



April 20, 2016

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

E-mail: director@fasb.org
File Reference No. 2016-210

Dear Ms. Cospers:

Willis Towers Watson is a leading global advisory, broking and solutions company with 39,000 employees in more than 120 countries. Each year we perform actuarial valuations and/or prepare disclosure information for more than 10,000 retirement plans around the world in more than 100 jurisdictions.

We appreciate the opportunity to comment on the FASB's Exposure Draft of the Proposed Accounting Standards Update, *Changes to the Disclosure Requirements for Defined Benefit Plans*. We offer the following observations related to some of the specified questions:

Question 1: Would the proposed amendments result in more effective, decision-useful information about defined benefit pension and other postretirement plans? If not, please explain why.

Observations:

Description of plan characteristics

While companies may choose to provide a cursory overview of their benefit plans for general context, we believe that a description of the nature of benefits provided, employee groups covered and type of benefit formula will, in many cases, be of little or no value to the users of financial statements. Most companies with defined benefit plans have multiple plans with multiple benefit formulas, including different benefit formulas for different groups within the same plan. A large global company may have many plans with different benefit formulas in many different countries – yet the financial disclosures are (appropriately, in our view) combined (separately) for domestic plans and foreign plans, making it virtually impossible to understand the effect of the various benefit formulas on the plan's cost and cash flows.

The Board notes that, under the proposed Concepts Statement, consideration should be given to “whether disclosure of the terms of an entity's contracts is helpful when assessing prospects for cash flows.” Cash flow considerations are generally driven by whether or not a plan is funded, the applicable funding rules (which vary country to country), and the availability of cash. Even if a company were to describe the benefits provided, employee groups covered, and the type of benefit formula for only its most significant plans, without the plan-by-plan financial information and an understanding of the relevant funding rules, the user of financial statements cannot reasonably understand the risks posed by the plans or the future cash flow needs of those plans. We do not believe that disclosure requirements should be expanded to include such information. In short, we believe the addition of the proposed descriptive information about the plans' characteristics does not result in more effective and decision-useful information about the company's defined benefit plans.

901 North Glebe Road
Arlington, VA 22203

T +1 703 258 8000
F +1 703 258 8585
W willistowerswatson.com

Weighted-average interest crediting rate

Without putting into context the portion of the benefit obligation that relates to the cash balance features of the company's pension plans, disclosure of the interest crediting rate is of limited usefulness. This is because cash balance formulas are frequently part of a broader pension plan that may, for example, provide benefits for service through a specified date based on one or more traditional benefit formulas, and after that date based on a cash balance formula, or based on the greater of a cash balance formula or a traditional formula. However, these same factors can make identifying the portion of the benefit obligation that relates to the cash balance feature difficult and expensive to provide, and therefore we would not recommend expanding the disclosure requirements to identify the cash balance portion of the obligation. We would also observe that knowing the interest crediting rate assumption without knowing the plan's basis for the rate (e.g., fixed rate or variable rate based on Treasury or other rates) is of limited value as the user is unable to evaluate the assumption.

Question 3: Would any of the proposed disclosures impose significant incremental costs? If so, please describe the nature and extent of the additional costs.

Observation: If we are correctly understanding that the narrative description of the reasons for significant gains and losses may be either qualitative or quantitative, then we believe that none of the proposed disclosure changes should result in a significant increase in valuation costs. There could be some cases where additional effort would be required to identify the gain or loss arising from a change in assumptions, but we would expect the incremental cost to be modest relative to the cost of the valuation. And in many cases, the plan sponsor would already have requested that information. Gains and losses from experience different than assumed should, in the aggregate for the benefit obligation and fair value of plan assets, be readily available. However, quantifying individual sources of gains or losses would add significant cost to the actuarial valuation.

Question 6: Should early adoption be permitted? If yes, please explain why.

Observation: If it is concluded that certain existing disclosures are not sufficiently informative or relevant to warrant retaining those disclosures (e.g., the accumulated benefit obligation and amortization amounts to be recognized in the next year) and other disclosures are being required that are viewed as being more informative and relevant, it would seem appropriate to permit early adoption.

* * * * *

We would be happy to discuss our views with you further or answer any questions you may have.

Sincerely yours,



Diana J. Scott, CPA



Michael Pollack, FSA, EA, MAAA, FCA