



HM TREASURY

Financial Reporting Advisory Board Paper

GOVERNMENT FINANCIAL REPORTING MANUAL (FreM) – CHAPTER 8: *RETIREMENT BENEFITS and EARLY DEPARTURE COSTS*

Issue:	Proposed wording for Chapter 8 of the FreM.
Impact on guidance:	Yes – new chapter 8.
UK GAAP adaptation?	Yes – some aspects of FRS 17 have been interpreted for application to the public sector. However, the new chapter 8 is based closely on chapter 15 of the RAM, and does not propose any adaptations or interpretation of FRS 17 that have not already been approved by the FRAB.
IAS/IFRS compliant?	The guidance complies with FRS 17 rather than IAS 19.
IPSAS compliant?	Yes
Impact on budgetary regime?	None
Recommendation:	The FRAB is invited to approve the suggested wording for the new chapter 8 of the FreM
Timing:	2005-06

DETAIL

Background

1. The attached document sets out the proposed wording for chapter 8 *Retirement Benefits and Early Departure Costs* in the Government Financial Reporting Manual (FreM).
2. The chapter provides guidance on the form and content of the financial statements prepared by the main unfunded pension schemes in the public sector. It is based closely on the current chapter

15 in the RAM and introduces no new concepts. It also considers the treatment of compensation payments made to individuals who take early retirement on agreed terms. Such payments are a direct charge to the employers and are not funded through the normal contribution regime.

3. Paragraph 8.2.4 refers to a model pension scheme account; this is currently out for consultation and will be brought to the meeting of the FRAB on 7 March 2005.

UK GAAP compliance

4. As is currently the case, certain aspects of FRS 17 have been adapted or interpreted for application to public sector pension scheme accounts. Paragraph 8.2.2 of the draft chapter 8 describes these adaptations and interpretations. The FRAB has already agreed to these.

IAS/IFRS compliance

5. The guidance complies with FRS 17 rather than IAS 19.

IPSAS compliance

6. N/A

Proposed amendment to the Government Financial Reporting Manual

7. See the attachment for the proposed amendments to the FReM

Impact on the budgetary regime

8. There is no impact on the budgetary regime.

Impact of amendment on "Magenta" model pension scheme accounts

9. A revised version of the "Magenta" pension scheme accounts will be put to the FRAB meeting in March.

Summary and recommendation

9. The FRAB is invited to approve the wording of the new chapter 8 for the FReM.

HM Treasury

28 January 2005