The Actuarial Profession

making financial sense of the future

consultation response

Accounting Standards Board

The Financial Reporting of Pensions

July 2008

The Actuarial Profession
making financial sense of the future

Simon Peerless
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Accounting Standards Board
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Please reply to Staple Inn

11 July 2008

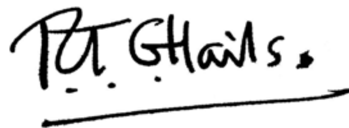
Dear Sir,

Discussion Paper: the Financial Reporting of Pensions

Thank you for offering The Actuarial Profession the opportunity to comment on this discussion paper. Our comments on the paper and on the specific consultation questions are attached to this letter.

If you have any questions or would like to discuss any of these matters further, please do not hesitate to contact us. Should you wish to do so, please contact Martin Hewitt, Pensions Practice Manager on 0207 632 2185 or via martin.hewitt@actuaries.org.uk.

Yours sincerely,



Robert Hails

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THE ACTUARIAL PROFESSION

RESPONSE TO *THE FINANCIAL REPORTING OF PENSIONS*

Main comments

Our main comments are as follows.

1. Pension liabilities are already treated inconsistently with other comparable assets and liabilities (most are not marked to market at all). This inconsistent treatment is making pensions seem more onerous and riskier relative to comparable corporate obligations, which misleads managers and investors into managing the wrong risks and making suboptimal decisions. This has already led to the widespread closure of pension plans, actions that may not always have been justified by the relative risks involved – had the information been presented in the accounts in a balanced way. We suggest that there should be no further major changes to the accounting for pension plans until the issues addressed in the paper (fair value, marking to market, recognition of gains and losses, allowance for credit risk etc) have been addressed at the conceptual framework level and the conclusions are being implemented consistently to all assets and liabilities.

2. The paper is confused as to how it applies a settlement approach to pension liabilities, applying different rationales in different places, and as a result proposing approaches to the various issues that are not consistent with each other.

These two issues are considered further below, before we address the specific questions raised in the Appendix.

Proposals exacerbate difference with treatment with comparable assets and liabilities

At first sight, most of the proposals in the paper follow logically from the arguments presented in the paper. However, those arguments are based on premises that are not applied in other areas of accounting.

	Current IAS19	ASB Proposal	Debt issued by the entity	Lease arrange-ments (asset and payments)	Bank fixed rate loans/ deposits	Framework	Conceptual framework
Mark to market	Yes (with option to amortise)	Yes	No	No (not all on balance sheet or at all)	No	No preference for one measurement model over others	Not addressed yet
With impact reflected in P&L	An option (which few adopt)	Yes	No	No	No	No stated preference for P&L vs SoRIE	Not addressed yet
Allowance for credit risk	Yes – independent of entity risk	No – risk free	Yes – as at issue	Yes - implicitly	Yes – implicitly (interest rate reflects risk)	Not addressed	Not addressed yet
Disclosure of “contractual” terms	No	Yes	No	No	No	Not addressed	Not addressed yet
Disclosure of impact if interest rates etc change	If IAS 1 requires because material	Yes – even if not material	No (because impact is nil if not marked to market)	No (because impact is nil if not marked to market)	No (because impact is nil if not marked to market)	Not addressed	Not addressed yet

The above table shows that many similar long term assets and liabilities:

- are not marked to market at all
- so with neither immediate nor delayed recognition of gains or losses anywhere in the financial statements
- are measured including allowance for credit risk (normally implicitly)
- have far more limited disclosure requirements

In particular, it is hard to distinguish in nature between the commitment made by a company to its bondholders and the commitment made in the form of pensions for

former employees. (The dependence of pensions on life expectancy, whilst in the news a lot recently, has a relatively small impact compared to the effect of movements in interest rates.)

The different treatment of pension assets and liabilities is important. It makes pension obligations appear riskier than other corporate obligations. This can mislead management and investors, guiding them to sub-optimal decisions.

The IASB has stated that it is concerned with appropriate representation of the underlying financial position, and that it cannot be swayed by the behavioural consequences. However, the behavioural consequences that affect pension plans do not result from the "fair" representation of pension plans. Instead, they result from the different treatment of pension assets and liabilities compared to other comparable long term assets and liabilities. As things stand, pension plans seem risky against a background of a generally non-volatile balance sheet. If the accounting was consistent, pension plans would seem just as volatile as now, but against a background where large parts of the balance sheet (generally larger than the pension plan) are equally volatile. Accounting would no longer present pension plans as being more risky than the rest of the business, and quite possibly different decisions would be (and have been) made. Indeed, real people may not have borne the real losses that they have on closure of schemes.

