

13 March 2019

Jenny Carter
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By email: ukfrs@frc.org.uk

Dear Ms Carter

FRED 71: Draft amendments to FRS 102 – Multi-employer defined benefit plans

Deloitte LLP welcomes the opportunity to comment on FRED 71 *Draft amendments to FRS 102 – Multi-employer defined benefit plans* (FRED 71).

Our responses to the specific questions raised in FRED 71 are in the Appendix to this letter. In summary, we recognise that there is currently widespread inconsistency in how entities account for a transition from defined contribution accounting to defined benefit accounting when sufficient information becomes available to do so. Although we believe there is a more compelling argument for recording the resulting adjustment in profit or loss rather than other comprehensive income, we support the FRC's decision to include specific guidance in FRS 102 to improve consistency in this regard and agree that the proposed approach achieves this.

If you have any questions, please contact Robert Carroll on 020 7303 2458 or rcarroll@deloitte.co.uk.

Yours sincerely



Veronica Poole
UK National Head of Accounting and Corporate Reporting
Deloitte LLP

Appendix – Responses to specific questions

1. Do you agree with the proposed amendments to FRS 102? If not, why not?

Overall, we support the proposals in FRED 71 as a means of eliminating the current diversity of practice in this area.

In our view, there is a more compelling technical argument to recognise the adjusting entry in profit or loss rather than in other comprehensive income. The availability of more reliable information enables an entity to measure its defined benefit pension liability more accurately, representing a change in accounting estimate which should be recognised prospectively in profit or loss, in accordance with Section 10 Accounting Policies, Estimates and Errors.

However, we acknowledge that alternative views exist and therefore view the proposed amendments as a pragmatic solution to achieve consistent presentation. We suggest the Basis for Conclusions should be clear that the rationale for the amendments is driven by these pragmatic reasons rather than attempt a technical justification for the chosen approach.

2. In relation to the Consultation stage impact assessment, do you have any comments on the costs and benefits identified? Please provide evidence to support your views.

We agree with the Consultation stage impact assessment and have no comments on it. We are unable to quantify the costs or benefits but we believe that the proposed amendments should not be costly to implement, particularly given that there is no need to restate numbers retrospectively, and the benefit of consistency in accounting treatment substantially outweighs any cost.