



ASSOCIATION OF CONSULTING ACTUARIES

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15 November 2019

EFRAG  
35 Square de Meeûs  
B-1000 Brussels  
Belgium

Dear Sir / Madam

[EFRAG DISCUSSION PAPER ON PENSION PLANS WITH AN ASSET-RETURN PROMISE](#)

I am contacting you on behalf of the Accounting Committee of the Association of Consulting Actuaries Limited (ACA) in response to the above discussion paper dated May 2019.

We welcome the considered and useful analysis set out by EFRAG in its discussion paper on accounting for pension plans with an asset-return promise. Given the historic difficulties of reaching a solution to this issue, including the International Financial Reporting Interpretations Committee D9 proposals, we believe there is merit in the IASB's proposed narrow scope limited project at this time.

Therefore, we would support the Capped Asset Return approach. We believe this approach has the advantage of addressing in a pragmatic and easy to implement way the internal measurement mismatch currently caused by inconsistency between the estimated cash flows for these benefits and the discount rate under IAS 19. In our view, this would improve the consistency and usefulness of financial reporting.

We acknowledge that there may be theoretical advantages to the fair value based approach and the fulfilment value approach. However, we would be concerned that they are very different from the usual IAS 19 method, which could cause unintended consequences, and they would lead to materially higher valuation costs.

Yours faithfully

Warren Singer  
Chair, Accounting Committee  
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## About the Association of Consulting Actuaries (ACA)

Members of the ACA provide advice to thousands of pension schemes, including most of the country's largest schemes. Members of the ACA are all qualified actuaries and all actuarial advice is given subject to the Actuaries' Code. Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the majority of members of private sector defined benefit pension schemes.

The ACA is the representative body for UK consulting actuaries, whilst the Institute and Faculty of Actuaries is the professional body.

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