We do not suggest ending the marking to market of pension plan assets and liabilities, even though this would be more consistent with the treatment of many other similar assets and liabilities. However, we would suggest that there should be no further changes to the accounting for pension plans until the issues addressed in the paper (fair value, marking to market, recognition of gains and losses, allowance for credit risk etc) have been addressed at the conceptual framework level and the conclusions applied consistently to all assets and liabilities.

Conceptual Framework:

A key consideration is whether accounts should be prepared with the primary objective on

1. ensuring the P&L provides a true and fair representation of the income and expenditure of the entity on an ongoing concern basis (recognising that the consequent balance sheet entries may not be mark to market); or
2. ensuring the balance sheet provides a true and fair representation of the entity's assets and liabilities on a settlement basis at the given date (recognising that the consequent P&L impacts may not be as predictable as under 1.)

There is a tension between the two approaches of course - producers and users of accounts want both balance sheet correctness and predictability of P&L entries. The term settlement is not well defined and this may be half of the problem. In the pension world, it encompasses a range of possible outcomes from termination measures such as insurance buy out or closed fund, to discounted cash flow

measures based on projected salaries. Each has a different impact on P&L predictability.

For example, a termination measure would not make allowance for future salary growth, vesting of benefits in the future that have not yet vested, straight line attribution of back loaded benefit accruals etc. Instead, the impact of such factors would emerge naturally each year through the P&L as and when they happen.

In trying to manage the tension, the paper puts forward propositions in places which seem arbitrary. Often these are driven by UK centric considerations of how pensions (should) work but at heart is confusion as to what 'settled' means. The table below takes the example of liability recognition using FASB terminology :-

Consistent with an ongoing concern measure	**Consistent with a termination measure**	**Position put forward in the paper**
PBO measurement – reserves are included for benefits arising on (early) retirement, ill health and death from service, all linked to projected future salary. The *service cost* is measured as the one year pension cost on the same basis. ABO measurement - a reserve is retained for benefits on (early) retirement, death and ill health from service, but salaries are not projected forward. The *service cost* is the one year pension cost on the same basis plus one year's salary growth on the previous year's ABO liability.	VBO measurement – measure the termination benefit assuming all employees leave service at the accounting date. The *service cost* is the one year pension cost on the same basis plus one year's salary growth in excess of deferred pension increases on the previous year's liability. <u>Note</u> PBO = Projected Benefit Obligation VBO = Vested Benefit Obligation ABO = Accrued Benefit Obligation	An ABO variant measure - a reserve is retained for benefits on early retirement, death and ill health from service, but salaries are assumed to grow in line with price inflation. The *service cost* is the one year pension cost on the same basis plus one year's salary growth in excess of price inflation on the previous year's liability.
Reserve for discretionary benefits allowed for where there is an established practice of such discretion.	Only reserve for benefits where there is a legal or constructive obligation to do so.	Only reserve for benefits payable where there is a legal or constructive obligation to do so.

Straight line attribution of back loaded benefits.	Only measure benefits actually accrued at the accounting date.	Consider whether the substance of the contract between the employer and employee is such that straight line attribution of back loaded benefits is merited.
Assume employees will grow into unvested benefits according to stated probabilities.	Only measure benefits actually vested at the accounting date.	Consider whether the substance of the contract between the employer and employee is such that straight line attribution of unvested benefits is merited.

Appendix – Summary & Invitation to Comment

Question 1: **Should a liability to pay benefits that is recognised be based on expectations of employees' pensionable salaries when they leave service, or on current salaries (including non-discretionary increases)?**

We agree that the impact of expected future pay increases should be reflected in the value of the liability only if there is a constructive obligation and settlement means an ongoing measure of some sort (i.e. it does not mean a termination measure).

However, the discussion paper appears to ask the question:

- is there a constructive obligation to give pay increases?

We believe that the correct question is:

- is there a constructive obligation to increase accrued pension benefits in line with future pay increases? The level of pay increases to be reflected is then a measurement issue (what is the best estimate of future pay increases) rather than a recognition issue.

