Financial Reporting Council

February 2015

Impact Assessment and Feedback Statement

Amendments to FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*

Pension obligations

The FRC is responsible for promoting high quality corporate governance and reporting to foster investment. We set the UK Corporate Governance and Stewardship Codes as well as UK standards for accounting, auditing and actuarial work. We represent UK interests in international standard-setting. We also monitor and take action to promote the quality of corporate reporting and auditing. We operate independent disciplinary arrangements for accountants and actuaries; and oversee the regulatory activities of the accountancy and actuarial professional bodies.

Financial Reporting Council

February 2015

Impact Assessment and Feedback Statement

Amendments to FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*

Pension obligations

Contents

Impact Assessment

Introduction

1 The Financial Reporting Council (FRC) is committed to a proportionate approach to the use of its powers, making effective use of impact assessments and having regard to the impact of regulation on small enterprises.

2 The amendments to FRS 102 are intended to reduce the potential cost of compliance with FRS 102, by reducing diversity in practice and eliminating the need for entities with defined benefit plans to consider whether payments that will be made under a 'schedule of contributions' will be recoverable from the plan. This can be a time-consuming and judgemental issue. The amendments will continue to ensure that a net defined benefit liability is recognised, where relevant, for an entity's obligation to employees as a result of service rendered.

3 The FRC believes that the amendments to FRS 102 will have a positive impact on financial reporting.

Feedback Statement

1 In August 2014 the FRC issued FRED 55: *Draft Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Pension obligations*. The comment deadline was 21 November 2014, giving respondents three months to provide their feedback. The purpose of this feedback statement is to summarise the comments received. The Accounting Council's Advice to the FRC sets out how the comments received have been taken into account in finalising the amendments to FRS 102.

2 The FRC received 20 comment letters, which were from the following stakeholder groups:

Table 1: Respondents by category

	No. of respondents
Accountancy firms	5
Accounting bodies	5
Actuarial bodies	2
Pensions advisers/consultants	4
Other	4
Total	**20**

3 FRED 55 posed two questions, and in addition respondents were invited to comment on any other aspect of the draft amendments.

4 The feedback to FRED 55 is summarised below.

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?

Table 2: Respondents' views on Question 1

	No. of respondents
Agreed	16
Disagreed	2
Other	2
Total respondents	20
Did not comment	–
	20

5 The majority of respondents agreed with the proposal, recognising that (as set out in FRED 55):

(a) this was an issue that needed urgent clarification to avoid uncertainty and unnecessary differences of interpretation and therefore diversity in practice; and

(b) the proposed solution was a practical and proportionate one and better meets the overriding objective in relation to entities applying FRS 102 than compliance with IFRS (IFRIC 14) would.

6 The two respondents that disagreed appeared to disagree with the general approach to the accounting for the obligation to provide post-employment benefits to employees that is set out in FRS 102. Revising the overall approach to post-employment benefits was not being consulted on during this narrow scope consultation.

7 The FRC agreed to proceed with the amendments proposed.

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?

Table 3: Respondents' views on Question 2

	No. of respondents
Agreed	16
Disagreed	2
Other	2
Total respondents	20
Did not comment	–
	20

8 This question was about the drafting of the amendments and also the proposal to recognise any movements in irrecoverable surplus in other comprehensive income. As this is linked to the first question, those respondents disagreeing in response to question 1 also disagreed in response to this question. No respondents suggested the drafting was unclear or did not achieve the intended effects.

9 No respondents expressly commenting on the recognition of any movements in irrecoverable surplus in other comprehensive income disagreed with the proposal.

Other matters

10 Four respondents commented on the benefits of an entity disclosing the amounts it had committed to pay under a schedule of contributions, and some requested clarification that the requirement in paragraph 28.41(a) of FRS 102 to disclose the funding policy was intended to include such disclosure.

11 The FRC agreed that the disclosure of information about the amount and timing of payments intended to fund a deficit in a defined benefit plan would be useful information for users of financial statements. Although this should already be covered by the requirement to describe the funding policy, paragraph 28.41(a) has been amended to clarify this.

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

+44 (0)20 7492 2300

www.frc.org.uk