

**SHPS and SHAPS**  
Defined Benefit Accounting

# Corporate Accounting Guide

May 2021

# Key documents overview

TPT's online DB accounting tool (the tool) is available for employers with a defined benefit obligation in the Social Housing Pension Scheme (SHPS) or the Scottish Housing Associations' Pension Scheme (SHAPS). The tool provides sufficient information for defined benefit accounting for financial years ending on or after 31 March 2019.

Several key documents and guides are available to help employers understand the accounting process, and how to use the tool. The detail below explains the purpose of this document, and also summarises the other key documents that are available either on our website, or in the 'Supporting Information' section of the tool itself.

## This document

| Document                          | Description                                                                                                                                                                                                                                                                                                            |
|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Corporate Accounting Guide</b> | Background to corporate accounting, including example annotated disclosures. It may be helpful to read the example annotated disclosure in this document in conjunction with a disclosure you have <b>saved</b> using the online tool. Please refer to the 'User Guide' document for help with the online tool itself. |

## Supporting documents

| Document                                                                | Description                                                                                                                                                                                                                                                                                                                                                                               |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Corporate Activity – When to Contact TPT</b><br><br><b>Important</b> | This document explains the types of corporate activity that would require an employer to contact TPT to ensure that the DB accounting disclosure tool continues to produce suitable disclosures. The activity ranges from a material change in ongoing DB accrual type (for example a large number of members moving from final salary to DC or CARE) to corporate mergers and demergers. |
| <b>ISAE Assurance Report</b>                                            | Independent assurance reports designed to give each employer and its auditor comfort regarding the information provided.                                                                                                                                                                                                                                                                  |
| <b>Scheme Disclosure Wording</b>                                        | Information relating to the scheme as a whole for inclusion in corporate accounts (distinct from the employer-level information provided in the DB accounting disclosure tool).<br>The wording will be updated at least every three years following the completion of the latest actuarial valuation.                                                                                     |
| <b>DB Assumptions Reports</b>                                           | These reports explain how the default accounting assumptions have been derived for each period from 31 March to 28/29 February the following year.                                                                                                                                                                                                                                        |
| <b>Asset Report</b>                                                     | A description of the assets held in the scheme and how the assets are allocated between participating employers in the scheme.                                                                                                                                                                                                                                                            |
| <b>User Guide</b>                                                       | A document to assist the user in operating the online disclosure tool, notably containing a description of each of the 'Tool Inputs' that employers can override. Please refer to the 'Corporate Accounting Guide' document for help understanding the disclosures produced by the tool.                                                                                                  |

# 1. Summary

- For Financial Years ending on or after 31 March 2019 the way in which an employer's Defined Benefit pension obligation in SHPS or SHAPS is stated in its company accounts changed.
- Prior to 31 March there was insufficient information available for an employer in SHPS or SHAPS to account for its obligations on a Defined Benefit basis (i.e. stating assets and obligations). As a result, and as required by FRS 102, employers accounted for the obligation by stating the present value of agreed future deficit repayment contributions.
- For Financial Years ending on or after 31 March 2019, sufficient information is available for an employer in SHPS or SHAPS to account for its obligations on a Defined Benefit basis.
- This Guide gives some background information on DB accounting, as well as an example annotated disclosure note which explains the various outputs of the online DB accounting tool.

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## 2. Purpose of this guide

This Guide is designed for employers participating in SHPS or SHAPS who are using the online DB accounting tool to provide disclosures for their accounts.

The remaining sections of this guide can be summarised as follows:

- Section 3 gives a reminder of the structure of both SHPS and SHAPS
- Section 4 describes the background to pension scheme accounting as relevant to SHPS and SHAPS
- Section 5 contains an annotated example accounting disclosure, and explains each entry

Backing information can be found in four appendices which are signposted at the appropriate points in the main body of this report.

### 3. Structure of the Scheme - A reminder

SHPS and SHAPS are multi-employer pension schemes which provide benefits to non-associated participating employers. The schemes are classed as defined benefit schemes in the UK.

The schemes are classified as 'last man standing' arrangements. Therefore each employer is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

## 4. Pension Accounting Disclosures – Background

FRS 102, in a similar way to its predecessor FRS 17, requires (FRS 102 section 28.14 – see Appendix A) that an employer participating in a Defined Benefit scheme should recognise:

- a liability for its obligations under the scheme net of scheme assets and
- the net change in that liability during the accounting period as the cost of the Defined Benefit scheme during the period

If sufficient information is not available in a multi-employer Defined Benefit scheme such as SHPS or SHAPS, as was previously the case, then FRS102 requires (FRS 102 sections 28.11 and 28.13 – see Appendix A) that an employer participating in the scheme should recognise:

- a liability for any employer contributions scheduled in the future arising from the scheme's agreed deficit recovery plan and
- the resulting expense in profit or loss

For Financial Years ending on or after 31 March 2019, TPT is able to provide full defined benefit accounting information (termed 'Defined Benefit Approach' throughout this guide). As a result, the approach of reporting the deficit recovery plan contributions no longer complies with FRS 102.



## 5. Example Accounting Disclosure

This section of the guide contains an annotated example accounting disclosure taken from the tool. Each line of the disclosure is explained in detail, with references to relevant appendices for further information if applicable.

The examples describe each section within the disclosures in order of appearance.

### Employer Disclosures

The first tab of the 'Results & Disclosures' screen shows the accounting disclosures for your organisation. Please note all entries displayed in the tables below are example values for illustrative purposes only.

#### Table 1

A balance sheet showing your organisation's fair value of assets and liabilities (defined benefit obligations) in the scheme at the current and previous accounting dates (FRS 102 section 28.14 – see Appendix A). See Appendix B for background relating to the actuarial calculation of scheme liabilities, and Appendix C for the subsequent allocation of the fair value of scheme assets.