For a final salary plan, whilst the entity will generally have the right to terminate or amend the plan is such a way that the link to subsequent pay increases is broken from the date of amendment or termination, we believe that until such a termination or amendment, there is a constructive obligation to link the accrued benefit to future pay increases. The constructive obligation is therefore contingent on the sponsor continuing to operate the plan on an 'as is' basis.

Even with the approach taken in the paper, we believe that the appropriate unit of account is the workforce as a whole, not each individual employee. (This is consistent with other areas of accounting, e.g. no liability would exist under the current IAS 37 for warranty claims etc if the unit of account was taken as the individual item sold.) Regarding the level of pay increases to be measured, we believe that the sponsor has an obligation to grant competitive pay increases (commensurate with the quality and mobility of its workforce) arising from the implicit understanding with its workforce and because otherwise the entity will incur costs in relation to recruitment and training of new employees to replace leavers in excess of the cost of granting such competitive pay increases. We note that it is less clear that there is an obligation in relation to promotional increases in excess of general inflationary increases.

Alternatively, if the liability is recorded at its termination value, no allowance would be made for future pay increases (or back loaded accruals, or unvested benefits etc). This is the VBO measure, and in the UK, it would include statutory deferred pension revaluations.

We do not see, however, how the liability can be measured on the assumption that

it is ongoing (i.e. allow for back loaded accruals, vesting schedules, early retirement subsidies etc) and reflect the increases that would apply during deferment on the assumption that employees leave service on the balance sheet date. This is a contradiction.. (Note, the ABO measure can apply whereby reserves are held for back loaded accruals etc, but no allowance is made for future pay increases. In the UK, ABO is typically less than VBO.)

In any case, this seems to be just a comforting fudge to justify omitting the link to future pay increases by arguing that there is a sensible fallback amount. This argument might be valid in the UK, but not around the world. Outside the UK, it is generally the case that there is no indexation in deferment (accordingly ABO is greater than VBO in most other countries). This is just one of many examples of where the paper takes a UK-centric approach, ignoring the differences in pension plans around the world.

Assuming settlement doesn't mean a termination measure of the liability, excluding the value of future pay increases would place a misleadingly low value on the benefits from a final pay plan compared to the value of benefits payable under a career average plan with each years benefit being revalued in line with, for example, the index of National Average Earnings.

Further, excluding the value of future pay increases from the value of final salary pension benefits would appear to be inconsistent with the treatment of wage inflation in assessing other long term liabilities, such as:

- the labour cost involved in decommissioning nuclear power stations
- expenses of administering insurance policies and other long term financial products.

We agree, however, that the value of the liability ignoring future pay increases should be disclosed in addition to the value including future pay increases that is reflected in the financial statements. A decision needs to be taken if that is a VBO or ABO measure however.

Question 2: **Should financial reporting be based on the premise that a liability is owed to an individual employee or to the workforce as a whole? What consequences do you consider your view has for the recognition and measurement of pension obligations?**

See Q1.

Question 3: **Do you agree that recognition should be based on the principle of reflecting only present obligations as liabilities?**

In broad terms we agree with this principle, but see the answer to Q1 and see below as to what should be regarded as present obligations.

We agree that straight line attribution should not change the allocation of accrual to service merely because of the impact of salary increases.

We agree that the attribution approach should be consistent between DB and DC plans (and that the requirements of IAS 19 do not achieve this at present). This is more complex than it appears at first sight. For example, the following examples of straight line attribution where the plan benefit formula is back loaded are not accounted for consistently today:

- a final salary plan providing a benefit of 1% of pay for each year of service does not have a back loaded benefit – but has a back loaded cost
- a DC plan that has increasing contributions designed to replicate the final salary plan appears back loaded – but is expected to provide a straight-line benefit (if returns are as expected)

However, despite expending an inordinate amount of space on whether to attribute on a straight line basis benefits that are linked to pay, the paper ignores far bigger issues relating to the treatment of plan benefit formulas that are inherently back loaded. This is one of many areas where the paper is UK-centric, ignoring issues that are insignificant in the UK because of UK specific legislation, but which are important elsewhere. We agree the suggested approach for the example included in section 6.34 of Chapter 2, but the suggested approach appears from nowhere. The paper neither identifies “the approach advocated in this paper” referred to in that paragraph nor explains how that approach leads to the suggested conclusion (which appears at odds with everything that goes before it).

The paper consciously does not address the attribution of even more complex benefits like post retiree medical.

