



FRED 55: draft amendments to FRS 102 – pension obligations
RESPONSE FROM ICAS TO THE FINANCIAL REPORTING COUNCIL

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Introduction

ICAS welcomes the opportunity to comment on financial reporting exposure draft (FRED) 55: draft amendments to FRS 102 – pension obligations.

Our CA qualification is internationally recognised and respected. We are a professional body for over 20,000 members who work in the UK and in more than 100 countries around the world. Our members represent different sizes of accountancy practice, financial services, industry, the investment community and the public and charity sectors.

Our Charter requires ICAS committees to act primarily in the public interest and our responses to consultations are therefore intended to place the public interest first. Our Charter also requires us to represent our members' views and to protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

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?

Answer 1

Yes. We are content for FRS 102 to be amended to clarify this point.

In our view the proposal merely clarifies what we understood to be the position i.e. that if an entity recognises a net defined benefit liability in its accounts that it does not have to recognise any additional liabilities in respect of an agreement to fund the deficit. The need for such a clarification is a matter of judgement for the FRC.

Under existing UK GAAP, the treatment of an agreement to fund a deficit where a defined benefit plan is accounted for as a defined contribution plan is a grey area. This has led to an inconsistent approach to the recognition of liabilities relating to defined benefit schemes in the context of multi-employer plans, with some entities preferring to use the silence within FRS 17 on this matter as a justification for non-recognition. We believe that FRS 102 already removes this grey area.

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?

Answer 2

Yes. We agree with the proposed wording in new paragraph 28.15A

Any enquiries should be addressed to Christine Scott, Assistant Director, Charities and Pensions, at cscott@icas.org.uk.