

## Appendix 3: Review of disclosures of a pension accounting surplus

### Background

Over the last few years CRR has observed that many companies have recognised a pensions accounting surplus in their balance sheets. An analysis of the 2024 disclosures of FTSE 100 companies by Lane Clark & Peacock LLP (the [LCP Report](#)) found that 80% of FTSE 100 companies with a UK defined benefit pension scheme had a pensions accounting surplus at their 2024 balance sheet date.

Pension surplus disclosures for UK schemes may be of heightened interest to users in the future should it become easier for employers to access a pension surplus following the Government's [proposed changes to UK regulations](#).

This year, CRR has conducted limited-scope reviews of the annual reports and accounts of ten companies that have recognised an asset in their balance sheet for a pension surplus.



We have provided some examples of the better disclosures that we identified from our reviews; companies will need to consider the materiality of these matters based on their own facts and circumstances in determining what information, and in how much detail, to disclose. The examples described in the subsequent pages should be considered in this context.

### Recognition of pension surplus in accounts

A net pension asset for the refund of a surplus is recognised either:

- i) where the company has an unconditional right to a refund of a surplus, such as when all member benefits have been paid; or
- ii) where the company is able to recover the surplus through reduced future contributions.<sup>16</sup>

Where pension scheme trustees have rights to enhance benefits or wind up a scheme without the consent of the company, we understand that there are broadly two alternative approaches used to determine whether an unconditional right to a refund exists:

- i) as the exercise of trustee rights is not within the control of the company any surplus is not recognised; or, alternatively,
- ii) the potential future exercise of trustee rights is not anticipated, and a surplus is recognised.

In 2015 the IASB published proposed amendments to clarify how such rights should be taken into account. In 2022, however, the IASB decided not to finalise these amendments, and the two different approaches remain.

<sup>16</sup> IFRIC 14, 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', paragraph 11

## Appendix 3: Review of disclosures of a pension accounting surplus (continued)

### Disclosure examples

#### Specific basis on which surplus is recognised

Most of the companies we reviewed provided a clear description of the specific basis on which the surplus was recognised. Where schemes are closed to future benefit accrual, the basis used generally assumed a gradual settlement until all members have left the scheme. Good practice disclosure examples explained the company's assessment of its ability to control how the surplus is used.

One company, in disclosing that the surplus is expected to be recovered through a reduction in future service contributions, helpfully explained that the scheme remains open to new members and future service accrual.

#### 23 Pension and Post-Retirement Commitments (extract)

This surplus has been recognised as the Group has concluded it has an unconditional right to a refund of any surplus once all member benefits have been paid. The Group's judgement is based on legal advice that the Trustees would be unable to unconditionally wind up the plan or enhance members' benefits without the Group's consent.

[Reckitt Benckiser Group plc, Annual Report and Accounts 2024, p190](#)

#### 22. Post-retirement benefits (extract)

The surplus in the UK scheme is recognised as on an ultimate wind-up when there are no longer any remaining members, any surplus would be returned to the Group, which has the power to prevent the surplus being used for other purposes in advance of this event

[Rolls-Royce Holdings plc, Annual Report 2024, p178](#)

## Appendix 3: Review of disclosures of a pension accounting surplus (continued)

### Disclosure examples (continued)

#### Scheme funding requirements

We saw some good examples of disclosures about expected future contributions which explained that, for UK schemes, contribution levels are assessed by reference to the technical actuarial funding valuation rather than any accounting surplus or deficit. Some companies also provided informative details of the surplus or deficit shown by the most recent triennial funding valuation and why the assumptions used for the funding valuation differed from the accounting valuation.

#### 34 Retirement benefit obligations (extract)

The Trustee's triennial valuation is used to determine the contributions required for the Scheme to pay all the benefits due, now and in the future. The Trustee must allow for a level of prudence resulting in these assumptions placing a relatively high value on the Scheme's liabilities. By contrast, IAS 19 'Employee Benefits' requires companies to value the liabilities on a 'best estimate' basis which places a lower value on the liabilities and therefore a more favourable financial position.

[J Sainsbury plc, Annual Report and Financial Statements 2025, p194](#)

#### 22. Post-retirement benefits (extract)

The most recent valuation, as at 31 March 2023, agreed by the Trustee in October 2023, showed that the RRUKPF was estimated to be 115% funded on the Technical Provisions basis (estimated to be 119% at 31 December 2024).

[Rolls-Royce Holdings plc, Annual Report 2024, p180](#)

## Appendix 3: Review of disclosures of a pension accounting surplus (continued)

### Disclosure examples (continued)

#### Insurance transactions

The LCP Report highlighted that one in six FTSE 100 companies with UK defined benefit pension schemes undertook an insurance transaction of some kind in 2024. IAS 19 requires disclosure of risks to the company from the scheme and information about the balances recognised in the financial statements arising from its defined benefit plans.<sup>17</sup> We saw some examples of the disclosure of the purchase of bulk annuity policies and insurance contracts. More informative disclosures described the nature and scale of the transactions and the accounting treatment applied.



#### 24. Retirement benefits (extract)

In line with Shell Group's strategic objectives and risk management, on January 30, 2024, the principal defined benefit pension plan in the USA, Shell Pension Plan, entered into a contract with a third-party insurance company to settle \$5,052 million of pension liabilities. The settlement price consisted of \$4,920 million of pension assets. As a result of this transaction, all legal and constructive obligations for a tranche of benefits provided by the Shell Pension Plan have been eliminated. A gain on settlement of \$101 million (after associated adjustment for deferred tax) has been recognised in Shell's Consolidated Statement of Income.

[Shell plc, Annual Report and Accounts 2024, p295](#)

### Key recommendations

When drafting their upcoming annual reports, we encourage companies to consider, in a manner appropriate to the materiality of their facts and circumstances, our key recommendations:

- Clearly describe the basis on which the pension surplus is recognised (or restricted) explaining the company's assessment of any trustee rights and powers.
- Consider whether disclosures about the technical funding position would be helpful to users' understanding of the amounts recognised in the financial statements and the expected future company contributions.
- Describe the nature and scale of any significant insurance transaction and the accounting treatment applied.

<sup>17</sup> IAS 19, 'Employee Benefits', paragraph 135