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2014-260  
Comment Letter No. 5

Ms. Susan M. Cospers  
Technical Director  
Financial Accounting Standards Board  
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**Proposed Accounting Standards Update, *Compensation – Retirement Benefits – Practical Expedient for the Measurement Date of an Employer’s Defined Benefit Obligation and Plan Assets* (File Reference No. 2014-260)**

Dear Ms. Cospers:

We appreciate the opportunity to comment on the Proposed Accounting Standards Update, *Compensation – Retirement Benefits – Practical Expedient for the Measurement Date of an Employer’s Defined Benefit Obligation and Plan Assets* (the Proposed Standard), from the Financial Accounting Standards Board (FASB or Board).

We support the FASB’s objective in its simplification initiative to reduce the cost and complexity of financial reporting while improving or maintaining the usefulness of the information provided to financial statement users. We also believe that the Proposed Standard meets that objective by providing an accounting policy election for employers with fiscal year ends that do not fall on the end of the month to measure their defined benefit obligations and plan assets as of the end of the month closest to their fiscal year ends.

We believe the Proposed Standard would address cost and complexity for preparers because they no longer would be required to adjust the fair value of plan asset information received from third-party service providers that is typically as of the month end. We also recommend that the Board provide the same practical expedient for employee benefit plans, which often have the same measurement date as plan sponsors and therefore may face the same cost and complexity issue. Providing relief to both plan sponsors and plans themselves would align the requirements in ASC 715, *Compensation – Retirement Benefits*, with those in ASC 960, *Plan Accounting – Defined Benefit Pension Plans*, ASC 962, *Plan Accounting – Defined Contribution Pension Plans* and ASC 965, *Plan Accounting – Health and Welfare Benefit Plans*).

The Proposed Standard also would continue to maintain the usefulness of information provided to financial statement users because employers would have to disclose both their accounting policy election to use the practical expedient and the alternative date used. However, we suggest that the Board consider clarifying in the proposed paragraphs 715-30-35-63A and 715-30-60-123A to state that the alternative date policy, if elected, should be consistently applied in a fiscal year that does not fall on the end of a calendar month.



Our responses to the specific questions posed in the Proposed Standard are set out in the appendix to this letter.

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We would be pleased to discuss our comments with the Board or its staff at your convenience.

Very truly yours,

*Ernst & Young LLP*

**Appendix – Responses to the specific questions raised in the Proposed Accounting Standards Update, *Compensation – Retirement Benefits – Practical Expedient for the Measurement Date of an Employer’s Defined Benefit Obligation and Plan Assets* (Proposed Standard)**

**Question 1:** Should entities with fiscal year-ends that do not fall on a month-end be permitted as a practical expedient to measure their defined benefit plan assets and obligations as of the month-end that is closest to their fiscal year-end? If not, why?

Yes. We support the Proposed Standard because we believe it meets the Board’s objective in its simplification initiative.

**Question 2:** Should the practical expedient be applied consistently to all plans if an employer has more than one plan?

Yes. If an entity elects the practical expedient, it should be encouraged to apply it consistently to all plans if the employer has more than one plan. If the entity does not apply the practical expedient consistently to all plans, it should disclose that fact.

**Question 3:** The amendments in this proposed Update would require an entity to adjust the funded status recognized in its statement of financial position to reflect contributions made between the date used to measure defined benefit plan assets and obligations and the entity’s fiscal year-end. Should the funded status be adjusted for other transactions (for example, benefit payments or plan amendments) that could occur between the date used to measure defined benefit plan assets and obligations and an entity’s fiscal year-end?

Benefit payments may be made to plan participants from defined benefit plan assets, and such transactions are typically captured and recorded in the trust statement and reduce both the defined benefit obligation and plan assets. Consequently, benefit payments generally would not affect the funded status.

Benefit payments made from the sponsor’s general assets instead of defined benefit plan assets would affect the funded status. In that case, it would be appropriate to adjust the funded status when benefit payments occur between the measurement date and an entity’s fiscal year end.

Further, an entity’s funded status is required to be remeasured when a significant event such as a plan amendment, settlement, or curtailment occurs that calls for a remeasurement, as described in ASC 715-30-35-66 and 67. Therefore, under the current guidance the funded status is required to be adjusted during the fiscal year for such events. We believe significant events that occur between the alternative measurement date and the employer’s fiscal year end normally should result in an adjustment to the funded status. Financial statement users should be provided with sufficient information to understand the significant event’s effect on the funded status.

**Question 4:** Should an employer be required to disclose the accounting policy election and the alternative date used for measuring defined benefit plan assets and obligations?

We have no objections to the proposed incremental disclosure but are not sure it is necessary, given the nature of the proposal.

**Question 5:** The Board's goal is for the final Update to be adopted as soon as practicable. When should the proposed amendments be effective and should early adoption be permitted?

We support the Board's goal to finalize the Update as soon as practicable. Employers should be given sufficient time to make appropriate decisions about whether to apply the election prior to the effective date. Early adoption should be permitted.