



May 18, 2015

Mr. Russell Golden  
Chairman, Financial Accounting Standards Board

Ms. Susan Cospers  
Technical Director, Financial Accounting Standards Board  
Chairwoman, Emerging Issues Task Force

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Sent Electronically via FASB Website: [www.fasb.org](http://www.fasb.org)

**RE: Proposed Accounting Standards Update - Plan Accounting (Topics 960, 962, and 965)—(I) Fully Benefit-Responsive Investment Contracts, (II) Plan Investment Disclosures, and (III) Measurement Date Practical Expedient (A Consensus of the FASB Emerging Issues Task Force (the “EITF”))**

Dear Mr. Golden and Ms. Cospers:

The Committees on Corporate Reporting (CCR) and Benefits Finance (CBF) of Financial Executives International (FEI) appreciate the opportunity to share their views on the Financial Accounting Standards Board's (FASB or Board) Proposed Accounting Standards Updates: *Plan Accounting: Fully Benefit-Responsive Investment Contracts, Plan Investment Disclosures and Measurement Date Practical Expedient* (the Proposed Update). FEI is a professional association representing the interests of more than 10,000 Chief Financial Officers, Treasurers, Controllers, and other senior-level financial executives from over 8,000 major companies throughout the United States, Canada and Japan. CCR is a technical committee of FEI that reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. CBF develops recommendations on existing and proposed legislation and regulations affecting pension and profit-sharing plans, health and disability insurance, unemployment compensation and regulation, and other benefit-related areas. This statement represents the views of CCR and CBF, and not necessarily the views of our members individually.

FASB's EITF issued the Proposed Update to reduce complexity in employee benefit plan accounting, which is consistent with the FASB's Simplification Initiative. CCR and CBF

support FASB's EITF's efforts to simplify plan accounting by requiring fully benefit-responsive investment contracts to be reported at contract value; requiring investment information to be disclosed by general type of investment; and removing certain disclosure requirements for investments. However, we believe there are other opportunities to reduce the cost and complexity of plan reporting while maintaining or improving the usefulness of the information provided to users of plan financial statements. Specifically, we consider the disclosure requirements for master trusts and derivatives to be difficult and costly to prepare, while providing little additional useful information to users that is not available elsewhere. Our proposed additions are further discussed in the paragraphs below. Responses to the questions presented in the proposed update are included in an Appendix to this letter.

***Current disclosure requirements for a plan's investment in a master trust add significant costs to the preparation of plan financial statements and provide information that is not relevant to those individual plan financial statements and is readily available elsewhere.***

Current reporting requirements for a plan's investment in a master trust include disclosure of investment balances (by general type) held by the master trust, as well as the changes in fair value for those investments. Given that these disclosures are for the master trust and not the individual plan's investment in the master trust, the information is not specifically relevant to the plan. Form 5500 filings are required for master trusts; therefore, the disclosure information currently required in plan financial statements is readily available to users outside of the plan financial statements.

We do not think there is a need for different reporting requirements for master trusts and common/collective trusts (CCTs) that are direct filing entities. The main difference between the two is that a master trust holds the assets of one or more plans sponsored by a single employer (or group of employers under common control); while, CCTs hold assets of plans sponsored by more than one employer. For this reason, we believe master trusts should be treated as a general type of investment, similar to CCTs, and subject to the same disclosure requirements.

***Disclosure requirements specific to derivative instruments do not provide useful information in assessing a plan's present and future ability to pay benefits when they become due.***

Employee benefit plans, typically defined benefit plans, but occasionally defined contribution plans, may utilize derivatives to hedge risk in their investment portfolios. As a result, these plans are subject to the extensive disclosure requirements in ASC 815-10-50. These requirements provide little information that is useful in assessing a benefit plan's present and future ability to pay benefits when they become due. In addition, ASU 2011-11 adds further disclosure requirements to increase comparability between U.S. GAAP and IFRS, which provide limited usefulness to users of benefit plan financial statements.

Given that we do not believe these disclosures provide useful information to the users of plan financial statements, the current requirements for derivative instruments do not justify the significant effort and costs of producing the required disclosures. As such, we believe that derivatives should be treated as a general type of investment and subject to the same disclosure requirements for plan accounting; the additional disclosure requirements for derivatives should be eliminated for plan accounting. At a minimum, we recommend that the Board should consider not requiring benefit plans with low attributable derivative risk to disaggregate beyond the general type of derivative assets and derivative liabilities (i.e., the unique risk exposures) for the notional amount of the derivative(s) held, derivative gains and losses, and derivative fair value disclosures; thus, reducing the volume of disclosures presented in the benefit plan financial statements. In addition, we also request that the Board should consider providing a scope exemption to ASU 2011-11 with respect to presenting detailed quantitative tabular disclosures. Additional details of these recommendations are included in the Appendix to this letter.

Identifying master trusts as a general investment category and eliminating the specific disclosure requirements for master trusts, as well as, eliminating or reducing the required disclosures for derivative instruments will provide a significant reduction in preparation costs; and, greatly reduce the complexity and volume of plan disclosures without eliminating the availability and usefulness of information to users.

