a systematic and comprehensive understanding of the quality of financial reporting of Financial Institution Pension Funds (DPLK).

DISCUSSION

The implementation of PSAK 18 as the Independent Variable (X) provides clear guidance in the recognition and presentation of pension fund transactions, particularly with regard to participant contributions and investment returns. These provisions ensure that the financial information presented in DPLK financial statements reflects the core activities of pension funds. Its impact on the Dependent Variable (Y) is reflected in the increased relevance of financial statements, as the information produced can be used by participants to assess fund management performance and to estimate the pension benefits, they will receive in the future.

In addition, PSAK 18 regulates the structure of pension fund financial statements, such as the statement of net assets and the statement of changes in net assets. A structured presentation that focuses on the net assets of the pension fund helps users better understand the financial condition of DPLK. This contributes to improved understandability, as the information is presented systematically in accordance with the characteristics of pension funds as fiduciary entities.

From the perspective of faithful representation, the implementation of PSAK 18 emphasizes the use of the accrual basis in recording transactions as well as consistency in accounting treatment. This principle allows transactions to be recognized when economic events occur, enabling financial statements to more accurately reflect the underlying economic reality. As a result, the information produced becomes more complete, neutral, and free from material error.

The consistent application of accounting policies in accordance with PSAK 18 also contributes to enhanced comparability of financial statements. When the same standards are applied consistently over time, users can compare the performance and financial position of DPLK across reporting periods. Such comparability is essential for participants and regulators in evaluating the effectiveness of pension fund management and in ensuring that changes in financial information reflect underlying economic conditions rather than variations in accounting treatment.

However, the implementation of PSAK 18 has not yet fully resulted in optimal financial reporting quality, particularly in terms of disclosure. Limitations in disclosures

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related to investment risks, actuarial assumptions, and risk management policies have the potential to reduce the level of transparency. This condition may affect the fulfillment of the qualitative characteristics of faithful representation and understandability, as participants do not obtain a comprehensive view of the risks inherent in pension fund management. Therefore, although the implementation of PSAK 18 has contributed to improving the quality of DPLK financial statements, further improvements in disclosure are still necessary to optimize the usefulness of financial information.

Overall, the results of the analysis indicate that the implementation of PSAK 18 in DPLK contributes to the fulfillment of the qualitative characteristics of financial reporting, particularly relevance, faithful representation, comparability, and understandability. Nevertheless, there are still aspects that require improvement, especially in terms of information disclosure, so that the quality of financial statements can be enhanced more comprehensively.

CONCLUSION

Overall, the results of the analysis indicate that the implementation of PSAK 18 in DPLK contributes to the fulfillment of the qualitative characteristics of financial reporting, particularly relevance, faithful representation, comparability, and understandability. Nevertheless, there are still aspects that require improvement, especially in terms of information disclosure, so that the quality of financial statements can be enhanced more comprehensively.

From the perspective of financial reporting quality, the implementation of PSAK 18 contributes to the fulfillment of the fundamental qualitative characteristics, particularly relevance and faithful representation, as well as enhancing characteristics such as comparability and understandability. The information presented in DPLK financial statements is considered useful for users in assessing the performance of pension fund management and the prospects of future benefits.

However, the quality of DPLK financial reporting can still be enhanced, particularly with respect to disclosure. Limitations in information regarding investment risks, actuarial assumptions, and risk management policies may reduce the level of transparency and hinder users' comprehensive understanding of the overall condition of pension funds.

Therefore, DPLK managers need to improve the quality of financial statement disclosures, particularly regarding risks and underlying assumptions, in order to strengthen transparency and enhance the usefulness of information for participants and other stakeholders.

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