Assuming settlement does not mean a termination measure, we suggest that where the benefit that will be payable to someone who at the balance sheet date has been in service for a period if he/she stays to the retirement date (or other relevant date) exceeds the benefit that would be payable to a new employee who is otherwise identical (same salary and age etc), then the present obligation should not be less than the present value of the difference in benefits (allowing for the expected probability of staying till the benefit becomes vested), even if this exceeds the value of the vested benefit.

Question 4: **Do you agree that the consolidation of pension plans should be subject to the same principles as are usually applied in determining whether consolidation is appropriate?**

This is a technical accounting issue on which we do not have a view.

Question 5: **Do you agree that changes in assets and liabilities relating to pension plans**

should be recognised immediately, rather than deferred and recognised over a number of accounting periods or left unrecognised provided they are within certain limits (a 'corridor') approach?

We believe that immediate recognition provides a clearer picture than amortisation of gains and losses.

However, we note in the cover letter to this response that many similar long term assets and liabilities are not marked to market at all (with neither immediate nor delayed recognition). This misleads management and investors by making pension liabilities appear riskier than those comparable liabilities.

We would therefore encourage putting the measurement and recognition of all assets and liabilities on a comparable basis as soon as possible to avoid the continued misleading of management and investors by inconsistent accounting standards.

Certainly, there should be no changes that make pensions seem more risky than under current accounting standards until accounting standards treat all assets and liabilities consistently.

Question 6:

Do you agree with the paper's views in the measurement of liabilities to pay benefits? In particular, do you agree that:

- **Regulatory measures should not replace measures derived from general accounting principles?**
- **The discount rate should reflect the time value of money only, and therefore should be a risk-free rate?**
- **Information about the riskiness of a liability (i.e. the risk that the amount of pension benefits will differ from today's expectations) is best conveyed by disclosure rather than be adjusting the amount of the reported liability?**
- **The liability should not be reduced to reflect its credit risk?**
- **Expenses of administering the plan's accrued benefits should be reflected in the liability?**

We agree that the measurement of pension liabilities should reflect general accounting principles, rather than regulatory measures. However, where regulatory measures create or will create surpluses on the accounting measure that will not be available to generate value for the employer, this onerous obligation should be reflected along the lines of IFRIC 14.

Whether the discount rate should reflect or ignore credit risk (and the equivalent question as to whether the liability should be reduced to reflect its credit risk) is an issue that should be addressed at the level of general accounting principles. It is not an issue that should be considered in relation to pensions in isolation. Only once the general question has been addressed one way or another, and is being applied to all liabilities, should the question be considered in relation to pensions. As most long term liabilities currently reflect credit risk (at least implicitly – see

Introduction), pension liabilities should continue to do so for the time being, and should not – in the foreseeable future – move to being measured on a risk free basis. We note that ASB and IASB have come to opposite conclusions on the inclusion of credit risk in their respective recent papers looking at pensions accounting. The fact that the accounting standards boards cannot agree amongst themselves supports the argument that there should be no change to the current approach unless and until the question of what discount rate should be used to place a value on liabilities (including whether the value of all liabilities should be marked to market) has been addressed in the conceptual framework and is being implemented for all comparable liabilities. We also note that there is not yet any consensus as to the interpretation of risk free discount rates – whether this means government bond yields, swap yields, or something between. Again, this suggests that there should be no change to the current approach to pensions accounting until this issue has been addressed more widely.

Whether information about the riskiness of a liability should be conveyed by disclosure or by an adjustment to the liability is also an issue that should be addressed at the level of general accounting principles. It is not an issue that should be considered in relation to pensions in isolation. Also, the level of disclosure required should be consistent between different types of liability. The level of disclosure required in relation to pension liabilities is already disproportionately high compared to other long term liabilities, even without the increase in disclosures proposed by the discussion paper.

We agree that where the expenses of administering the plan's accrued benefits are met by the employer, they should be reflected in the liability.

Question 7: **Where employees have options to receive benefits in different ways, should the liability be reported at the highest amount or at an amount that reflects the probability of different outcomes?**

We believe it is consistent with other areas of accounting to reflect expected outcomes. (For example, insurance accounting reflects expected rather than worst case persistency.)

Question 8: **Do you agree that assets held to pay benefits should be reported at current values?**

Yes. But see response to Q5 and the Introduction.

Question 9: **Do you agree that a 'net' asset or liability should be based on the difference between the amounts at which the assets and liabilities would be measured if they were measured directly?**

Yes. But see response to Q5 and the Introduction.