#### Fair value of assets, present values of defined benefit obligation, and defined benefit asset (liability)

|                                                           | 31 March 2021<br>(£000s) | 31 March 2020<br>(£000s) |
|-----------------------------------------------------------|--------------------------|--------------------------|
| 1) Fair value of plan assets                              | 12,000                   | 11,500                   |
| 2) Present value of defined benefit obligation            | 14,000                   | 13,000                   |
| 3) Surplus (deficit) in plan                              | (2,000)                  | (1,500)                  |
| 4) Unrecognised surplus                                   | -                        | -                        |
| 5) Defined benefit asset (liability) to be recognised     | (2,000)                  | (1,500)                  |
| 6) Deferred tax                                           | *                        | *                        |
| 7) Net defined benefit asset (liability) to be recognised | *                        | *                        |

\*to be completed by the employer if required

1. Fair value of plan assets – The employer’s share of the market value of assets in the scheme at the accounting date. This includes the share of assets in relation to ‘orphan’ members (with no sponsoring employer) and ‘split-service’ members (with service with two or more employers within the scheme). A breakdown of assets per fund type is shown in Table 7 of the Employer Disclosures.
2. Present value of defined benefit obligation – The employer’s accounting liabilities in the scheme at the accounting date. This includes the share of liabilities in relation to both ‘orphan’ and ‘split-service’ members.
3. Surplus (deficit) in plan – The net balance sheet position in relation to the employer (fair value of assets less present value of defined benefit obligations).
4. Unrecognised surplus – If a surplus exists then there are additional rules around whether the surplus can be recognised as an asset. Any surplus which cannot be recognised would be classed as “unrecognised surplus”. The default position in the online tool is for any surplus to be unrecognised. If you wish to recognise a surplus, you will need to enter the ‘Maximum Recoverable Surplus’ that could be recognised into the ‘Inputs’ section of the online tool.
5. Defined benefit asset (liability) to be recognised – This is the element of any surplus which can be recognised as an asset. FRS 102 only permits a surplus to be recognised where the employer is able to recover that surplus either through reduced contributions in future or through refunds from the plan. The online tool will allow you to generate disclosures with a recognised surplus, but you will need to be able to justify any amount that you choose to recognise.
6. Deferred tax – The deferred tax entry is to be completed by the employer as this relates to the employer’s tax status rather than simply the pensions disclosure. This is not expected to be relevant for the majority of SHPS and SHAPS employers.
7. Net defined benefit asset (liability) to be recognised – This is the ultimate asset or liability to be recognised, net of deferred tax and any unrecognised surplus.

## Table 2

FRS 102 only permits a surplus to be recognised where the employer is able to recover that surplus either through reduced contributions in future or through refunds from the plan. The maximum level of surplus that could be recovered in this way represents the asset ceiling. This section will only be populated with figures if there is an assessed accounting surplus in the scheme which has been restricted due to an asset ceiling.

### Reconciliation of the impact of the asset ceiling

|                                                                     | Period from<br>31 March 2020 to<br>31 March 2021<br>(£000s) |
|---------------------------------------------------------------------|-------------------------------------------------------------|
| <b>1) Impact of asset ceiling at start of period</b>                | -                                                           |
| <b>2) Effect of the asset ceiling included in net interest cost</b> | -                                                           |
| <b>3) Actuarial losses (gains) on asset ceiling</b>                 | -                                                           |
| <b>4) Impact of asset ceiling at end of period</b>                  | -                                                           |

1. Impact of the asset ceiling at the start of period – This is the value of any accounting surplus at the start of the period but not recognised in the balance sheet at the start of the period.
2. Effect of the asset ceiling included in net interest cost – The impact of the net interest cost being higher (less negative) when assets are restricted than it would otherwise be where a surplus is recognised.
3. Actuarial losses (gains) on asset ceiling – This is the impact of any other changes on any unrecognised surplus over the period. It is effectively a balancing item for the reconciliation.
4. Impact of asset ceiling at end of period – This is the value of any accounting surplus calculated at the end of the period but not recognised in the balance sheet at the end of the period.

### Table 3

A reconciliation from previous accounting date to the current accounting date of the defined benefit obligation shown on the balance sheet in Table 1.

#### Reconciliation of the impact of the asset ceiling

|                                                                       | Period from<br>31 March 2020 to<br>31 March 2021<br>(£000s) |
|-----------------------------------------------------------------------|-------------------------------------------------------------|
| 1) Defined benefit obligation at start of period                      | 13,000                                                      |
| 2) Current service cost                                               | 250                                                         |
| 3) Expenses                                                           | 10                                                          |
| 4) Interest expense                                                   | 350                                                         |
| 5) Member contributions                                               | 50                                                          |
| 6) Actuarial losses (gains) due to scheme experience                  | (200)                                                       |
| 7) Actuarial losses (gains) due to changes in demographic assumptions | 40                                                          |
| 8) Actuarial losses (gains) due to changes in financial assumptions   | 800                                                         |
| 9) Benefits paid and expenses                                         | (300)                                                       |
| 10) Liabilities acquired in a business combination                    | -                                                           |
| 11) Liabilities extinguished on settlements                           | -                                                           |
| 12) Losses (gains) on curtailments                                    | -                                                           |
| 13) Losses (gains) due to benefit changes                             | -                                                           |
| 14) Exchange rate changes                                             | -                                                           |
| 15) Defined benefit obligation at end of period                       | 14,000                                                      |

1. Defined benefit obligation at start of period – The employer’s accounting liabilities in the scheme at the accounting date. This includes the share of assets in relation to ‘orphan’ members (with no sponsoring employer) and ‘split-service’ members (with service with two or more employers within the scheme). This figure will match the present value of defined benefit obligation at the **previous accounting date** shown in Table 1.
2. Current service cost – The actuarial value of DB benefits accruing over the accounting period for the employer net of contributions paid by the scheme participants (as the latter is not an employer expense). The total value is calculated based on the accounting assumptions at the start of the accounting period. This will be nil if the employer has no DB members accruing benefits. (Note the service cost is used to place a value of benefits accruing, not the contributions employers actually pay).
3. Expenses – The payments made in the accounting period by the employer to the scheme to cover the expenses of running the scheme.
4. Interest expense – The interest on the defined benefit obligation over the accounting period. This is broadly equal to the accounting liabilities at the start of the accounting period multiplied by the discount rate applicable at the start of the accounting period (adjustments included based on the timing of benefits accrued and benefit payments)
5. Member contributions – When added to the employer’s current service cost this sums to be the increase in obligations (liabilities) arising from DB accrual in the accounting period. As with the current service cost, this will be nil if the employer has no DB members accruing benefits.
6. \*Actuarial losses (gains) due to scheme experience – The movement in the liabilities due to known experience of membership movements over the accounting period.
7. \*Actuarial losses (gains) due to changes in demographic assumptions – The impact of changes in demographic assumptions over the accounting period on the defined benefit obligations. Demographic assumptions include assumptions around life expectancy and member retirement options.
8. \*Actuarial losses (gains) due to changes in financial assumptions – The impact of changes in financial assumptions over the accounting period on the defined benefit obligations. Financial assumptions include the discount rate and expected rate of future price inflation (linked to year on year benefit increases).
9. Benefits paid and expenses – Benefits and expenses paid during the accounting period are no longer an obligation / liability at the end of the accounting period.

*\*There is no specific FRS102 requirement for the constituent elements of the actuarial losses (gains) to be separately identified. Therefore these three items could be summed together and disclosed as a single item if preferred. See the comments under Table 6 later for more information.*

10. to 14. – These entries will only be populated if there have been ‘special events’ in the accounting period. See Appendix D for further details on these entries, and the separate document titled ‘Corporate Activity – When to Contact TPT’ for details of when these entries may be applicable.
15. Defined benefit obligation at end of period – The sum of the above constituent items. This figure will match the present value of defined benefit obligation at the **current accounting date** shown in Table 1.

