From: dbaker@norcros.com
To: Asbcomment Letters;
Subject: The Financial Reporting of Pensions
Date: 14 July 2008 11:49:21

Dear Sir/Madam

With regard to the Financial Reporting of Pension my comments are restricted to Q14 and 15 as my involvement is mainly in the production of pension scheme accounts.

Question 14 - I do not agree that a pension plan's general purpose financial report should include its liabilities to pay benefits in future. I feel that the ability to meet future benefits is far better dealt with in the actuarial statements that accompany the accounts. If the decision to include these liabilities in the accounts is taken, my own view is that there will be substantial inreases in professional fees in particular relating to audit and actuarial fees at a time when pension schemes are facing great pressure on costs. If the liabilities are valued on a risk free basis as is proposed for company accounts this will not reflect the diversity of investments that pension schemes are invested in. I feel strongly that the only certainty is that if a value for future liabilities is included in the accounts it will never be right. In many ways I prefer the proposals from the Pensions Institute to include charts dealing with the uncertainties of the defined pension scheme promise particularly in relation to longevity and survivorship.

Question 15 - if the liabilities to pay benefits in future are included in the accounts it follows that the pension plan's statement of financial position will need to reflect an asset in respect of amounts potentially recoverable under the employer's covenant. However I can see great problems in including this figure particularly as it will need to be audited by the scheme's auditors. I think this just adds weight to the argument for not including the liabilities to pay benefits in future in the accounts.

To summarise I feel that we should continue to report pension scheme accounts broadly in the same way that is currently used.

David W Baker FCA

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