ASSOCIATION OF CONSULTING ACTUARIES

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By email: ukfrs@frc.org.uk

Jenny Carter
Financial Reporting Council
8th Floor
125 London Wall
London
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Dear Ms Carter

FRED 71: PROPOSED AMENDMENTS TO FRS 102 – MULTI-EMPLOYER DEFINED BENEFIT PLANS

I am contacting you on behalf of the Accounting Committee of the Association of Consulting Actuaries Limited (ACA) in response to the above consultation document dated January 2019.

Our responses to the specific questions raised in FRED 71 are set out in the Appendix to this letter. In summary, we support the clarity and pragmatism provided by the proposals as a means of improving consistency in reporting. However, we have some concerns about the additional costs that may be incurred by requiring transition in the middle of a financial reporting period.

We would be pleased to answer any questions you may have.

Yours sincerely

Warren Singer

Warren Singer
Chair, Accounting Committee
On behalf of the Association of Consulting Actuaries Limited
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APPENDIX

Q1 Do you agree with the proposed amendments to FRS 102? If not, why not?

We welcome the proposal to set out explicit requirements for how an entity shall transition from defined contribution accounting to defined benefit accounting for a multi-employer defined benefit plan when sufficient information becomes available. We also support the proposed pragmatic solution of transitional recognition through other comprehensive income.

However, we do not agree with the proposal in paragraph 28.11C to apply defined benefit accounting from the first day (within the current reporting period) for which sufficient information to use defined benefit accounting becomes available. Our concern is that this may cause disproportionate additional costs (see Q2).

Q2 In relation to the Consultation stage impact assessment, do you have any comments on the costs and benefits identified? Please provide evidence to support your views.

A schedule of contributions and funding arrangements for multi-employer plans are usually determined based on statutory scheme funding assumptions that differ from FRS 102 assumptions. In our view, sufficient information to apply defined benefit accounting may arise using statutory scheme funding assumptions. This could require substantial additional work to convert the information into FRS 102 assumptions. Additional work would also be needed to address a mid-year remeasurement given that FRS 102 P&L is normally budgeted for at the start of the year. Therefore, we disagree with the impact assessment that no new information is required as a result of these proposals.

To address these concerns, we would propose only applying defined benefit accounting from the end of the reporting period in which sufficient information to do so is available. If the impact of the new information becoming available during the year is deemed material to the current year financial reporting then we would suggest requiring this to be explained in a footnote disclosure.

About the Association of Consulting Actuaries (ACA)

Members of the ACA provide advice to thousands of pension schemes, including most of the country's largest schemes. Members of the ACA are all qualified actuaries and all actuarial advice is given subject to the Actuaries' Code. Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the majority of members of private sector defined benefit pension schemes.

The ACA is the representative body for UK consulting actuaries, whilst the Institute and Faculty of Actuaries is the professional body.

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