## Table 4

A reconciliation of the fair value of plan assets shown in the balance sheet in Table 1.

### Reconciliation of opening and closing balances of the fair value of plan assets

|                                                                                                                                                  | Period from<br>31 March 2020 to<br>31 March 2021<br>(£000s) |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|
| 1) Fair value of plan assets at start of period                                                                                                  | 11,500                                                      |
| 2) Interest income                                                                                                                               | 300                                                         |
| 3) Experience on plan assets (excluding amounts included in interest income) - gain (loss)                                                       | 150                                                         |
| 4) Employer contributions                                                                                                                        | 300                                                         |
| 5) Member contributions                                                                                                                          | 50                                                          |
| 6) Benefits paid and expenses                                                                                                                    | (300)                                                       |
| 7) Assets acquired in a business combination                                                                                                     | -                                                           |
| 8) Assets distributed on settlements                                                                                                             | -                                                           |
| 9) Exchange rate changes                                                                                                                         | -                                                           |
| 10) Fair value of plan assets at end of period                                                                                                   | 12,000                                                      |
| <hr/>                                                                                                                                            |                                                             |
| 11) The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2020 to 31 March 2021 was £850,000 |                                                             |

1. Fair value of plan assets at start of period – The employer’s share of the market value of assets in the scheme at start of the accounting period. This includes the share of assets in relation to ‘orphan’ members (with no sponsoring employer) and ‘split-service’ members (with service with two or more employers within the scheme). A breakdown of assets per fund type is shown in Table 7 of the Employer Disclosures. This figure will match the fair value of plan assets at the **previous accounting date** shown in Table 1.
2. Interest income – The investment return over the accounting period assuming the rate of return was equal to the discount rate at the start of the accounting period. This is broadly equal to the fair value of assets at the start of the accounting period multiplied by the discount rate applicable at the start of the accounting period (adjustments included based on the timing of contributions and benefit payments).
3. Experience on plan assets – The movement in the assets after stripping out the Interest income (includes investment return over and above interest income and change in asset share – *see Table 11 for a breakdown of this*).
4. Employer contributions – The contributions paid into the scheme by the employer (deficit contributions, scheme expenses and any contributions for DB accrual or augmentations over the period).
5. Member contributions – The contributions paid into the scheme by the members.
6. Benefits paid and expenses – Benefits and expenses paid during the accounting period are no longer an asset at the end of the accounting period.
7. to 9. – These entries will only be populated if there have been ‘special events’ in the accounting period. See Appendix D for further details on these entries, and the separate document titled ‘Corporate Activity – When to Contact TPT’ for details of when these entries may be applicable.
10. Fair value of plan assets at end of period – The sum of the above constituent items. This figure will match the fair value of plan assets at the **current accounting date** shown in Table 1.
11. The actual return on plan assets amount shown is the sum of items 2 and 3, and includes any changes in share of assets (see Appendix C).

## Table 5

Certain elements of the change in net defined benefit liability are included in the Statement of Comprehensive Income (SoCI).

### Defined benefit costs recognised in the Statement of Comprehensive Income (SoCI)

|                                                                                        | Period from<br>31 March 2020 to<br>31 March 2021<br>(£000s) |
|----------------------------------------------------------------------------------------|-------------------------------------------------------------|
| <b>1) Current service cost</b>                                                         | 250                                                         |
| <b>2) Expenses</b>                                                                     | 10                                                          |
| <b>3) Net interest expense</b>                                                         | 50                                                          |
| <b>4) Losses (gains) on business combinations</b>                                      | -                                                           |
| <b>5) Losses (gains) on settlements</b>                                                | -                                                           |
| <b>6) Losses (gains) on curtailments</b>                                               | -                                                           |
| <b>7) Losses (gains) due to benefit changes</b>                                        | -                                                           |
| <b>8) Defined benefit costs recognised in statement of comprehensive income (SoCI)</b> | 310                                                         |

1. Current service cost – The actuarial value of DB benefits accruing over the accounting period for the employer net of contributions paid by the scheme participants (as the latter is not an employer expense). The total value is calculated based on the accounting assumptions at the start of the accounting period. This will be nil if the employer has no DB members still accruing benefits.
2. Expenses – The payments made in the accounting period by the employer to the scheme to cover the expenses of running the scheme.
3. Net interest expense – The net interest accruing over the accounting period (interest expense less interest income).
4. to 7. – These entries will only be populated if there have been ‘special events’ in the accounting period. See Appendix D for further details on these entries, and the separate document titled ‘Corporate Activity – When to Contact TPT’ for details of when these entries may be applicable.
8. Defined benefit costs recognised in the Statement of Comprehensive Income – The sum of the above constituent items.



## Table 6

The elements of the change in the net defined benefit liability which do not pass through the Statement of Comprehensive Income are included in Other Comprehensive Income (OCI).

There is no specific FRS102 requirement for the constituent elements of the actuarial losses (gains) for either defined benefit obligations (liabilities) or plan assets to be separately identified.

### Defined benefit costs recognised in other comprehensive income

|                                                                                                                                               | Period ended<br>31 March 2020 to<br>31 March 2021<br>(£000s) |
|-----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| <b>1) Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)</b>                                           | 150                                                          |
| <b>2) Experience gains and losses arising on the plan liabilities - gain (loss)</b>                                                           | 200                                                          |
| <b>3) Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)</b>      | (40)                                                         |
| <b>4) Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)</b>        | (800)                                                        |
| <b>5) Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)</b>               | (490)                                                        |
| <b>6) Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)</b> | -                                                            |
| <b>7) Total amount recognised in Other Comprehensive Income - gain (loss)</b>                                                                 | (490)                                                        |

1. Experience on plan assets – The movement in the assets after stripping out the Interest Income (included in the Statement of Comprehensive Income) and allowing for cash flows in and out of the scheme over the accounting period. This comprises two elements: a) Performance of assets in excess of the Interest Income, and b) Impact of changes in the employer’s share of assets in the scheme arising from a movement in the distribution of Technical Provisions (funding liabilities) and/or the increase in assets arising from the insolvency event of a participating employer (*see corresponding liability impact below, and see Table 11 for a breakdown of this.*)
2. Experience gains and losses arising on the plan liabilities – The movement in the liabilities due to known experience of membership movements over the accounting period. This comprises of two elements: a) Impact of change in orphan share arising from the insolvency event of a participating employer (*see corresponding asset impact above, and see Table 12 for a breakdown of this*), and b) Impact of member experience being different than the assumptions set (for example member transfers, member deaths and salary increases granted).

