



From the Minister of State  
for Work and Pensions

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Ian Mackintosh  
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Dear Ian

### **DISCUSSION PAPER: THE FINANCIAL REPORTING OF PENSIONS**

I am writing to express my concerns about the proposed changes to the financial reporting of pensions. Serious concerns have already been voiced from many quarters, including from my department, the Department for Work and Pensions but given the level of concern about these proposals, I consider it important I add my own view.

I am deeply concerned by the impact the proposals could have on current and future pension provision in the UK. I recognise they aim to create greater transparency and clarity but I and many others believe they will achieve this at a high price.

The reality is that these standards would impose a significant burden on employers currently providing good pension provision. This could have a negative effect on the decisions employers make about their pension provision.

In particular, I note that the suggestion that a 'risk-free' discount rate should replace the currently used AA corporate bond rate would have a considerable impact on a pension scheme's reported liabilities in company accounts. Whilst estimates as to the extent of this impact vary, the NAPF figures of 14 July suggest that this would increase reported liabilities by between 25% and 100% depending on the maturity of the scheme. Soundings from industry suggest that such an increase would lead many employers to consider closing their defined benefit schemes immediately.

The unintended consequences of these proposals could see many defined benefit pension schemes closing, reducing many thousands of people's expected retirement incomes and ultimately damaging confidence in the UK pension system.

I urge you to consider very seriously the concerns expressed by employers and others who would be directly and unfavourably affected by these proposals, and refer you once again to our Departmental response for further analysis.

I am aware that the consultation closed on 14 July, but would be grateful if you were able to take my comments into account. I would also be very happy to meet with you to discuss this issue further.

*Yours ever  
Mike*

MIKE O'BRIEN QC MP