

Our Reference: 08191\_ASB



14 July 2008

Accounting Standards Board  
(sent by e-mail)

Dear Sirs

### **THE FINANCIAL REPORTING OF PENSIONS – A PAAInE DISCUSSION PAPER**

GMB is the UK's third largest union with more than 600,000 members. Many of these members are employed by companies who are obliged to disclose pension costs. We welcome the opportunity to comment on the discussion paper.

Disclosure of pension costs in company accounts has been one factor in the shift away from defined benefit provision in recent years. We wholeheartedly support this type of benefit provision for employees, and are disappointed that in numerous consultations from employers on the closure of pension schemes, the nature of disclosure of pension costs in financial reports figures highly as a reason for closing these pension schemes.

We would oppose any proposals that will give more weight to this argument by unnecessarily increasing the level of liabilities which must be disclosed beyond an acceptable level. We recognise the need for prudent valuation of pension scheme liabilities, but feel that the proposal to move to a risk free rate of discounting liabilities is excessive and will only serve to alienate employers further from defined benefit pension plans. To represent a fair value, discount rate assumptions should represent a best estimate approach based on the investment strategy of a pension scheme.

Whilst there is a focus on the application of fair discount rates, other assumptions (both financial and demographic) should also represent a best estimate basis for individual pension schemes. This will lead to variations in assumptions across different companies, although we believe these variations are necessary as reflectors of the different strategies implemented by pension schemes. In recognition of these variations, some sensitivity analyses could be disclosed so that the effect of these variations could be quantified.

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Where options are available within a pension scheme which could give rise to uncertain liability, such as through commutation of pension, we feel it is inappropriate to value these on the worst case scenario, thereby stating the maximum level of liability attached with these options. Again schemes should be able to use best estimate assumptions based on experience for the take up of such options.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Philip Mcevoy', written in a cursive style.

**PHILIP MCEVOY**  
**Pensions Adviser**