3. \*Actuarial gains (losses) due to changes in demographic assumptions – The impact of changes in demographic assumptions over the accounting period on the defined benefit obligations. Demographic assumptions include assumptions around life expectancy and member retirement options.
4. Actuarial gains (losses) due to changes in financial assumptions – The impact of changes in financial assumptions over the accounting period on the defined benefit obligations. Financial assumptions include the discount rate and expected rate of future price inflation.
5. Total actuarial gains and losses... – The sum of the above constituent items.
6. Effects of changes in the amount of surplus that is not recoverable – This is the impact of any change in the amount of unrecoverable surplus.
7. Total amount recognised in Other Comprehensive Income – The total actuarial gains and losses, net of item 6 above.

## Table 7

The fund allocation for the employer's calculated share of assets at the current and previous accounting dates. The total figure will match the fair value of plan assets at each accounting date as shown in Table 1.

An annual 'Asset Report' will also be made available on our website and the online tool which will provide more detail on the scheme assets.

*\*The online tool has been created with a functionality to allow users to vary the life expectancy assumption should they wish. This assumption variation has been created to be as simple as possible with a single input (life expectancy at age 65).*

*A consequence of including this simple functionality is that a small 'actuarial losses (gains) due to changes in demographic assumptions' entry will also be included where life expectancies have increased due to the passage of time, rather than just through strict changes in assumption. Where this does occur the impact will be minor (less than 0.5% of liabilities) and this only relates to the split amongst the actuarial losses (gains) items in the Other Comprehensive Income and the liability reconciliation, not the ultimate liability value or any items relating to the Statement of Comprehensive Income. If the employer hasn't changed the life expectancy assumption but wishes this particular actuarial loss (gain) item to be zero then it should move the figure against this item to 'experience gains and losses arising on the plan liabilities' (see item 2 on the previous page) as the latter is the balancing item in the actuarial reconciliation of start year and end year liabilities.*

## Table 8

The key assumptions used in calculations at the current and previous accounting dates. Please see the separate 'DB Assumptions Report' for each accounting year for further details on the calculation methodologies used to derive the default assumptions.

**As a reminder, all the entries in the tables in this document are purely for illustrative purposes only.**

### Key Assumptions

|                                                                | 31 March 2021<br>% per annum | 31 March 2020<br>% per annum |
|----------------------------------------------------------------|------------------------------|------------------------------|
| 1) Discount Rate                                               | 2.38%                        | 2.40%                        |
| 2) Inflation (RPI)                                             | 2.62%                        | 3.20%                        |
| 3) Inflation (CPI)                                             | 1.62%                        | 2.20%                        |
| 4) Salary Growth                                               | 2.62%                        | 3.20%                        |
| 5) Allowance for commutation of pension for cash at retirement | 75% of maximum allowance     | 75% of maximum allowance     |

6) The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

|                         | Life expectancy at age 65 (years) |
|-------------------------|-----------------------------------|
| Male retiring in 2021   | 21.5                              |
| Female retiring in 2021 | 23.3                              |
| Male retiring in 2041   | 22.9                              |
| Female retiring in 2041 | 24.5                              |

1. Discount Rate – The equivalent employer-specific single discount rate which, when used to discount the projected benefit cash flows underlying the employer’s membership profile, would give broadly the same results as using a full AA-rated corporate bond yield curve to discount the same benefit payments.
2. Inflation (RPI) – Impacts the liability calculation for pensions in payment whose increases are linked to inflation, along with the revaluation of deferred pensions (between leaving and retirement). Used for increases based on the Retail Prices Index.
3. Inflation (CPI) – Same as above, but used for increases based on the Consumer Prices Index.
4. Salary Growth – Projects accrued pensions for current active members or deferred members with a retained salary link.
5. Allowance for commutation... – This is the allowance made within the calculations for members exchanging a proportion of their pension for a lump sum at retirement.
6. The mortality assumptions show the average remaining life expectancies for members retiring at age 65 both in the current accounting year and 20 years in the future.

## Additional information

The second tab of the ‘Results & Disclosures’ screen in the online tool shows additional information that does not need to be disclosed in your accounts, but which employers and auditors may find useful.

## Table 9

A list of the Final and Default model inputs used to produce the accounting disclosures. For more information on the inputs themselves please see the separate ‘User Guide’ document for the online tool.

## Tool inputs

The list shows inputs to the tool that can be amended by the employer or TPT. The ‘Final data item’ will differ from the ‘Default data item’ if the value has been changed.

It is important to keep a record of the inputs used, as you will need to use the 'Final data item' for the current accounting date as the input values for the previous accounting date the next time you run your disclosures. As an example, the 'discount rate' used as at 31 March 2019 should be the same for both the end date of your 31 March 2019 year-end accounts, and the start date of your 31 March 2020 year-end accounts.

## Table 10

The derivation of assumptions used at the current and previous accounting dates. Please see the separate 'DB Assumptions Report' for each accounting year for further details on the calculation methodologies used to derive the default assumptions.

This section also shows the average duration of the defined benefit obligation for accounting periods ending 31 March 2020 onwards. The duration is broadly the term from the accounting date to the 'average' time of benefit payment in the future.

## Table 11

A breakdown of the 'Experience on plan assets' figure found in Table 4 and Table 6.

### Additional information on asset gains and losses

|                                                                                                     |     |
|-----------------------------------------------------------------------------------------------------|-----|
| <b>1) Return on plan assets (excluding amounts included in net interest cost)</b>                   | 50  |
| <b>2) Impact of changes in share of assets</b>                                                      | 100 |
| <b>3) Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)</b> | 150 |

1. Return of plan assets (excluding amounts included in net interest cost) – This is the experience on plan assets total less the impact of changes in share of assets.
2. Impact of changes in share of assets – This is the impact of any other movements on the employer's asset share, such as new orphans, or changes in their relative share of liabilities compared to other employers (see Appendix C). It is calculated as the employer's year-end assets less the equivalent figure should the start year asset share allocation for that employer have remained the same at the year end.
3. Experience on plan assets (excluding amounts included in net interest cost) – This is the total movement in assets excluding interest income, contributions, benefit and expense payments, business combinations and settlements.

## Table 12

A breakdown of the item stated in two areas of the disclosures: 'Actuarial losses (gains) due to scheme experience' figure found in Table 3, and the 'Experience gains and losses arising on the plan liabilities' figure found in Table 6.

### Additional information on experience gains and losses

|                                                                                                               |     |
|---------------------------------------------------------------------------------------------------------------|-----|
| <b>1) Impact of experience arising on plan liabilities excluding the impact of any change in orphan share</b> | 198 |
| <b>2) Impact of change in orphan share</b>                                                                    | 2   |
| <b>3) Experience gains and losses arising on the plan liabilities - gain (loss)</b>                           | 200 |

1. Impact of experience arising on plan liabilities excluding the impact of any change in orphan share – This is the change in the employer's liabilities as a result of actual experience, such as membership movements and actual inflation.
2. Impact of change in orphan share – This is the change in the employer's liabilities due to a change in the orphan liabilities attributable to them.
3. Experience gains and losses arising on the plan liabilities – This is the total of the above items.