Question 10: **Do you agree that different components of changes in liabilities and/or assets should be presented separately?**

This is a technical accounting question on which we do not have a strong view, but we are inclined to agree as its aids understanding.
We do not agree that gains and losses should be included in P&L unless and until accounting generally moves to marking to market all assets and liabilities with all consequential gains and losses recognised through P&L. As demonstrated in the cover letter to this response, there are many assets and liabilities that are comparable to pension assets and liabilities but which are not marked to market at all. It would therefore be misleading to include pension gains and losses in P&L unless and until accounting generally moves to marking to market all long term assets and liabilities. As discussed in the Introduction, the treatment of pensions is already misleading management and investors with inappropriate behavioural consequences. Recognising pension gains and losses through P&L (without corresponding changes to general accounting) would exacerbate this impact.

Question 11: **Do you agree that the financial performance of an entity should reflect the actual return on assets, rather than the expected return, and that the expected return should be required to be disclosed?**

We agree that it is difficult to justify inclusion in P&L of the expected return as currently derived.

However, as demonstrated in the Introduction, there are many assets and liabilities that are comparable to pension assets and liabilities but which are not marked to market at all. It would therefore be misleading to include the actual return on pension assets in P&L unless and until accounting generally moves to marking to market all long term assets and liabilities.

Instead, we would suggest including in P&L a notional expected investment return calculated as the asset value multiplied by the discount rate used to value the liabilities. This is a more objective amount. It treats assets and liabilities consistently. It is also avoids increasing the discrepancy between the treatment of pension assets and that of the many types of long term assets and liabilities measured at amortised cost using the effective interest method.

We do not see any benefit in requiring disclosure of an expected return on assets derived as now if this is not to be reflected in P&L. Any user of the accounts can derive the expected return using his own assumptions as to the expected return on equities etc from the information as to the split of the assets included in the accounts. This measure does not become any less subjective or become more comparable between entities just because it is no longer reflected in P&L.

Question 12: **Do you agree with the objectives of disclosure that are identified in this Chapter? Are there specific disclosure requirements that should be added to or deleted from those proposed?**

We agree with the high level disclosure objectives set out in the paper. However, the principles should be applied consistently across all significant long term assets and liabilities. The demand from some investors for more disclosure relating to pensions has arguably been generated by the inconsistent treatment of pensions compared to other long term assets and liabilities, that makes pension liabilities seem more risky (relative to those other assets and liabilities) than in reality they are. If those other assets and liabilities were treated consistently, and similarly marked to market, there would be a more balanced assessment of the need for disclosure relating to different assets and liabilities.

There are many assets and liabilities where different measures would give different values. It would therefore be inconsistent to require disclosure of more than one measure of pension liabilities.

Contractual arrangements between the entity and its suppliers, customers and banks are not disclosed in the accounts, and confidential provisions within such agreements are often of far more significance than the provisions governing pension plans. Requiring disclosure of the “contract” between the entity and the trustees/managers would therefore be inappropriate. (Just the fact of disclosing powers that plan trustees have in extreme situations can - inappropriately and with adverse behavioural consequences - make a pension plan seem relatively risky compared to other long term assets and liabilities where there is no disclosure of similar provisions.) Further, such disclosures would be impractical (within any reasonable length of financial statements) for a group with multiple plans across different countries, where there can be no objective measure of what plan provisions would be “usual” (across country borders) and since little aggregation of the disclosures across plans would be possible because of different local law. There is no requirement to disclose expected cashflows for other long term assets and liabilities, so it is unduly onerous to require disclosure of a pension plan’s expected cashflows (but see below in respect of aggregated data over the short term). In any case, it is surely the expected funding (not accounting) cashflows from the entity to the plan that matter to users of the accounts, rather than the cashflows within the plan itself, and these cashflows are generally easier for the entity to adjust in the light of the entity’s financial state than is the case for other long term liabilities.

The disclosures about risk exposures and management should be required – where material – by general accounting standards (such as IAS 1) rather than setting out extra requirements for pensions.

Requiring disclosure of aggregate contributions to the group’s pension plans over the next year or two is sensible. Beyond this period, actual employer contributions are so uncertain that disclosure would be misleading. Disclosure of funding agreements would be simply impractical (within any reasonable length of financial

statements) for a group with multiple plans across different countries.

Question 13: **Do you agree that multi-employer plans should be reflected in an employer's financial statements using the same principles as those that apply to a single employer plan? How, in your view, should an accounting standard require that this be implemented in practice?**

In principle, yes.

