14 November 2014

Jenny Carter
Financial Reporting Council
8th Floor
125 London Wall
London EC2Y 5AS

Email: to: ukfrs@frc.org.uk

JLT Employee Benefits,
The St Botolph Building
138 Houndsditch
London EC3A 7AW

Tel: +44 (0)20 7528 4000
Fax: +44 (0)20 7528 4500

www.jltgroup.com

Dear Ms Carter

FRED 55: Draft Amendments to FRS 102 – Pension obligations

JLT Employee Benefits is one of the UK's leading employee benefit providers offering a wide range of benefit and pension services, including administration, actuarial and pension consultancy, investment, Self Invested Personal Pensions (SIPPs) and Small Self Administered Schemes (SSASs) administration, flexible benefits, healthcare, benefit communication and financial education.

JLT Employee Benefits employs over 2,200 professionals, in 2013 had revenues of £172m in UK & Ireland and incorporates HSBC Actuaries and Consultants Limited, Alexander Forbes Consultants & Actuaries and the administration business of Ensign Pensions. We are one of the 'big four' employee benefit consultancies in the UK.

Pensions and employee benefits companies within the JLT Employee Benefits group of companies include: JLT Benefit Solutions Ltd, Profund Solutions Limited, JLT Wealth Management Limited, JLT Investment Management Limited and Independent Trustee Services Limited. JLT Employee Benefits is part of Jardine Lloyd Thompson Group plc.

We are grateful for the opportunity to submit our views on this draft amendment. We first make some general observations about the draft amendments and then directly respond to the two questions posed.

Recognition of a surplus

The draft amendment is principally concerned with the recognition of additional liabilities in respect of a schedule of contributions (the 'minimum funding requirement' aspects of IFRIC 14). It does not clarify whether or not the remainder of IFRIC 14 should be referred to when deciding on whether a surplus is recognisable.

Both FRS 17 and FRS 102 refer to the ability of entities to recognise a plan surplus as an asset only to the extent that the entity is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. However, paragraph 42 of FRS 17 noted:

42 The amount to be recovered from refunds from the scheme should reflect only refunds that have been agreed by the pension scheme trustees as the balance sheet date.

The key difference between the two standards is the wording ‘agreed by the pension scheme trustees as the balance sheet date’ as, in practice, this means that the possibility of allowing for a refund is not usually available under FRS 17. The wording of FRS 102 omits this additional detail and so implies that there is more flexibility to recognise a plan surplus as an asset. However, we note that determining whether or not a surplus is recognisable is not a straightforward issue and without guidance there will inevitably be diversity in practice. It was this very issue that provoked the development of IFRIC 14. Even with the additional guidance provided by IFRIC 14 there continues to be diversity of views in this area. This is illustrated by the recent IFRIC Interpretations Committee discussions on potential amendments to IFRIC 14 which attempt to address an issue identified in respect of UK pension plans.

We would appreciate clarification on whether, when determining whether a surplus is recognisable or not, an entity should make reference to IFRIC 14 for guidance or whether the more restrictive FRS 17 style approach is intended. If no guidance is provided we believe that there will be diversity in practice on this issue.

Effective date

Entities will be eager to understand the impact on their balance sheet of the transition to FRS 102. We note that the final amendments may not be issued until after the effective date of FRS 102 and so entities will not be in a position to understand the impact of transition until this issue is resolved. If the final amendments are not available before 1 January 2015 then we would welcome their finalisation as soon as possible.

Question 1

We agree with the proposed amendments subject to clarification on the issue of when a surplus is recognisable. Applying and interpreting IFRIC 14 is not straightforward in practice and so we understand why this pragmatic approach has been proposed

The exposure draft acknowledges the inconsistency with EU-adopted IFRS and we understand that its conclusions have been guided by the overriding objective of proportionality. However, we must make the observation that, for some entities, the impact of not recognising additional liabilities in respect of a ‘schedule of contributions’ will be material to the financial reports.

Question 2

We agree with the proposed new paragraph 28.15A.

Should you wish to discuss this response in further detail please contact Murray Wright (0131 456 6868 or murray_wright@jltgroup.com).

Yours sincerely

Murray Wright

Murray Wright FFA