



## Accounting Standards Board

Aldwych House, 71-91 Aldwych, London WC2B 4HN

Telephone: 020 7492 2300 Fax: 020 7492 2301

[www.frc.org.uk/asb](http://www.frc.org.uk/asb)

ASB PN 351

20 November 2009

# PRESS NOTICE

## THE FINANCIAL REPORTING OF PENSIONS: ASB ISSUES FEEDBACK AND REDELIBERATIONS REPORT ON FUTURE DIRECTIONS

The Accounting Standards Board (ASB) has today issued a report 'The Financial Reporting of Pensions: Feedback and Redeliberations'. The objective is to provide the International Accounting Standards Board (IASB) with recommendations on matters it might consider in developing a future financial reporting standard on pensions.

The report is a follow-up to the January 2008 Discussion Paper (DP) 'The Financial Reporting of Pensions'. It sets out the ASB's redeliberations and recommendations following the comments received during the consultation process. A total of 103 responses were received to the DP and the ASB has spent considerable time in reviewing the issues raised.

The report is being published under the Pro-active Accounting Activities in Europe (PAAinE) initiative by the ASB, the European Financial Reporting Advisory Group (EFRAG), the Accounting Standards Committee of Germany (ASCG) and the French Conseil National de la Comptabilité (CNC). The recommendations are, however, only those of the ASB. The other bodies consider the report a useful contribution to the debate on the financial reporting of pensions but do not express a view as to the recommendations.

The report has, in the main, affirmed the views set out in the DP, acknowledging that a number of them cover difficult issues and are controversial. In particular, on the measurement of liabilities, it has affirmed the view that the discount rate used should reflect the time value of money, and therefore should be a risk-free rate. The ASB has reiterated that it is not possible to make a reliable estimate of the risk arising from the size and variability of the liability to pay pension benefits. In its view users of financial statements are better served by disclosures regarding the risk rather than through adjustment of the underlying liability.

Continued ...

In addition there is an attempt to clarify the cash flows that should be used in measuring the liability to pay pensions.

The ASB has, however, decided not to affirm its view that the actual return on assets held to fund pension liabilities should be presented separately as financing income in the statement of comprehensive income. Whilst acknowledging the conceptual merits of this approach, it took into consideration the views of some respondents, including users of financial statements, who did not consider the approach useful. The ASB considers that further research is required in this area.

The report is being sent to the IASB today. Commenting on its publication, Ian Mackintosh, ASB chairman, said:

“When embarking on this project in October 2005 the aim of our research was to stimulate debate and assist in the further development of international financial reporting standards for pensions.

The quality and number of responses received to the discussion paper provide evidence that the discussion paper achieved its objective of stimulating debate on the financial reporting of pensions.

This report sets out the ASB’s views following redeliberations and I believe provides the IASB with valuable material for consideration in its current short-term project and for the longer term fundamental review of the financial reporting of pensions.”

#### **Notes for Editors:**

1. The Accounting Standards Board (ASB) is an operating body of the Financial Reporting Council (FRC), the UK’s independent regulator responsible for promoting confidence in corporate reporting and governance. Its functions are exercised principally by its operating bodies (the ASB, the Auditing Practices Board, the Board for Actuarial Standards, the Financial Reporting Review Panel, the Professional Oversight Board and the Accountancy Discipline and Investigation Board) and by the FRC Board. The Committee on Corporate Governance assists the Board in its work on corporate governance.
2. The prime role of the ASB is to maintain UK accounting standards. The ASB collaborates with accounting standard-setters from other countries and the International Accounting Standards Board (IASB) both in order to influence the development of international standards and in order to ensure that its standards are developed with due regard to international developments.

Continued ...

3. EFRAG and the European National Standard Setters, under the banner 'Pro-active Accounting Activities in Europe' (PAAinE), have agreed to pool their resources and work together more closely so that Europe as a whole can participate more effectively in the global accounting debate. It was agreed that this initiative should in the beginning concentrate on long-term pro-active work. The objective of the initiative is to stimulate debate on important items on the IASB agenda at an early stage in the standard-setting process before the IASB formally issues its proposals. The initiative has the joint ambitions of representing a European point of view and exercising greater influence on the standard-setting process.
4. Press enquiries should be directed to Ian Mackintosh (Chairman) on 020 7492 2434, David Loweth (Technical Director), 020 7492 2420 or Michelle Sansom (Project Director) on 020 7492 2432 or Andrew Lennard (Director of Research) on 020 7492 2430.
5. The report may be downloaded from the ASB website at <http://www.frc.org.uk/asb/technical/projects/project0065.html> .