In practice, any attempt to allocate assets and liabilities between employers within a group can be misleading if not spurious. For such plans, the principal employer can change the allocation of contributions between the group employers, and corporate restructuring can change ithe relative size of the membership from each employer. It is better to disclose the position for the plan as a whole, together with any known information about how funding (not accounting) surpluses and deficits are expected to impact the entity's future contributions.

The position for non-associated multi-employers plans is complex, with varying approaches as to how well defined is the attribution of assets and liabilities or surpluses and deficits to individual employers. The accounting standard should present the directors and the auditor with sufficient freedom to apply the judgement to the particular circumstances in question.

Question 14: **Do you agree that a pension plan's general purpose financial report should include its liabilities to pay benefits in the future? Do you agree that the plan's liabilities for future benefits should be quantified using the same principles as an employer's liability?**

We believe that the purpose of the pension plan's financial statements is to demonstrate stewardship by the plan's fiduciaries. This is not the same primary purpose as providing information to the stakeholders (trustees/managers, beneficiaries, regulators and sponsors[1]) to facilitate their decision making. Indeed, the stakeholders receive information from a number of sources to facilitate decision making.

It is therefore far from clear that the plan's financial statements are required to provide a "true and fair view" of the financial position of the plan (or the equivalent under IFRS) in the same way as for a Company's accounts and we therefore do not believe that it is necessary for the plan's liabilities to be included in the balance sheet shown in the financial statements.

In our view, the argument that financial reporting for entities *who are required to comply with accounting standards* is converging on IFRS is irrelevant. The caveat

[1] By way of example, sponsors of course already have detailed knowledge of the plan for the purposes of the sponsor's accounts and for funding and fiduciary purposes. The pension plan's accounts are unlikely to aid the sponsor's decision making.

in italics is important but omitted by the paper. Lots of entities are not required to comply with accounting standards and don't. Pension plans are not required to comply with (general) accounting standards, and don't.

The stakeholders of entities which are required to comply with accounting standards all have similar informational needs, which is why it was appropriate to require them to apply general accounting standards. The information needs for stakeholders of pension plans are different and provided through other fiduciary and regulatory means. Any argument that the same objectives and therefore the same accounting principles should apply for pension plans as for other entities needs to be constructed from scratch, not taken for granted. The paper is essentially putting forward a circular argument that entities that comply with IFRS should comply with IFRS. Pension plans don't, and the argument breaks down. There are a number of reasons why the objectives of IFRS are not applicable to pension plans:

- The emphasis of decision usefulness over stewardship is inappropriate
- Decision making by each of the stakeholders will generally require use of several measures of the liabilities, and emphasising one of the measures by putting that measure in the balance sheet is inappropriate
- The plan's obligations are generally legally limited to what can be provided by the money in the plan (again, the paper's UK-centricity is inappropriate; most regimes do not have a requirement for the sponsor to make good any deficit on termination) and including an asset for future payments from the sponsor to balance the liabilities would be positively misleading
- Including liability information in the plan balance sheet will significantly increase costs without any benefit to users
-

Question 15: **Do you agree that a pension plan's statement of financial position should reflect an asset in respect of amounts potentially receivable under an employer's covenant, and that this should reflect the employer's credit risk?**

See response to Q 14.

Also, we do not believe it is possible for trustees to make any adjustment in respect of credit risk to the implied asset for amounts receivable from the employer. In addition to published data like the credit rating of the sponsor, in order properly to perform their function, many trustee bodies are provided with insider information on a confidential basis. The trustees would not be legally able to disclose any view they may have on the sponsor's covenant without breaching confidentiality. Similarly, the trustees should not be put in a position to have to warrant information in the plan's accounts based solely on published data on the sponsor where the trustees have a view that such information may be unrealistic.

Question 16: **Are there types of pension arrangements that require further consideration? Please identify the specific features of these arrangements and suggest how**

the principles of this paper would require development to secure appropriate financial reporting for them.

Yes.
The paper recognises that it has not addressed many different types of plan, e.g. post retiree medical. We would be pleased to talk the issues through.

Question 17: **Are there further specific issues relating to the cost and benefit of the proposals that should be taken account of in their further development?**

The paper is UK-centric and makes many assumptions about plan design and legal frameworks that are not applicable outside the UK. Suggestions that are workable if restricted to UK plans may not work around the world.