



Introduction to FRS17

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- Brief history of UK pension accounting
- What is FRS17
- What are the issues
- Some consequences
- What happens next



History of UK accounting

- Cash is king
 - Expense = amount paid (=tax charge)
 - Is a single years ‘holiday’ true profit ?
- Smooth the P&L (SSAP24 – 1988)
 - ‘Best estimate’ of cost
 - Regular cost with spreading of experience
 - Plus disclosure of assumptions used
- Mark to Market (FRS17 – 2002/3)
 - Balance sheets are king !!
 - P&L is the explanation of differences



What is FRS17

- FRS17 is.....
 - FAS87 ...
 - .. Without the amortisation ...
 - ...with the numbers in different places..
 - ...and a few twiddily bits



The Major differences

	FAS 87	FRS 17
Operating Profit	Net periodic pension charge (including amortisation)	Service cost
Finance cost	-	Interest on liabilities <i>less</i> expected return on assets
StRGL	-	Experience changes
Off Balance sheet	Unrecognised gains and losses	-



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Dividend Policy

- Accounts view (as per ICAEW)
 - ..not a Companies Act liability
 - Possibly common law liability
 - Ask a lawyer !
- Is there a real liability ?
 - Statutory liabilities (eg MFR)
 - ‘Moral’ liabilities – what was the value of the promise ?



What happens next

- Management asked awkward questions
- Acting as a DB to DC catalyst
- Technically still in transition phase
- Analysts seem undecided
- What happens regarding IAS19 and 2005?
- Who is chair of IASB ?