## Table 13

### Member data summary

#### Active members

|                | Number | Total earnings (£'000s p.a.) | Average age (unweighted) |
|----------------|--------|------------------------------|--------------------------|
| <b>Males</b>   | 40     | 1,750                        | 42                       |
| <b>Females</b> | 55     | 2,515                        | 43                       |
| <b>Total</b>   | 95     | 4,265                        | 43                       |

## Deferred members

|                | Number | Deferred pensions (£'000s p.a.) | Average age (unweighted) |
|----------------|--------|---------------------------------|--------------------------|
| <b>Males</b>   | 40     | 35                              | 46                       |
| <b>Females</b> | 55     | 60                              | 42                       |
| <b>Total</b>   | 95     | 95                              | 44                       |

## Pensioners

|                | Number | Pensions (£'000s p.a.) | Average age (unweighted) |
|----------------|--------|------------------------|--------------------------|
| <b>Males</b>   | 10     | 140                    | 52                       |
| <b>Females</b> | 20     | 75                     | 60                       |
| <b>Total</b>   | 30     | 215                    | 57                       |

Note that active members include current DC actives who have DB benefits.

Membership data as at 30 September each year (and 31 March 2018 for the first year of using the tool) is extracted from TPT's systems and supplied to the Scheme Actuary for the calculation of the member liabilities. A summary of the data for each employer at the relevant September is provided. Please note that the membership data summary does not include any orphan members and also only includes the split service members where the organisation is the member's current employer (for actives) or was its final employer (for deferreds and pensioners). This is because it is not practical to allocate proportions of individual members to a membership data summary.

The correct liability allocation is calculated allowing for both share of orphans and for members where split benefits exist.

## Contributions Breakdown

*This section is applicable for accounting periods ending 31 March 2020 onwards.*

Tables showing the contributions received over the accounting period. This information is intended for reconciliation purposes and cannot be amended. The tables include:

- Expenses
- Deficit Contributions
- Normal Employer Contributions (including Surcharge payments where applicable)
- Augmentations (where applicable)
- Member Contributions (where applicable)

Please note the contributions are based on the date the payment was received, not necessarily the contribution month that the payment relates to. You are able to override the contributions used in the disclosure calculations on the 'Inputs' page of the online tool should you wish (see the 'User Guide' for further information), however the Contributions Breakdown table will not change.

## Extended Content

The third tab of the 'Results & Disclosures' screen shows content that is only available to employers with access to the full functionality of the tool. This level of access also allows employers to select accounting periods ending at each month-end since their last year-end (rather than just each year-end), to help with budgeting and forecasting. If you do not currently have full functionality and would like further information, please contact [frs102@tpt.org.uk](mailto:frs102@tpt.org.uk).

Enhancements to the Extended Content section have been implemented in May 2020, which apply to disclosures generated with an accounting period ending 31 March 2020 onwards. Therefore there are two different version of the Extended Content tab:

- If disclosures are prepared for a previous accounting period (ending prior to 31 March 2020) the previous version of the Extended Content tab will be shown – see page 28 for a breakdown of this
- If disclosures are prepared for an accounting period ending on or after 31 March 2020 the new version of the Extended Content tab will be shown as below



## Accounting periods ending 31 March 2020 onwards

The projected Statement of Comprehensive Income and the balance sheet position for the 5 years following the current accounting period end date. For a description of the accounting entries see Table 5 and Table 1 in the 'Employer Disclosures' section above.

### Defined Benefit costs recognised in Statement of Comprehensive Income (SoCI) (projected\*)

|                                                 | Period from<br>31 March<br>2021 to 31<br>March 2022<br>(£000s) | Period from<br>31 March<br>2022 to 31<br>March 2023<br>(£000s) | Period from<br>31 March<br>2023 to 31<br>March 2024<br>(£000s) | Period from<br>31 March<br>2024 to 31<br>March 2025<br>(£000s) | Period from<br>31 March<br>2025 to 31<br>March 2026<br>(£000s) |
|-------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|
| <b>Current service cost</b>                     | 300                                                            | 309                                                            | 318                                                            | 330                                                            | 340                                                            |
| <b>Expenses</b>                                 | 10                                                             | 10                                                             | 10                                                             | 10                                                             | 10                                                             |
| <b>Net interest expense</b>                     | 60                                                             | 50                                                             | 40                                                             | 30                                                             | 20                                                             |
| <b>Losses (gains) on business combinations</b>  | -                                                              | -                                                              | -                                                              | -                                                              | -                                                              |
| <b>Losses (gains) on settlements</b>            | -                                                              | -                                                              | -                                                              | -                                                              | -                                                              |
| <b>Losses (gains) on curtailments</b>           | -                                                              | -                                                              | -                                                              | -                                                              | -                                                              |
| <b>Losses (gains) due to benefit changes</b>    | -                                                              | -                                                              | -                                                              | -                                                              | -                                                              |
| <b>Defined benefit costs recognised in SoCI</b> | 370                                                            | 369                                                            | 368                                                            | 370                                                            | 370                                                            |

**Fair value of plan assets, present value of Defined Benefit Obligation, and Defined Benefit Asset (liability) (projected\*)**

|                                                               | <b>31 March<br/>2022<br/>(£000s)</b> | <b>31 March<br/>2023<br/>(£000s)</b> | <b>31 March<br/>2024<br/>(£000s)</b> | <b>31 March<br/>2025<br/>(£000s)</b> | <b>31 March<br/>2026<br/>(£000s)</b> |
|---------------------------------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <b>Fair value of plan assets</b>                              | 12,000                               | 12,250                               | 12,500                               | 12,700                               | 13,000                               |
| <b>Present value of defined benefit obligation</b>            | 14,000                               | 14,100                               | 14,200                               | 14,350                               | 14,400                               |
| <b>Surplus (deficit) in plan</b>                              | (2,000)                              | (1,850)                              | (1,700)                              | (1,650)                              | (1,400)                              |
| <b>Unrecognised surplus</b>                                   | -                                    | -                                    | -                                    | -                                    | -                                    |
| <b>Defined benefit asset (liability) to be recognised</b>     | (2,000)                              | (1,850)                              | (1,700)                              | (1,650)                              | (1,400)                              |
| <b>Deferred tax</b>                                           | *                                    | *                                    | *                                    | *                                    | *                                    |
| <b>Net defined benefit asset (liability) to be recognised</b> | *                                    | *                                    | *                                    | *                                    | *                                    |

\*Projection methodology

- ‘Current service cost’ has been projected each year in line with the salary growth assumption at the current accounting period year-end, as per the Key Assumptions section of the main employer disclosure.
- Benefit payments are based on pensioner payroll as per the Member Data Summary, uplifted on an approximate basis to allow for other benefits such as transfers out and commutation of pension for tax-free cash at retirement. This is projected each year in line with the CPI assumption at the current accounting period year-end, as per the Key Assumptions section of the main employer disclosure.
- Projected ‘Expenses’ are as per the latest communicated Schedule of Contributions. Please note expense amounts often change as part of triennial scheme valuations, but no allowance for any future changes has been made here.

