

## **ADAS Group Limited Comments on the Financial Reporting of Pensions Question 6 Use of Risk Free Discount Rates**

Adas Group Limited has a defined benefit pension scheme that is currently in deficit and is concerned about the proposal contained in the discussion paper on The Financial Reporting of Pensions to use a risk free discount rate in the measurement of liabilities to pay benefits (Question 6). The concerns of the Group can be set out as follows:-

- The requirement for pension liabilities to be discounted at risk free rates of return rather than corporate bond yields could have a possible consequence, along with tightening pension regulation, of schemes defaulting to investing in government bonds. This would mean that schemes would be unable to get anywhere to meeting their liabilities in the longer term.
- The use of risk free rates of return when discounting liabilities would also have the effect of increasing any deficit shown on the Balance Sheet thus reducing net worth. A possible consequence of this could be the Company's inability to obtain funding for future expansion which, in the long term, is in the interests of all stakeholders including shareholders, investors and pension scheme members.

Adas Group would recommend that the proposal to use risk free discount rates be amended accordingly.