

Michelle Sansom
UITF Technical Director
Accounting Standards Board
5th Floor, Aldwych House
71-91 Aldwych
London
WC2B 4HN

9 November 2010

Dear Ms Sansom,

Proposed UITF Abstract ‘Accounting implications of the replacement of the Retail Prices Index with the Consumer Prices Index for Retirement Benefits’ contained in UITF Information sheet No 90

We write in response to the invitation to comment on the above named UITF Draft Abstract.

We agree with the proposals in the draft Abstract. However, we make the following comments concerning some points of detail.

1. This is a judgemental area and different accounting treatment is likely to be adopted by different companies, therefore, it will be important for companies to make clear disclosure about the accounting treatment they have adopted and how they have applied the changes in the financial statements. The Abstract should draw attention to existing requirements in this respect. Material adjustments made through the profit and loss account may need to be disclosed as exceptional items in accordance with FRS 3. There is no requirement in FRS 17 to analyse actuarial gains and losses but companies should be encouraged to disclose separately the effect of the RPI to CPI change.
2. We have seen situations where the scheme rules do not refer to RPI, but the more user friendly members booklet refers to RPI, thus potentially creating a constructive obligation as suggested in paragraph A10 of the draft Abstract. Therefore, we agree that it is appropriate to highlight the need to examine all relevant documentation.
3. Regarding the wording of paragraph 6 of the draft Abstract, we query whether the reference to ‘the agreement of either the retirement benefit scheme trustees and/or the members of the scheme’ uses ‘and/or’ appropriately. Any decision about changes in benefits will inevitably involve the trustees so we wonder if the focus should therefore be on whether a substantive change to the scheme rules requires the agreement of the members.
4. A related point concerns the ability to make changes to liabilities where a constructive obligation is deemed

to exist. Whilst there is a need for members' expectations to be altered, a change could be actioned without the agreement of the members. This therefore draws into question the accuracy of the wording of paragraph A10, which states '...a feature of a constructive obligation would be that the agreement of the ... members would generally be needed before any change could be made.' It seems to be a distinguishing feature of a constructive obligation that it can be revoked unilaterally without the agreement of the counterparty (e.g. a restructuring could be cancelled even after meeting the criteria in FRS 12 for a provision to be recognised). We believe that the Abstract needs to be clearer on this point.

5. Paragraphs 7 and 9 refer to '...if scheme liabilities are not linked to at least RPI...'. This could potentially lead to a wide range of interpretation around what '*linked to*' means and what '*at least*' means in practice, and which is the more relevant deciding factor that should be considered. A better way to express this would be 'if there is no obligation to pay pension increases based on RPI ...'.

Should you have any questions regarding our comments, please contact Phil Barden at 0 207 007 0023 or Mark Redfern at 0 207 007 7022.

Yours sincerely

Deloitte LLP