- ‘Fair value of plan assets’ have been projected using the discount rate assumption at the current accounting period year-end, as per the Key Assumptions section of the main employer disclosure. Allowance has been made for actual deficit contributions due as per the latest communicated Schedule of Contributions. If there are active defined benefit members, then normal employer contributions and member contributions are projected each year in line with the salary growth assumptions at the current accounting period year-end.

## Disclaimer

The total ‘Defined benefit costs recognised in the SoCI’ and the ‘Defined benefit asset (liability) to be recognised’ may change by the actual relevant year-end to take account of:

- Actual cashflows differing from the estimated cashflows.
- Actual experience being different to expected, and changes to assumptions resulting in gains or losses on the defined benefit obligations.
- Events during the year that are not incorporated into the calculations, for example benefit improvements, changes to accrual, settlements or curtailments.
- Actual assets based on a share of scheme assets.
- Actual pensionable earnings being different from projected due to membership changes (new entrants or decreasing membership). Changes in the active membership profile will also affect the current service cost.

The following table shows how the changes in assumptions can vary the liability figures calculated.

## Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation

|                              | Change in assumption                                | Change in liabilities |
|------------------------------|-----------------------------------------------------|-----------------------|
| <b>Discount Rate</b>         | Increase of 0.1% p.a.                               | Decrease by 2.5%      |
| <b>Rate of inflation</b>     | Increase of 0.1% p.a.                               | Increase by 2.6%      |
| <b>Rate of salary growth</b> | Increase of 0.1% p.a.                               | Increase by 0.1%      |
| <b>Rate of mortality</b>     | Probability of surviving each year increased by 10% | Increase by 2.2%      |

## Accounting periods ending prior to 31 March 2020

The projected Statement of Comprehensive Income for the year following the current accounting period end date. For a description of the accounting entries see Table 5 in the 'Employer Disclosures' section above.

### Defined benefit costs recognised in Statement of Comprehensive Income (SOI) (projected\*)

|                                                 | Period from 31 March<br>2020 to 31 March 2021<br>(£000s) |
|-------------------------------------------------|----------------------------------------------------------|
| Current service cost                            | 300                                                      |
| Expenses                                        | 10                                                       |
| Net interest expense                            | 60                                                       |
| Losses (gains) on business combinations         | -                                                        |
| Losses (gains) on settlements                   | -                                                        |
| Losses (gains) on curtailments                  | -                                                        |
| Losses (gains) due to benefit changes           | -                                                        |
| <b>Defined benefit costs recognised in SoCI</b> | <b>370</b>                                               |

\* The total expense recognised in profit and loss account item may change by the actual year end to take account of:

- Events during the year not incorporated into the calculations, for example benefit improvements, settlements or curtailments.
- Actual cashflows differing from the estimated cashflows, and affecting the net interest cost.

The Sensitivity table shown previously is also displayed for disclosures with accounting periods ending prior to 31 March 2020. The average duration of the defined benefit obligation is included here.

## 6. Example Executive Summary

*(This feature is only available to employers who have opted for the full functionality of the tool).*

The Executive Summary report is designed to give a high level summary of the accompanying accounting disclosure, to help visualise the movement in position and present the key accounting information in an easily digestible format.

It is automatically generated every time a disclosure is prepared for accounting periods ending on or after 31 March 2020. Once the disclosure is saved and appears on the home page (Saved Reports) a button called 'Exec Summary' will also be shown. Click on this button to download the Executive Summary in PDF format.

The next two pages show an example Executive Summary, to be read in conjunction with the descriptions below:

- 'Balance sheet' – shows the Assets, Defined Benefit Obligation and Surplus (Deficit) information from Table 1 of the disclosures
- 'Movement of deficit position' – shows how to get from the opening deficit position (at the Start Date) to the closing deficit position (at the end date). The deficit figures in the chart are shown as positive numbers. An example of the movement using figures from previous tables in this guide is shown below:

---

|                        |              |                                                                         |
|------------------------|--------------|-------------------------------------------------------------------------|
| <b>Opening deficit</b> | <b>1,500</b> |                                                                         |
| SoCI                   | <b>310</b>   | The costs recognised in the SoCI increases the deficit                  |
| OCI                    | <b>490</b>   | The loss (gain) recognised in the OCI increases (decreases) the deficit |
| Employer Contributions | <b>(300)</b> | Employer contributions paid over the period decreases the deficit       |
| <b>Closing Deficit</b> | <b>2,000</b> |                                                                         |

---

The 'waterfall' chart in the Executive Summary shows positive items in blue (increasing the deficit) and negative items in pink (decreasing the deficit).

- 'Key assumptions' – taken from Table 8 in the accounting disclosure
- 'Sensitivity Analysis' – taken from the same analysis shown in the Extended Content section
- 'The average duration...' – shows the average duration of liabilities for the accounting period
- 'Breakdown of assets' – shows the breakdown of assets by type at the accounting period end date, as well as a descriptions of the purpose of the asset type
- 'Defined Benefit (DB) membership summary' – taken from Table 13 of the accounting disclosures, to provide a quick glance at the number of members in the scheme at the most recent accounting valuation date.

# FRS 102 - Section 28 Executive Summary Accounting Position Movement



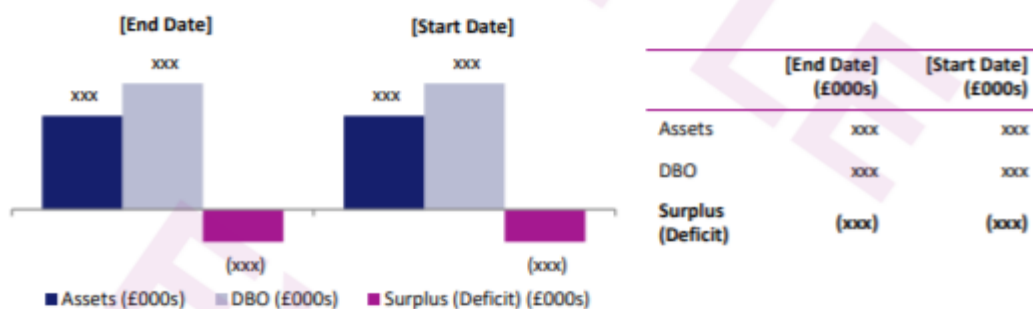
For the period from [Start Date] to [End Date]  
Employer: Exxxxx – [Employer name]  
Plan: [Scheme]

## Overview

This report provides a high-level summary of the information contained within the defined benefit (DB) accounting disclosures for the period beginning [Start Date] and ending [End Date]. For comprehensive details please see the full FRS 102 disclosure report.

