



14 July 2008

Accounting Standards Board
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Your Ref:

Our Ref:

Dear Sir/Madam

Proposed Amendments to FRS17 – change of discount rate used for calculating Scheme Liabilities

I feel it is important to bring to the Accounting Standards Board attention my concerns with regard to the change that is being proposed to the valuing of Pension Scheme liabilities.

I am Trustee of a Final Salary Defined Benefit Scheme and also a member of the DWP (Department for Works & Pension) Trustee Panel. In addition to the Trustee Panel I am also a Fellow of the Institute of Chartered Accountants and also a Fellow of the Institute of Directors. I also am a Business Panel Member of one of the Regional Bank of England Panels and in contact with the Business Community both Nationally and Locally.

The Trustee Panel is an independent group of occupational pension scheme trustees who meet regularly with the Minister for Pensions Reform, Mike O'Brien to discuss topical issues and matters of concern. The discount rate used (and FRS17/IAS19 in particular) is one of the subjects that comes up regularly in meetings, and panel members have made their concerns about FRS17 and the impact on UK pensions and UK business known to Ministers on more than one occasion.

I should point out that views expressed by panel members are made in an individual capacity and should not be taken as representing the Departments views or the views of DWP Ministers.

The discount rate currently used based upon the AA Corporate Bond Rate is clearly the most appropriate vehicle to measure the liabilities relevant to Pension Schemes. The AA Corporate Bond Rate is a rate that has been used successfully for many years in determining liability of Defined Benefit Schemes. It is an accurate measurement for the cost of funding that Blue Chip Organisations need to pay in the Financial Markets. The rate proposed by using the Gilt rate would at a minimum increase the liabilities by at least 20%. This is unrealistic. I realise that there are many figures that have been quoted indeed the FTSE 100 liabilities alone would increase by estimated £90 billion. This does not include the liabilities for private corporate schemes like our own and could add 3 or 4 times that figure.

To do this would not only distort corporate reporting for both FTSE 100 and other private business', but would have 2 other effects,

- 1 The complete closure of virtually all Defined Benefit Schemes
- 2 The substantial under valuation of UK PLC through the reduced balance sheet values that would duly arise. Additionally this would make sound business susceptible to take over by Foreign Enterprises or Sovereign Funds.

Clearly we are all living in very changeable and demanding economic times however one has to look realistically at the future. Corporate Business's are well run and they have a good deal of financial expertise at the very helm of their organisations. They are now required to report and to identify their business strategy and look to their business growth in the future. In so doing they have a requirement for debt, good corporate AA debt. This rate is determined by market forces and relevant for funding costs. It is therefore a sound reason to value the liability of pension schemes on the current Corporate AA Bond basis.

Please feel free to contact me if you require any further information.

Yours faithfully
For and on behalf of
Abacus Lighting Ltd



A Morris-Richardson
Finance Director