Mr Colin S Hunter
26 March 2002

FRS 17 makes allowance for multi-employer DB schemes (in paragraphs 8 to 12) and I would hope that IAS 19 will include similar paragraphs.

I note below an extract from my letter to the ASB in response to their discussion paper which preceded FRS 17:

"I would wish the final FRS to address the situation of multi-employer schemes. While for multi-employer schemes which are segmented and have separate actuarial valuations for each segment there may be no specific issues different from those of single employer schemes, this is not the case for USS. USS is a multi-employer scheme in which the employers are associated by community of interest but are otherwise largely independent of each other. The actuarial valuation of USS addresses the whole member population and no attempt is made to calculate the actuarial position applicable to individual employers. As such there is an accepted cross subsidy between employers for all aspects of the scheme. I believe it would be appropriate for the FRS to make specific reference to such schemes and that, in particular, for any spreading of actuarial gains or losses, this should be over the remaining service lives of the whole membership of the scheme.

Our practice under SSAP24 has been to recommend to the participating employers that for accounting purposes they should treat the pensions cost as being equal to the actual contributions payable. This was seen to be the only prudent way to deal with the issue in our case. I believe that unless there was a significant difference between the surplus or deficit from one triennial valuation to the next or between the pensions cost and the actual contributions payable that this would, in the case of USS, remain the appropriate treatment."

Colin S Hunter