

The impact of FRS102 on non-associated multi-employer schemes

Currently, under FRS17 employers that are unable to identify their share of a pension scheme's assets and liabilities, such as in a defined benefit (DB) non-associated multi-employer scheme like The Pensions Trust, are able to account for its liabilities on a defined contribution (DC) basis.

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With many DB schemes in significant deficit at the current time, this change will be significant.

This means that these employers may be recording a pension expense equal to the contributions which they are required to make to their schemes in their company accounts. As a result the pension scheme asset or liability does not appear on the employer's balance sheet.

However, with the introduction of FRS102, for accounting periods commencing on or after 1 January 2015 employers will no longer be able to adopt this DC accounting basis. Specifically, a liability equal to the present value of all future deficit payments due from an employer to their pension arrangement will need to be recognised on the balance sheet.

With many DB schemes in significant deficit at the current time, this change will be significant. It is possible that the worsening of the balance sheet for these employers will cause financial difficulties. As a number of these employers tend to be charities and not for profit organisations this could have an unfortunate effect on charitable activities.

What you can do

We recommend any employers who might be impacted by the change to FRS102 start planning for any change as early as possible by speaking to their auditors and their pension provider to understand the size of any changes.

About us

Barnett Waddingham is an independent partnership, wholly owned and managed by its 62 partners with seven offices in the UK and a headcount of 695 employees. We are a leading provider of administration, actuarial, investment, employee benefits, and consultancy services to pension schemes.

Our experience

Across Barnett Waddingham we have considerable experience advising organisations with pension obligations in DB non-associated multi-employer schemes such as the Pensions Trust.

In the past, we have helped employers to understand their pension arrangements further and examine a variety of de-risking and exit options. We have also provided support to many employers in multi-employer schemes where an actuarial valuation is being completed.

Please contact your Barnett Waddingham consultant if you would like to discuss any of the above topics in more detail. Alternatively contact us via the following:

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