## Balance sheet – Assets and defined benefit obligation (DBO)

Assets are based on the employer’s fair share of the total scheme assets. The DBO is a value placed on the reserves required to meet the employer’s liabilities in the scheme. The Surplus (Deficit) is the difference between these figures.



## Movement of deficit position from [Start Date] to [End Date]

The movement in the deficit from [Start Date] to [End Date] has been illustrated below.



The estimated projection of defined benefit costs in the SoCI for the year from [End Date] is Exxxx.

1. SoCI items include Current Service Cost (where there are active DB members), Scheme Expenses and Net Interest Expense (broadly interest on the DBO minus interest on assets)
2. OCI items cover actuarial gains and losses due to the experience on plan assets and the DBO, and changes in financial and demographic assumptions (where applicable)
3. The Employer Contributions figure includes Expenses, Deficit Contributions, Normal Employer Contributions and Augmentation payments (where applicable)

## Key assumptions used in calculations (per annum):

Assumptions are set by the employer.

| Assumption                       | [End Date] | [Start Date] |
|----------------------------------|------------|--------------|
| Discount Rate                    | x.xx%      | x.xx%        |
| Inflation (RPI)                  | x.xx%      | x.xx%        |
| Inflation (CPI)                  | x.xx%      | x.xx%        |
| Salary Growth                    | x.xx%      | x.xx%        |
| Life expectancy for male aged 65 | X years    | X years      |

## Sensitivity Analysis:

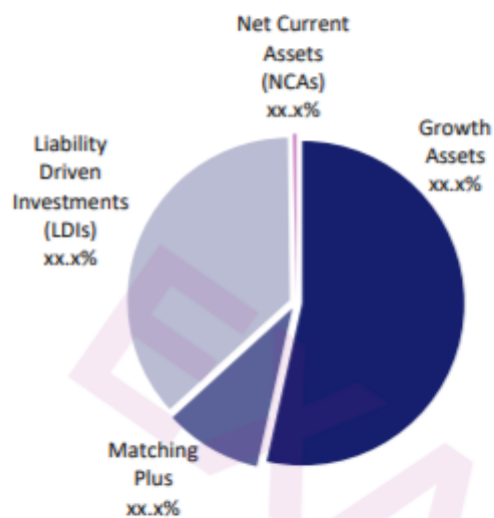
The table below shows how sensitive a change to an assumption is to the DBO calculation (each in isolation).

| Change in assumption                                | Change in DBO     |
|-----------------------------------------------------|-------------------|
| Increase of 0.1% p.a.                               | Decrease by x.xx% |
| Increase of 0.1% p.a.                               | Increase by x.xx% |
| n/a                                                 | n/a               |
| Increase of 0.1% p.a.                               | Increase by x.xx% |
| Probability of surviving each year increased by 10% | Increase by x.xx% |

The average duration of the defined benefit obligation at [End Date] is X years.

## Breakdown of assets at [End Date]

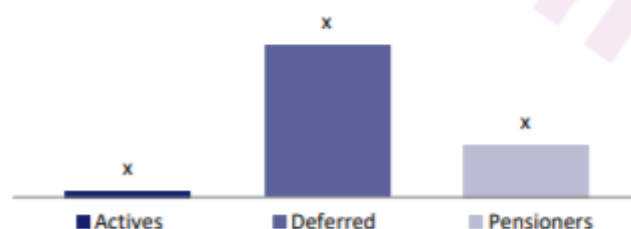
The fair value of plan assets at the accounting period end date is split into the following asset types:



| Asset Type          | Purpose                                                                                                             | Value (£000s) |
|---------------------|---------------------------------------------------------------------------------------------------------------------|---------------|
| Growth Assets       | Deliver returns in excess of scheme liabilities. Risk managed by a diversified portfolio.                           | xxx           |
| Matching Plus       | Deliver returns in excess of scheme liabilities. Assets have a high degree of certainty with regard to the outcome. | xxx           |
| LDIs                | Mitigate interest rate and inflation risks in the scheme liabilities through government bonds (gilts) and swaps.    | xxx           |
| NCAs                | Not an investment but still forms part of the scheme's total assets.                                                | xxx           |
| <b>Total Assets</b> |                                                                                                                     | <b>xxx</b>    |

## Defined Benefit (DB) Membership Summary

The employer membership totals as at 30 September 2019 are:



Please note:

- Actives total includes active members in Defined Contribution (DC) who have DB benefits (where applicable)
- Figures do not include historic 'split service' members where the member left employment and moved to another participating employer in the scheme

Please note this report is an example that has been prepared for illustrative purposes only. The Executive Summary report available in the online DB accounting tool from mid-May 2020 may differ in content and style.



## Appendix A - FRS 102 Key Extracts

1. 28.11 Multi-employer plans and state plans are classified as defined contribution plans or defined benefit plans on the basis of the terms of the plan, including any constructive obligation that goes beyond the formal terms. However, if sufficient information is not available to use defined benefit accounting for a multi-employer plan that is a defined benefit plan, an entity shall account for the plan in accordance with paragraphs 28.13 and 28.13A as if it was a defined contribution plan and make the disclosures required by paragraphs 28.40 and 28.40A. An entity shall account for a state plan in the same way as for a multi-employer plan.
2. 28.13 An entity shall recognise the contribution payable for a period:
  - (a) As a liability, after deducting any amount already paid. If contribution payments exceed the contribution due for service before the reporting date, an entity shall recognise that excess as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.
  - (b) As an expense, unless another section of this FRS requires the cost to be recognised as part of the cost of an asset such as inventories or property, plant and equipment.
3. 28.13A When contributions to a defined contribution plan (or a defined benefit plan which, in accordance with paragraph 28.11, is accounted for as a defined contribution plan) are not expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service, the liability shall be measured at the present value of the contributions payable using the methodology for selecting a discount rate specified in paragraph 28.17. The unwinding of the discount shall be recognised as a finance cost in profit or loss in the period in which it arises.
4. 28.14 In applying the general recognition principle in paragraph 28.3 to defined benefit plans, an entity shall recognise:
  - (a) a liability for its obligations under defined benefit plans net of plan assets—its 'net defined benefit liability' (see paragraphs 28.15 to 28.22); and
  - (b) the net change in that liability during the period as the cost of its defined benefit plans during the period (see paragraphs 28.23 to 28.27).

