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December 23, 2014

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
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RE: Exposure Draft, “Compensation – Retirement Benefits (Topic 715) – Practical Expedient for the Measurement Date of an Employer’s Defined Benefit Obligation and Plan Assets (File Reference No. 2014-260)”

Dear Technical Director:

We appreciate the opportunity to comment on the Board’s Exposure Draft, *Compensation – Retirement Benefits (Topic 715) – Practical Expedient for the Measurement Date of an Employer’s Defined Benefit Obligation and Plan Assets*. We support the Board’s objectives of the simplification initiative and agree that areas of U.S. generally accepted accounting principles (GAAP) for which cost and complexity can be reduced without sacrificing the usefulness of the information provided to users should be evaluated and improved.

The Board notes that it is often more difficult and costly to measure plan assets as of the date of the statement of financial position for employers with a fiscal year-end that does not fall on a month-end when the valuation information that is received from third parties is provided as of the month-end. We agree with that assessment and support the Board’s decision to simplify current requirements and reduce costs by permitting those employers to measure defined benefit plan assets and obligations as of the month-end that is closest to their fiscal year-end. We agree with the Board’s expectation that the proposed Update would not significantly reduce the relevance of the information about the fair value of defined benefit plan assets and obligations because the alternative measurement date would be close to an employer’s fiscal year-end and that date would be disclosed in the notes to the financial statements.

The proposed guidance requires a company to present a reconciling item to the fair value hierarchy for contributions between the measurement date and the balance sheet date. Although there likely will be many cases where a company determines that is the most practicable presentation, we believe there may be other appropriate ways to disclose contributions between



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the measurement date and balance sheet. Companies may determine it is practicable to allocate the contribution to the appropriate investment categories based on how the funds have been invested or they may believe that a reconciling item would be more confusing than presenting the information on an as-invested basis. The proposed prescriptive guidance would preclude that alternative.

Overall Plan to Address Complexity in Accounting Standards

While we support the Board's efforts to address unnecessary complexity in accounting standards through its narrow-scope projects within the simplification initiative, we believe that there are significant issues with complexity in accounting standards and financial reporting beyond the scope of narrow projects to simplify specific provisions within existing standards. In addition to the narrow simplification initiatives, we believe the Board should develop a broader overall plan to address systemic causes of complexity within accounting standards and financial reporting. That plan should result in development of a framework on how the Board will identify, evaluate, and prevent or mitigate potential complexity on an ongoing basis as an integral aspect of its standard-setting activities. The Board also should develop plans to address more significant areas of complexity in existing standards beyond the scope of the narrow projects within the simplification initiative. The narrow projects within the simplification initiative appropriately address concerns about complexity from the perspective of the application of a specific provision of a standard. We believe development of an overall framework on complexity should consider and address cost and complexity based on the potential impacts on the overall standard-setting process and financial reporting system, including complexity for financial statement users.

Development of a framework to address concerns about complexity should include research on the underlying causes of complexity in accounting standards and financial reporting and document a process for how the Board would intend to address those causes. Although not all inclusive, we believe development of a framework on complexity should identify how the Board will minimize or eliminate complexity that may result from, for example:

- Multiple models of accounting for the same or similar transactions, assets, or liabilities such that similar economic events and transactions are reported differently.
- Standards that may be viewed as inconsistent with the Board's conceptual framework.
- The lack of clear principles on which a standard is based, inconsistent use of principles within a standard, or a lack of clarity about how to determine when exceptions to principles are appropriate.



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- Inconsistent approaches to transition and standards with multiple transition alternatives, extended required effective dates, grandfathering of existing transactions, and early adoption elections.
- Differences in accounting standards for different types of entities.
- Standards that include provisions to achieve specific outcomes, such as through the use of other comprehensive income.

We encourage the Board to expand its efforts to address concerns about complexity in accounting standards beyond the narrow scope projects within the simplification initiative and develop an overall plan to address the broader systemic causes of complexity in financial reporting. We believe the development of a framework on complexity and a plan to address complexity in existing standards beyond the scope of the narrow projects within the simplification initiative should be subject to due process, including exposure for public comment.

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We look forward to working with the Board as it continues to explore other opportunities for change as part of the simplification initiative. Our responses to the Board's specific questions and our other observations are set forth in Appendix I. If you have any questions about our comments or wish to discuss any of the matters addressed herein, please contact Mark Bielstein at (212) 909-5419 or Jeffrey Jones at (212) 909-5490.

Sincerely,

KPMG LLP

KPMG, LLP

Appendix I

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 agree that entities with fiscal year-ends that do not fall on a month-end should 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. As we noted in our accompanying letter, we are supportive of the Board's objectives for the simplification initiative. While permitting those employers to measure defined benefit plan assets and obligations as of the month-end that is closest to their fiscal year-end would not significantly reduce the relevance of the information about defined benefit plan assets and obligations due to close proximity to fiscal year-end and disclosure requirements, it would simplify requirements and reduce costs for them.

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

We believe employers should be allowed to make the policy election on a plan by plan basis and apply it consistently. We acknowledge the Board's intention to reduce complexity by allowing an alternate measurement date for entities with a fiscal year-end that does not fall on a month-end. However, the complexity may vary by plan and we do not believe entities should be precluded from using a measurement date that coincides with its reporting period end for its defined benefit plans that they are able and prefer to measure at reporting period end. This would be consistent with the authoritative guidance that was in effect prior to Statement 158, when lag periods of up to 90 days were permitted. The guidance in FAS 87 Q&A 70 indicated that different measurement dates were permitted and that there was no need to separately disclose plans measured as of the balance sheet date from plans measured on a lag basis.

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?*

We agree with the amendments in the proposed Update that 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. The funded status should not be adjusted for other transactions that occurred between the date used to measure defined benefit plan assets and obligations and an entity's fiscal year-end that would result in a net change in the funded status. The effect of such transactions should be recorded in the subsequent fiscal year. We believe other transactions resulting in a material change in the funded status would be rare; however, if the unrecognized

effect of such transactions in the current fiscal year is material, then disclosure of the transactions, their consequences, and the timing of the recognition should be made in the notes to the current fiscal year financial statements. This would be consistent with the authoritative guidance that was in effect prior to Statement 158, when lag periods of up to 90 days were permitted. FAS 88 Q&A 28 addressed the timing of recognition of curtailments and settlements that occurred between the measurement date and the balance sheet date and indicated that those events generally should be recorded in the subsequent period, with an exception for situations in which a plan was terminated during that period.

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 agree with the proposed disclosure of the accounting policy election and the alternative date used for measuring defined benefit plan assets and obligations.

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 believe early application should be permitted in this situation to enable employers with fiscal year-ends that do not fall on a month-end to use the simplified requirements as soon as practicable and reduce costs for pre-effective date reporting periods that the financial statements have not already been issued.