



December 12, 2014

Ms. Susan Cospers
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: File Reference No. 2014-260

Dear Ms. Cospers:

PricewaterhouseCoopers LLP appreciates the opportunity to comment on the Board's recent proposal, *Practical expedient for the measurement date of an employer's defined benefit obligation and plan assets*, and we commend the FASB for its ongoing efforts to identify areas in which financial reporting can be simplified while maintaining or enhancing decision-useful information.

We support the Board's decision to simplify the accounting for *Compensation - retirement benefits (Topic 715)* by providing a practical expedient for employers with fiscal year-end dates that do not fall on a calendar month-end. Permitting those employers to use the month-end closest to their fiscal year-end date alleviates the potentially difficult task of rolling forward or back the actuarial valuation of liabilities and the fair values of plan assets or otherwise documenting that such activity is immaterial.

We recommend that the Board clarify whether application of the proposed guidance would be considered a practical expedient or an accounting policy election. Both concepts are used in the Exposure Draft, but may result in important differences in how a preparer implements the proposed guidance. An accounting policy election would typically be applied consistently across all of an entity's operations, and would necessitate an assessment of preferability if changed at other than initial adoption of the new standard. Conversely, a practical expedient provides a company with more flexibility to incorporate the simplified guidance in a way that makes the most sense for that entity's circumstances. While both are acceptable, we prefer viewing the guidance as a practical expedient, as the goal of the proposal is to reduce complexity.

We also recommend that the Board include additional information in the final Accounting Standards Update regarding how an entity should address other significant events affecting defined benefit plans in the period between the fiscal year-end and calendar month-end dates, such as amendments, curtailments, and settlements.

Detailed responses to the Board's questions are included in the Appendix attached to this letter.

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PwC supports the Board's continuing simplification initiative, including the additional simplification topics recently added to the agenda. We believe the Board should continue to focus on those areas that (a) have broad impact, (b) remove exceptions and mechanical rules that lead to complexity while maintaining decision-useful information for investors, and (c) result in harmonization with international standards, if possible.

If you have any questions regarding our comments, please contact Patrick Durbin at (973) 236-5152 or Jay Seliber at (973) 236-7277.

Very truly yours,

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP



Appendix

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. The proposal provides an opportunity to reduce cost and complexity for preparers while maintaining the usefulness of information provided to users.

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

No. The distinction between applying a practical expedient and electing an accounting policy is noted in our cover letter. The requirement to apply an approach consistently to all plans of an employer implies it is an accounting policy election. If the intent is to reduce complexity, the proposal should endeavour to provide preparers flexibility in its application. This could be analogized to the goodwill “step zero” test, which may be applied, or not, to various reporting units at the discretion of the preparer. As such, an employer with more than one plan should have the flexibility to apply the practical expedient on a plan by plan basis.

An example where this flexibility may be beneficial is a U.S. multinational company that has both domestic and foreign jurisdiction plans, with different asset trustees that have varying reporting capabilities. Such a company may determine that valuing the domestic plans as of the company’s year-end date and applying the expedient to only the foreign plans is most appropriate for its facts and circumstances.

We acknowledge the potential for unintended consequences where the decision to apply the practical expedient to individual plans may be influenced by attempts to maximize reported asset values based on market performance. However, the simplification of any conceptual principle will always need to balance this risk with the objective of reducing complexity. The underlying principle is still to measure retirement plan assets and obligations as of a company’s fiscal year-end. The proposed approach provides a simplified means to approximate those balances, similar to the rollforward techniques described in ASC 715, which can be adjusted to reflect the facts and circumstances of each plan. We believe that any change in how the practical expedient is applied from year to year, subsequent to the year of adoption, should be supported by sound rationale.



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?*

Yes. We believe the funded status should be adjusted for significant transactions such as plan amendments, curtailments, and settlements. However, benefit payments, unless from an unfunded plan, should not need to be adjusted.

The proposal currently addresses contributions made between the month-end date used to measure defined benefit plan assets and obligations and the entity's fiscal year-end (the "intervening period"). The necessity of this is based on the fact that such a contribution impacts the books and records of the entity as a cash outflow, and a reconciling item is necessary to properly reflect the entity's assets and liabilities and the true funded status of the defined benefit plan at the fiscal year-end date.

In considering other potential transaction types, we reflected upon the expedient itself, what it is intending to achieve, and the underlying principle of ASC 715. Fundamentally, the principle is still to account for a company's retirement benefit plans as of the company's fiscal year-end, and the expedient is isolating and excluding changes in fair values of the plan assets or the actuarial measure of the benefit obligation during the intervening period.

Because of this, we believe that transactions which impact the entity's books and records directly during the intervening period should be reflected based upon the company's fiscal year-end date and included as a reconciling item in the benefit plan footnotes. Those transactions or changes during the intervening period that impact only the plan itself would not require a reconciling item. For example, a contribution made during the intervening period would need to be reflected as a reconciling item for the books to balance. Conversely, a benefit payment made to participants from plan assets would reduce plan assets and the related benefit obligation by the same amount in the footnote, but have no impact on the sponsor's financial statements, and thus no reconciling item would be needed.

In summary, we identified the following guiding principles for assessing transactions in the intervening period:

- The entity's fiscal year-end is, and should remain, the reference point for accounting recognition
- Items impacting the entity's books and records should be reported as reconciling items if those items reflect significant events when considering both quantitative and qualitative factors
- If items only impact components of the retirement benefit plan and related footnotes, then those would not be reflected as reconciling items (as to do so would circumvent the benefit of the practical expedient)

Based upon this approach, we believe that transactions such as plan amendments, curtailments, and settlements (which are already considered "significant events" under ASC 715-30-35-68) that occur during the intervening period should be accounted for based upon the sponsor's fiscal year-end date and included as reconciling items in the benefit plan footnotes. In contrast, changes in the value of the plan assets or benefit obligation during the intervening period would not be reflected. Similarly, benefit payments would not be reflected unless paid directly by the sponsor, such as in an unfunded plan, which would effectively represent a contribution to the plan.



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?*

The use of the practical expedient and the alternative date utilized should be disclosed, but, consistent with our response to Question 2 above, not as an accounting policy. Identifying the change as an accounting policy election would necessitate additional, potentially lengthy disclosure of the policy. Considering the current focus on disclosure effectiveness and our earlier discussion regarding clarifying the nature of this change as a practical expedient, we suggest that the same objective can be achieved by including transparent and concise disclosure in the benefit plan footnote.

If the Board agrees that it is not necessary to apply the expedient to all plans sponsored by an entity, then we suggest disclosing information associated with the company's use of the practical expedient and the level of asset values potentially impacted. Rather than enumerating the specific plans for which the expedient has been applied, we recommend disclosure of the percentage of total assets in the company's benefit plans for which the expedient was applied. Such disclosure would provide notification that the disclosed fair values may not reflect balances as of the company's fiscal year-end date, how long the intervening period is, and the relative magnitude of asset balances that could be impacted. We believe this incremental disclosure could be achieved in a single sentence using information that is readily available.

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?*

If issued as a practical expedient, adoption of the new guidance should be available upon issuance of the Accounting Standards Update.