Should you have questions or require further information, please do not hesitate to contact us.

Sincerely,

*Stephen J. Cosgrove*

*Lauren F. McCullough*

Stephen J. Cosgrove  
Chair, Committee on Corporate Reporting  
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## APPENDIX

### I. Fully Benefit-Responsive Investment Contracts

File Reference No. EITF-15C – I

**Question 1:** Should the requirements to present and disclose fully benefit responsive investment contracts at fair value be eliminated? If not, please explain why.

*We agree with the Board's proposal to eliminate the requirement to present and disclose fully benefit responsive investment contracts at fair value.*

**Question 2:** Should the disclosure requirements for fully benefit responsive investment contracts included in paragraphs 962-325-50-3 and 965-325-50-2 be reduced to eliminate disclosures relating to fair value measurements? If not, please explain why.

*We agree with the Board's proposal to eliminate disclosures relating to fair value measurements for fully benefit responsive investment contract. We assume the proposed changes apply to both traditional guaranteed investment contracts, as well as, synthetic guaranteed investment contracts as alluded to in the basis for conclusions [BC6]; and, as such, will eliminate the fair value disclosure requirements for the underlying assets of synthetic GICs*

**Question 3:** Should any other disclosures be required for fully benefit-responsive investment contracts?

*We do not believe any additional disclosures should be required for fully benefit responsive investment contracts.*

**Question 4:** Should the proposed amendments be applied retrospectively to all periods presented? If not, please explain why.

*We do not believe retrospective application of the proposed amendments should be required, but should be permitted. Given that analysts and participants (investors) are not the primary users of plan financial statements, we do not believe the benefit of providing comparable information outweighs the potential cost in preparation for some companies; therefore, preparers should have the option to apply the proposed amendments on a prospective basis.*

**Question 5:** How much time would be needed to implement the proposed amendments? Should early adoption be permitted?

*We do not believe the proposed amendments would take a significant amount of time to implement; therefore, preparers should be permitted, but not required, to adopt the proposals immediately.*

### II. Plan Investment Disclosures

File Reference No. EITF-15C – II

**Question 1:** Should investments be disaggregated only by general type, as required under Topics 960, 962, and 965 (that is, not by both general type and nature, characteristics, and risks)? If not, please explain why.

*We agree with the Board's proposal that investments be disaggregated only by general type, as required under Topics 960, 962 and 965.*

**Question 2:** Should self-directed brokerage accounts be classified as one general type of investment? If not, please explain why.

*We agree with the Board's proposal to classify self-directed brokerage accounts as a general type of investment.*

**Question 3:** Should the requirements in Topics 960, 962, and 965 to disclose investments that represent 5 percent or more of net assets available for benefits be eliminated? If not, please explain why.

*We agree with the Board's proposal to eliminate the requirement to disclose investments that represent 5 percent or more of net assets available for benefits.*

**Question 4:** If an investment is measured using the net asset value per share (or its equivalent) practical expedient in paragraph 820 -10-35-59 and that investment is in a fund that files a Form 5500 as a direct filing entity, should the disclosure of that investment's significant investment strategies be required? If so, please explain why.

*We do not believe preparers should be required to disclose the significant investment strategies for investments measured using the net asset value per share (or its equivalent) practical expedient and that investment is in a fund that files a Form 5500 as a direct filing entity.*

**Question 5:** Should the requirements in Topics 960, 962, and 965 to disclose the net appreciation or depreciation for investments by general type be eliminated? If not, please explain why.

*We agree with the Board's proposal to eliminate the requirement to disclose the net appreciation/depreciation for investments by general type.*

**Question 6:** Should the proposed amendments be applied retrospectively? If not, please explain why.

*We do not believe retrospective application of the proposed amendments should be required, but should be permitted. Given that analysts and participants (investors) are not the primary users of plan financial statements, we do not believe the benefit of providing comparable information outweighs the cost of preparation for some preparers; therefore preparers should be permitted, but not required, to adopt the proposals immediately.*

**Question 7:** How much time would be needed to implement the proposed amendments? Should early adoption be permitted?

*We do not believe the proposed amendments would take a significant amount of time to implement and preparers should have the ability to adopt the proposals immediately.*

**Question 8:** Are there any other improvements applicable to employee benefit plan accounting that should be considered for purposes of further simplifying financial reporting for employee benefit plans (for example, are there other disclosures that should be eliminated, amended, or added)?

