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Mr. Russell Golden  
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June 15, 2015

**Subject:** Measurement Date Practical Expedient for Employee Benefit Plans—File Ref.  
No. EITF-15C-III

Dear Mr. Golden:

On behalf of Mercer<sup>1</sup>, we appreciate the opportunity to comment on this exposure draft.

We greatly appreciate the Board's initiative to find ways of simplifying accounting rules. The recently approved measurement date expedient for employer accounting, for example, was excellent. In general we believe these types of simplifications create significant improvements in efficiency and reduce the opportunity for error without compromising the quality of the financial statements.

However we are not so convinced that the proposed expedient for employee benefit accounting is as appropriate. Our two concerns are:

1. Unlike for employer accounting, the simplification does not apply to measuring the obligations. As such, the obligation is measured using a rate of return determined as of a different date than the assets. We realize that this is less of an issue for plan reporting in that:
  - a. Obligations are a footnote item but not included in the balance sheet itself, so there is no inconsistency in the balance sheet
  - b. Obligations, at least under ASC 960, are determined using a rate of return on assets rather than a discount rate, and rates of return on assets are typically less likely to change over a short period of time.

Nonetheless, we think this inconsistency is less than ideal. We are not convinced that obligations will remain off-balance sheet over the long run, and would prefer that the

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<sup>1</sup> Mercer is a global consulting leader in talent, health, retirement, and investments. Mercer helps clients around the world advance the health, wealth, and performance of their most vital asset – their people. Mercer's more than 20,500 employees are based in more than 40 countries, and we operate in more than 130 countries..



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guidance is not left in a position where — if the obligations are placed on the balance sheet — someone would need to remember to add the measurement date simplification. Further, we aren't convinced that ASC 960 will continue to use a return on assets, and as above, would prefer not to leave this as a future to-do item, to say nothing of the fact that ASC 965 does use a discount rate approach.

2. Much more importantly, we believe this might be of such limited applicability that it could cause more confusion than help. We base this on the fact that audits of employee benefit plans are almost always performed in order to meet ERISA requirements to file an audited financial statement as part of the plan's annual report (Form 5500) under ERISA. As such, rules for plan accounting that are inconsistent with ERISA requirements are problematic.

First of all, pension plans with less than 100 participants are not required to have their financial statements audited, and typically don't. So this expedient would be irrelevant for them.

Second, pension plans with over 100 participants (counting all participants in all pension plans maintained by the controlled group) are required to determine minimum contributions and PBGC premiums based on assets as of the end of the prior plan year. We are not aware of any IRS or PBGC relief in this regard, and suspect that such relief might have to be legislative rather than regulatory. So plan administrators have to value assets as of the plan year end anyway. Similarly, we are not aware of any Labor Department relief for filing Form 5500 using assets as of any date other than plan year-end. And since the figures in the audit report need to match those on the Form 5500, the auditor would not be able to use assets other than those at plan year end, so the expedient would not be helpful.

Third, with regard to welfare benefit plans, only funded plans need to be audited. And there again, the Form 5500 requirements are the same as those for pension plans, and thus the simplifications would presumably not be useful.

Of course one could always argue that the expedient is an option, and thus doesn't hurt anything. And perhaps a situation exists where the expedient would help that we have not thought of. However, we are concerned that specifically allowing something for accounting purposes that would cause noncompliance with law in virtually every situation could lead to violations of law by plan administrators who may not be as familiar with the legal requirements. To us, given the extremely limited applicability of the expedient, this seems like a sufficient reason to not enact it.



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We appreciate your consideration of these comments. If we can provide any additional clarification or assistance, please call Jim Verlautz at 612 642 8819 or Vanessa Soskind at 813 207 6306.

Sincerely,

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