



1 February 2010

Mr P Godsall
ACCOUNTING STANDARDS BOARD
5th Floor, Aldwych House
71 - 91 Aldwych
London, WC2B 4HN

Subject: Consultation paper: The Future of UK GAAP

Dear Mr Godsall

Mercer Limited is a global leader for HR and related financial advice and services. In the UK, our client base includes employers and trustees providing occupational pension schemes to employees in all sectors of industry; we provide pensions advice and services to companies in the FTSE100 but we also have a large proportion of clients that are employers classed as "Small to Medium sized Enterprises", or trustees of pension schemes with sponsoring employers in this class.

We welcome the opportunity to respond to the consultation paper on the future of UK GAAP published by the Accounting Standards Board (ASB).

As our business involves advising companies (and trustees) on pension arrangements, we will comment from this perspective. The appendix to this letter sets out our answers to the specific questions asked in the document.

We would be happy to meet with you to discuss any of the points raised or answer any questions you have on our response.

Yours sincerely

[By email]

Robert Hollows





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Appendix

Consultation paper: the future of UK GAAP

1. Which definition of Public Accountability do you prefer: the Board's proposal (paragraph 2.3) or the current legal definitions (paragraph 2.5)? Please state the reasons for your preference. If you do not agree with either definition, please explain why not and what your proposed alternative would be?

We prefer the Board's proposal, which in our opinion better reflects the concept of public accountability.

2. Do you agree that all entities that are publicly accountable should be included in Tier 1? If not, why not?

Yes, they should all be included in Tier 1. However, we believe that the ASB will need to clarify what is meant by "a broad group of outsiders".

3. Do you agree with the Board's proposal that wholly-owned subsidiaries that are publicly accountable should apply EU adopted IFRS? If not, why not?

Yes, they should apply EU adopted IFRS.

4. Do you still consider that wholly-owned subsidiaries that are publicly accountable should be allowed reduced disclosures? If so, it would be helpful if you could highlight such disclosure reductions as well as explaining the rationale for these reductions.

No, we believe that the disclosures should not be reduced.

5. Do you agree with the Board's proposal that the IFRS for SMEs should be used by Tier 2 entities?

Yes, we agree with this proposal. However, there are a couple of aspects of the new IFRS for SMEs which are unclear to us and for which we would, therefore, like some further guidance:

- Firstly, we believe that the wording of the new IFRS is ambiguous in relation to the treatment of asset returns. One interpretation is that actual asset returns should be



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recognised via P&L, whilst another is that the current IAS19 concept of expected return can be used (with the difference between actual and expected returns recognised via other comprehensive income). Could the Board provide some guidance as to how it interprets this aspect please? In our opinion the latter approach, using expected return, would be more appropriate for consistency with the treatment in IAS19.

- Secondly, it is not clear to us whether the provisions of IFRIC14 apply to the new IFRS. Again we would like some clarification of how the Board sees this working. For the sake of consistency with IAS19, we believe that the provisions of IFRIC14 should also apply to the new IFRS.

6. Do you agree with the Board's proposal that the IFRS for SMEs should be adopted wholesale and not amended? If not, why not? It would be helpful if you could provide specific examples of any amendments that should be made, as well as the reason for recommending these amendments.

Yes, we agree with the Board's proposal, subject to the clarifications requested in our answer to Question 5.

7. Do you agree with the Board's proposal that large non-publicly accountable entities should be permitted to adopt the IFRS for SMEs? Or do you agree that large entities should be required to use EU adopted IFRS? Please give reasons for your view.

Yes, we agree with the Board's proposal, as in our opinion it is reasonable to use the concept of public accountability as the key differentiator. However we have some concerns for the situation where a large, non-publicly accountable entity (such as a private equity company) has a wholly owned, publicly accountable subsidiary. The definition of "publicly accountable" may need to be tweaked to accommodate this scenario.

8. Do you agree with the Board that the FRSSE should remain in force for the foreseeable future?

Yes.

9. Do you agree that the FRSSE could be replaced by the IFRS for SMEs after an appropriate transition period, following the issuance of the IFRS for SMEs?



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No, we believe that the cost implications, as outline in paragraph 2.24, would outweigh the benefits.

10. Do you agree with the Board's current views on the future role of SORPS? If not, why not?

Yes, we agree that the SORP for pension schemes should continue until an appropriate alternative is available. As a separate exercise we would encourage the ASB to give further thought to some alternative guidance in due course.

11. Do you agree with the Board's proposal to develop a public benefit entity standard as part of its plans for the future of UK GAAP? If not, how should (converged) UK GAAP address public benefit issues?

Yes, we agree that this is reasonable.

12. If you do agree with the proposal to develop a public benefit entity standard, should the standard cover all the requirements for preparing true and fair view accounts or should it cover only those issues where IFRS or the IFRS for SMEs needs to be supplemented for the public benefit entity sector?

We have no strong views on this, although it would seem reasonable to simply cover the areas where IFRS needs supplementing to avoid duplication

13. Do you agree the issues in the above table are distinctive for the public benefit entity sector and should therefore be covered in a public benefit entity standard? What other issues might the proposed standard include?

We are not really in a position to answer this question. From a pensions perspective we do not think there are any other issues which need to be included.

14. The Board accepts there may be a continuing need for guidance to supplement a public benefit entity standard in sectors such as charities, housing and education. Where this is the case, do you think the Board should provide a Statement confirming the guidance is consistent with UK GAAP, including the public benefit entity standard?

Again we are not really in a position to answer this question, but the proposal seems sensible to us in principle.



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15. If you are an entity whose basis of preparing financial statements will change under these proposals, what are the likely effects of applying those new requirements? Please indicate both benefits and costs and other effects as appropriate. If you are a user of financial statements (such as an investor or creditor) what positive and negative effects do you anticipate from the implementation of the proposals set out in this paper?

N/A.

16. What are your views on the proposed adoption dates?

On the basis that the exposure draft will be issued and agreed by the end of 2010, we believe that the proposed adoption for financial years beginning on or after 1 January 2012 is reasonable.