*As discussed in our letter, we believe the Board should consider eliminating certain disclosure requirements for master trusts and derivative instruments.*

*Given the similarity of master trusts to common/collective trusts that are direct filing entities, we believe master trusts should be considered a general asset type and subject to the same disclosure requirements for other general asset types outlined in the proposed updates.*

*In addition, we believe the Board should eliminate the specific disclosure requirements for derivative instruments in plan accounting or at least consider the following opportunities to simplify derivative instrument disclosures:*

*Proposal 1:*

*Benefit plans with low attributable derivative risk should not be required to disaggregate beyond the general type of derivative assets and derivative liabilities (i.e., the unique risk exposures) for the notional amount of the derivative(s) held; derivative gains and losses; and derivative fair value disclosures; thus, reducing the volume of disclosures presented in the benefit plan financial statements.*

*The following items may be considered when determining whether a benefit plan would be considered to possess low attributable derivative risk:*

1. *Program based substantially on exchange traded derivatives supported by collateral (low third party credit risk)*
2. *Majority of Over The Counter (OTC) derivatives have expired or terminated prior to filing of financial statements*
3. *No credit events subsequent to measurement date significantly impacting open derivatives at year-end*
4. *Collateral management programs that require frequent collateral movements (i.e., daily or weekly) or are based on low collateral posting threshold requirements for market-to-market movements*
5. *Other quantitative indicators of risk*

*The reduced disclosures would be supplemented with additional qualitative disclosures regarding the plan's collateral management programs, including frequency and tolerance requirements for moving collateral, types of risks managed, etc.*

*Benefit plans with significant risk exposure, or derivative programs based primarily on uncollateralized OTC products, would be precluded from providing the summarized disclosures.*

*Proposal 2:*

*We believe the Board should provide a scope exemption to ASU 2011-11 with respect to presenting detailed quantitative tabular disclosures. Benefit plans with low risk due to significant collateral coverage should be allowed to qualitatively disclose the overall net exposure, collateral available and netting arrangements, without presenting gross information, as an alternative to full application of ASU 2011-11 disclosure presentation guidance. This summarized disclosure is appropriate because the full disclosure is not meaningful for low risk benefit plans as collateral is managed daily to reduce any exposure to a very low level. The qualitative disclosure would provide a description of offsetting assets and liabilities and describe the low attributable counterparty risk.*

*Benefit plans with significant risk exposure, or derivative programs based primarily on uncollateralized OTC products, would be precluded from applying the simplification and would be subject to the full disclosure requirements prescribed within ASU 2011-11.*

### **III. Measurement Date Practical Expedient**

File Reference No. EITF-15C – III

**Question 1:** Should employee benefit plans be allowed to apply a measurement date practical expedient to measure investments and investment-related accounts using the month-end that is closest to the plan's fiscal year-end when the fiscal period does not coincide with a month-end? If not, please explain why.

*We support the Board's proposal to extend the measurement date practical expedient to plan financial statements. We believe that, in cases where a plan's fiscal period does not coincide with a month-end, the practical expedient provides plan financial statement users with consistent comparable information that will be useful to stakeholders.*

*That said, we believe there may be a critical issue that needs clarification. In its Background Information and Basis for Conclusions, the Board states the following:*

*However, members of the EITF Working Group that was formed to provide input to the Task Force on employee benefit plan accounting also recommended two main changes from what is provided for employers. First, plans should not recognize but rather disclose events that occur between the fiscal year-end and the alternative measurement date because recognition may cause plans to allocate such adjustments to the various investments in order to reconcile to the U.S. Department of Labor Form 5500, Annual Return/Report of Employee Benefit Plan. The allocation would be cumbersome and the reconciliation to the Form 5500 could be confusing to users. The Task force agreed with that recommendation. [Paragraph BC6]*

*Inherent in that passage is the assumption that if the FASB approves a practical expedient for plan accounting that the Department of Labor (and Internal Revenue Service and Pension Benefits Guarantee Corporation, also on the form) will accept submissions of Form 5500 using the practical expedient. The current forms and instructions for Form 5500 and Schedule H seem to indicate that amounts shown should be as of the date of the plan's fiscal year-end, if it is not coincident with the calendar year. We believe it would be prudent to have the regulators weigh in on this matter, as changes to U.S. GAAP do not overwrite the rules and regulations of the above mentioned agencies. Specifically, we would suggest getting answers to the following questions:*

- 1. Would the regulators accept filings of Form 5500 and its schedules with information as of the alternative measurement date using the practical expedient?*
- 2. If yes, would the regulators be willing to accept disclosure of contributions, distributions, and significant events that occur between the alternative measurement date and the plan's fiscal year-end, or would they prefer those amounts be recognized in the same manner as is now codified in ASU 2015-04?*

*We believe that the regulators' input will provide insights that will help determine whether any final standard should require disclosure or recognition of events occurring between the alternative measurement date and the plan's fiscal year-end.*

**Question 2:** Should plans only disclose (rather than recognize) contributions, distributions, and significant events that occur between the alternative measurement date and the plan's fiscal year-end? If not, please explain why.

*Please see our response to Question 1.*

**Question 3:** Should any other disclosures be required for plans that elect the practical expedient?

*Please see our response to Question 1.*

**Question 4:** Should the proposed amendments be applied prospectively? If not, please explain why, and what transition method would you propose.

*We believe the proposed amendments should be applied prospectively. To determine the appropriate fair value for investments after a significant amount of time has passed would be a difficult exercise due to the effect of new events and new information that occurred since the original measurement date and would not provide useful information to users.*

**Question 5:** How much time would be needed to implement the proposed amendments? Should early adoption be permitted?

*We do not believe a significant amount of time would be needed to implement the proposed amendments and early adoption should be permitted.*