The entirety of the FRS 102 accounting standard can be found on the Financial Reporting Council's website <https://www.frc.org.uk>.

## Appendix B - Actuarial Calculations

### Actuarial calculations - background

The principles around placing an actuarial value on an obligation to pay a member's benefit in the future are based on two key stages.

First, the expected benefit payments are projected into the future (using assumptions including future salary increases, pension increases and life expectancy).



The second step is to discount those projected payments back to the calculation date. This gives the liability for that member at the calculation date.

These steps are repeated for all members in a scheme to give the full liability.

It is important to note that the assumptions adopted to project the payments into the future and then to discount them back differ depending on the purpose of the calculations. For example, the trustee of the scheme undertakes a valuation of the scheme every three years to determine contribution rates (for any future defined benefit options and for the deficit recovery contributions). In this type of valuation, the trustee will use prudent projection assumptions and take account of the covenant strength of the sponsoring employer(s) and the scheme's investment strategy when determining the discount rate. This differs from the approach taken for accounting for a defined benefit scheme where the company directors should use best estimate (rather than prudent) projection assumptions with a discount rate derived on high-quality corporate bonds (rather than linked to sponsor covenant strength and the scheme investment strategy).

Other types of valuation purposes include calculating an employer's withdrawal debt / annuity purchase and determining a scheme's levy for the Pension Protection Fund (PPF), the UK's lifeboat scheme for defined benefit schemes. Again, the assumptions for these calculations will differ based on the purpose. A summary is set out in the tables overleaf.

| Accounting valuation                                                                                                                                                | Trustee valuation                                                                                                                                                       | Other valuations                                                                                                                                                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Best estimate assumptions set by the company directors</li> <li>• Discount rate on high quality corporate bonds</li> </ul> | <ul style="list-style-type: none"> <li>• Prudent assumptions set by the trustees</li> <li>• Discount rate based on employer covenant and investment strategy</li> </ul> | <ul style="list-style-type: none"> <li>• PPF: prescribed assumptions</li> <li>• Withdrawal debt: assumptions reflect the cost of 'buying out' with an insurer</li> </ul> |

### Determining an employer's liabilities

The liability for each employer has been determined by calculating the liability for the appropriate members linked to each employer. We have allowed for members with service split across multiple scheme employers, as appropriate. The liability for orphan members (members with no remaining sponsoring employer for historical reasons) has been allocated in proportion to each employer's share of the overall liabilities. This approach follows the same methodology as the allocation of the liabilities for participating employers in the scheme when deriving the deficit recovery plan contributions at the latest trustee's triennial scheme funding valuation.

## Appendix C - Determining an employer's share of the fair value of assets

As described in section 3 previously, SHPS and SHAPS are not segregated multi-employer schemes and do not, therefore, have ring-fenced assets for each participating employer. The fair value of an employer's assets in the schemes for the purpose of FRS 102 is determined as the employer's share of the market value of the scheme assets split in proportion to the employer's share of the trustee's triennial funding liabilities (termed 'Technical Provisions') at the accounting date. This process has been adopted as it is the default approach adopted by the trustee should an employer bulk transfer from the scheme to an alternative defined benefit scheme hence it is deemed to be the employer's fair value of assets. In order to obtain this fair value for an employer, the Trustee's funding liabilities are calculated for all employers at the accounting date. Each employer's percentage share of the total funding liabilities is then determined. That percentage share is then applied to the market value of the assets of the scheme as at the accounting date to determine the employer's fair value of assets at the accounting date.

The value of the scheme's invested assets and net current assets are obtained from the investment manager and TPT (as scheme administrator), respectively.

The value of insured pensions held in SHAPS in the name of the trustees (less than 0.5% of total assets) is excluded. Whilst the total assets and liabilities disclosed may be understated by the exactly same amount, the difference between the two i.e. the deficit along with the income and expenditure charges will be accurate. This is not relevant for SHPS.

Please see the separate 'Asset Report' document (prepared separately for SHPS and SHAPS) for a description of the assets held.

## Appendix D - Corporate Activity related accounting entries

Below is an explanation of the accounting entries that are only relevant if the employer has had any 'special events' in the accounting period – please see the separate document titled 'Corporate Activity – When to Contact TPT' for further details of these special events.

### Table 3 – Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation

10. Liabilities acquired in a business combination – A business combination is where the acquirer obtains control of another business. If the acquired business has a defined benefit obligation in the scheme then the increase in liabilities due to the members of the acquired company would be classed as a business combination in the accounting period in order to reconcile the opening and closing positions.
11. Liabilities extinguished on settlements – A settlement is where there is an irrevocable action that relieves the employer of primary responsibility for some or all members of the scheme. For example, if a group of members transfer out of the scheme through an employer led exercise then, in isolation, that would reduce liabilities at the end of the period.
12. Losses (gains) on curtailments – A curtailment is an event that changes the accrued benefits of the scheme. For example, if the curtailment event results in the removal of the salary link for active DB members present at the start of the year then, all else being equal, that would reduce liabilities at the end of the period.
13. Losses (gains) due to benefit changes – A change in benefits accrued for service prior to the accounting period would result in a change in the value placed on the defined benefit obligations at the end of the period.
14. Exchange rate changes – This is included for completeness, but is not expected to apply for SHPS or SHAPS. This item would be used where the currency used by the pension scheme is different to that used in the employer's accounts.

### Table 4 – Reconciliation of Opening and Closing Balances of the Fair Value of Plan Assets

7. Assets acquired in a business combination – A business combination is where the acquirer obtains control of another business. If the acquired business has a DB obligation in the scheme then the increase in assets associated with the members of the acquired company would be classed as a business combination in the accounting period in order to reconcile the opening and closing positions.

8. Assets distributed on settlements – A settlement is where there is an irrevocable action that relieves the employer of primary responsibility for some or all members of the scheme. For example, if the employer is no longer responsible for the liabilities of certain members due to a specific irrevocable action (not through organic member experience) then, all else being equal, that would reduce assets at the end of the year assuming there was an associated payment made with the settlement of the liabilities. This reduction in assets would be classed as a settlement in the accounting period in order to reconcile the opening and closing positions.
9. Exchange rate changes – This is included for completeness, but is not expected to apply for SHPS or SHAPS. This item would be used where the currency used by the pension scheme is different to that used in the employer’s accounts.

### **Table 5 – Defined Benefit Costs Recognised in Statement of Comprehensive Income (SoCI)**

These state the net losses allowing for the impact on both liabilities (Table 4) and assets (Table 5) described above for:

4. Losses (gains) on business combinations
5. Losses (gains) on settlements
6. Losses (gains) on curtailments
7. Losses (gains) due to benefit changes