



NAPF Response to FRED 55, draft amendments to FRS 102, Pension Obligations

The NAPF is the voice of workplace pensions in the UK. We speak for over 1,300 pension schemes that provide pensions for over 17 million people and have more than £900 billion of assets. We also have 400 members from businesses supporting the pensions sector.

We aim to help everyone get more out of their retirement savings. To do this we promote policies that add value for savers, challenge regulation where it adds more cost than benefit and spread best practice among our members.

We welcome the opportunity to comment on these proposals from the FRC regarding the accounting under UK GAAP in relation to pension schemes.

We welcome the FRC addressing these issues around UK accounting for pension obligations as we agree that there is otherwise scope for a significant divergence of approaches with regards to substantial sums.

In brief, we are supportive of the proposals. It would seem inappropriate double-counting for entities to be obliged to account for planned deficit contributions in addition to the deficit itself in financial reports. We also support the proposal with regard to the use of other comprehensive income rather than profit and loss to report unrecoverable surpluses in pension schemes.

To respond to the individual questions:

Question 1: Do you agree that FRS 102 should be amended to clarify that an entity is not required to recognise any additional liabilities to reflect an agreement with a defined benefit plan to fund a deficit, where the entity has already measured and recognised its defined benefit obligation/asset in accordance with paragraphs 28.15 and 28.18 (and additionally for assets, paragraph 28.22) of FRS 102, even though this may differ from the accounting required by entities applying EU-adopted IFRS? If not, why not?

We welcome the objectives in UK GAAP standards to deliver reporting which is proportionate and reflects users' needs. We recognise the aim to be consistent where possible with IFRS. We also firmly agree that where a defined benefit pension deficit is recognised on the balance sheet of a reporting entity it would be unhelpful double-counting of liabilities to account for a schedule of contributions as well. As the consultation notes, while the measurement bases for funding and accounting are different, they are both attempts to place a value on the same obligation. We agree that duplication of the liabilities would be decidedly unhelpful.

We also agree that there needs to be a different treatment for contribution obligations to a multi-employer plan when the scheme is accounted for as if it is a defined contribution plan, and accept the proposed approach.

Question 2: Do you agree with the proposed new paragraph 28.15A of FRS 102 and the other proposed amendments to FRS 102? If not, why not?

We agree that such situations should be recognised through other comprehensive income rather than profit and loss, and welcome the proposed clarity being introduced through these proposed amendments.