



East Sussex Pension Fund

Local Government Pension Scheme (LGPS)

Employers Newsletter

March 2018

Introduction

Welcome to the **Employers Newsletter** for employers within the Local Government Pension Scheme (LGPS) in East Sussex. This Newsletter deals specifically with the requirements around the provision of valuation reports associated with the Financial Reporting Standard (FRS) 102. This process applies equally to IAS19 reports. If this is not directly relevant to your post, please can I ask that you pass on to your Finance Manager if appropriate.

Items covered in this issue

- [Financial Reporting Standard \(FRS\) 102 / International Accounting Standard \(IAS\) 19](#)

Financial Reporting Standard (FRS) 102 / International Accounting Standard (IAS) 19

Introduction

Work is currently underway in preparing the necessary data for submission to the Actuary to the East Sussex Pension Fund in respect of the valuations required under the Accounting Standard on pension costs, known as Financial Reporting Standard 102 (FRS102), for 2017/18. This standard sets out how employers who provide any form of employee pension arrangement (whether funded or unfunded, final salary or defined contribution) should account for the costs of providing pensions through their accounts.

It is expected that, as in the past, most employers in the East Sussex Pension Fund will have to comply with the FRS102 or IAS19 reporting requirements, although there are a number of potential exemptions which are considered later on in this Newsletter.

In order to avoid late notifications from employers advising that an FRS 102 / IAS19 report is not required as has been the case in previous years, we will require employers to notify us this year by Friday 23rd March 2018 whether they require a report in respect of 2017/18. We will also require employers to notify us, having consulted with their auditor, whether it is an FRS102 report or an IAS19 report that is required.

For all **new employers** admitted into the East Sussex Pension Fund during 2017/18, please can you also notify us by **Friday 23rd March 2018** whether you require an FRS102 or IAS19 valuation report. If you are a new employer to the East Sussex Pension Fund during 2017/18 please can you confirm your financial year end.

Costs

Costs will be in line with last year's fees.

As the work associated with FRS102 / IAS19 compliance falls outside of the scope of work that Hymans Robertson undertake on behalf of the Fund, each employer will have to meet their share of the actuarial fees associated with providing the necessary information.

As in previous years, once we have confirmation of who will be requiring a report we will contact you to advise on the cost as the cost will vary depending on whether or not we are asked to value unfunded pensions and whether any bespoke assumptions are requested.

Exemptions

The Accounting Standards Board (ASB) does allow exemptions for certain small organisations under FRS102 / IAS19 where they prepare their accounts under the Financial Reporting Standard for Smaller Entities (FRSSE). While Local Authority employers do not prepare accounts under FRSSE it may be that some smaller non-Local Authority Admitted Bodies can legitimately claim exemption under FRSSE. If you are in any doubt please raise this issue with your auditors as a matter of urgency.

The only other employers who may be exempt from FRS102 / IAS19 are certain Town, Parish and Community Councils. The exemption will only apply if any Town, Parish or Community Council or other non-principal authorities (such as internal drainage boards) does not have an individually assessed employer contribution rate. Hymans Robertson has confirmed that it is possible to disaggregate FRS102 / IAS19 figures for all LGPS employers, so this would not apply to this Fund.

It is important that all Town and Parish Councils agree with their auditor whether they are exempt from the FRS102 / IAS19 reporting requirements as a matter of urgency. If no FRS102 / IAS19 report has been issued to you previously no report will be provided unless you specifically request it.

Projection Methodology

The 2017/18 FRS102 / IAS19 figures will be projected forward from the results of the 2016 formal funding valuation.

Please note that we cannot assess the accuracy of the estimated (projected forward) liability as at 31 March 2018 without conducting a full valuation. The estimated liability will not reflect any differences between employers' demographic experience and that assumed (e.g. ill-health early retirements), the impact of differences between changes in salary and pension increases and changes for specific individuals, or the effect of any changes in the age and length of service structure of employers' liabilities. In particular; unless we are specifically advised of any transaction and asked to incorporate these, the projections will not allow for the effect of any transfers of liabilities since the formal valuation date (e.g. bulk transfers of past service). Hymans Robertson will apply additional charges in this case.

Timescales

One of the main areas of concern when producing FRS102 / IAS19 valuation reports is the timeframe in which the final reports are provided.

There is a need to balance ever increasing pressure on the timescales within which employers have to finalise their accounts and the accuracy of the report.

We believe there is real value to employers in receiving accounting reports based on full year data. This avoids the actuaries having to estimate contributions & payroll for part of the year and means the actual contribution and payroll information in the reports is consistent with employer's accounts, thus leading to fewer auditor queries.

Like last year we will therefore be using full year data for the reports and our actuaries will deliver reports by 14th May 2018 (providing employers have paid their March contributions on time with a completed LGPS31 form).

Unfunded Pensions

Our interpretation of FRS102 / IAS19 is that unfunded pensions, or (former) "compensatory added years", are retirement benefits and hence should be accounted for under FRS102 / IAS19. We are aware that some employers account for these unfunded pensions under FRS12. Ultimately, it is the decision of the employer, and its auditor, so please also include unfunded data if you wish us to include the liabilities in our FRS102 / IAS19 calculations.

Re-statement of prior year figures

Please note that we will only re-state prior year figures if specifically instructed to do so, e.g. where unfunded liabilities are included or excluded this year but were excluded (included) in previous years, or where we are advised that a different accounting basis applies etc. Additional fees are likely to be charged by the actuaries for any re-statements.

Financial Assumptions

We continue to receive an increasing volume of queries from auditors over the derivation of our recommended financial assumptions. Working with our actuaries we have previously issued Briefing Notes on assumptions setting prior to previous exercises exercises. I will be issuing a similar Briefing Note commenting on our approach for the 2018 exercise nearer to the year end date.

Please note the assumptions used for the FRS102 / IAS19 are ultimately the responsibility of the directors (or equivalent) of the organisation in question having taking advice from an Actuary. It is recommended that employers get in touch with their auditors to confirm the acceptability of our Scheme actuaries approach. If a different approach is desired, our Scheme actuaries would be happy to carry out the calculations using different assumptions. However, as any report prepared in this way would have to be processed outside the main batch of reports, it would be subject to an increased fee.

Frequently Asked Accounting Questions

There are an increasing number of queries from employers and auditors in relation to the FRS102 / IAS19 exercise. The attached Briefing Note ('Local Government Pension Scheme: Frequently Asked Accounting Questions') is a consolidation of the questions received following previous FRS102 / IAS19 exercises and anticipates some questions for this year's disclosure.

Production of Reports

As mentioned earlier in this Newsletter, I will require employers to notify me this year by 23rd March 2018 that they require an FRS102 / IAS19 report in respect of 2017/18.

Contact Details

Any queries concerning the contents of this Employers Newsletter should be directed to:

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