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April 25, 2016

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

**File Reference No. 2016-210**

**Re: Proposed Accounting Standards Update, *Changes to the Disclosure Requirements for Defined Benefit Plans***

Dear Ms. Cospier:

Deloitte & Touche LLP is pleased to comment on the FASB's proposed Accounting Standards Update (ASU) *Changes to the Disclosure Requirements for Defined Benefit Plans*. We support the FASB's ongoing efforts to improve the effectiveness of disclosures in the notes to the financial statements. We agree with several aspects of the Board's proposed ASU, primarily those that eliminate certain disclosures that were not pertinent to financial decision making. However, we have mixed views about the newly added disclosure requirements, as explained in our responses to the questions below.

We support the proposed requirements to separate disclosures for domestic and foreign plans and to disclose a narrative description of the reasons for significant gains and losses resulting from remeasurement of the benefit obligation and plan assets. Such requirements encourage financial statement preparers to better understand their pension plan gains and losses and to describe the impact of significant changes in estimates.

However, we suggest that to further improve disclosure effectiveness for defined benefit plans, the FASB consider the clarifications described in our response to Question 2 below and the additional disclosure requirements described in our response to Question 4. In addition, as described in our response to Question 5, we suggest eliminating the requirement for both public and nonpublic companies to disclose the effects of a one-percentage-point change in the assumed health care cost trend rate for postretirement health care plans.

The appendix below contains our responses to the proposed ASU's questions for respondents and provides additional clarity on the suggestions above.

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We appreciate the opportunity to comment on the proposed ASU. If you have any questions about our comment letter, please feel free to contact Curt Weller at (415) 783-4995 or Karen Wiltsie at (203) 761-3607.

Yours truly,

Deloitte & Touche LLP

cc: Robert Uhl

## **Appendix**

### **Deloitte & Touche LLP**

### **Responses to Questions for Respondents**

*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. Would the proposed amendments result in the elimination of decision-useful information about defined benefit pension and other postretirement plans? If yes, please explain why.*

While we encourage the Board to address this issue directly with financial statement users through its outreach efforts, we believe that the additional qualitative description of the reasons for the gains and losses related to plan assets and the benefit obligation would be decision-useful information. Further, none of the amendments appear to result in the elimination of decision-useful information.

However, we question the relevance and usefulness of requiring disclosure of the weighted-average interest crediting rate for cash-balance plans since other information for those plans is presented on an aggregate basis with an entity's other defined benefit plans. Therefore, we recommend not requiring this disclosure.

In addition, we recognize that the proposed disclosure requirements for plan assets that are measured by using the net asset value practical expedient conform to the disclosure requirements in ASC 820. However, we question whether the Board has adequately considered the purpose of defined benefit plan investments and the needs of financial statement users in proposing these requirements. Therefore, we recommend that the Board reassess whether adding this disclosure requirement would provide pertinent decision-useful information desired by financial statement users.

Lastly, under current U.S. GAAP, ASC 715-20-50-1(r) requires public entities to disclose an "explanation of any significant change in the benefit obligation or plan assets not otherwise apparent in the other disclosures required by this Subtopic." The proposed ASU would require nonpublic entities to disclose this information as well. Although we support this requirement for public entities because it clarifies existing guidance under ASC 250 on disclosing significant changes in estimates, we suggest that the Board conduct further outreach with financial statement users to ascertain the usefulness of the disclosures for nonpublic entities.

*Question 2: Are the proposed disclosure requirements operable and auditable? If not, which aspects pose operability or auditability issues and why?*

The Board should clarify three aspects of the proposed guidance.

First, paragraph B38 in the Basis for Conclusions of Statement 132(R)<sup>1</sup> indicates that the usefulness of disclosing "general descriptive information about the employer's benefit plans, including employee groups covered, type of benefit formula, funding policy, types of assets held, and significant nonbenefit liabilities" is limited. We think the Board should reconsider whether to

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<sup>1</sup> FASB Statement No. 132(R), *Employers' Disclosures About Pensions and Other Postretirement Benefits* (superseded).

require entities to disclose the nature of the benefits provided, covered employee groups, and a description of the plan formula. As further described in paragraph B38, disclosure of the nature of the benefits provided is less useful when such disclosure is aggregated for multiple benefit plans with varying characteristics. However, if the Board retains this disclosure requirement, it should consider providing more implementation examples of the types of disclosures the FASB expects an entity to provide about the nature of the plan benefits and the type of plan formula. Such examples should illustrate the level of detail for these disclosures and whether the entity would disclose how the interest crediting rate in a cash balance plan is structured. It would also be helpful if the Board clarified the application of those disclosure requirements for a reporting entity that has multiple defined benefit plans that are aggregated for disclosures.

Second, while we support the additional requirement to describe in narrative form the significant gains and losses related to the benefit obligation and plan assets, it is unclear whether the purpose of the disclosure would be to explain a significant *net* gain or loss or to explain each significant individual gain or loss that may arise from the remeasurement of plan assets, changes to financial assumptions, or changes to demographic data.

Finally, if the Board retains the requirement to disclose the assumed weighted-average interest crediting rate used in an entity's cash balance pension plans and other similar plans, it should clarify whether this guidance is related only to pension plans for which the cash balance obligation represents the entire benefit obligation under the plan or whether it would also apply to situations in which a cash balance obligation is only a portion of the total obligation under an employer's pension plan.

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

While we defer to preparers' views on the potential incremental costs of the proposed disclosures, we believe that the benefits of the disclosures could outweigh the costs associated with their preparation in combination with the cost reductions that will result from the eliminated disclosures.

*Question 4: Are there any other disclosures that should be required by Subtopic 715-20 on the basis of the proposed Concepts Statement or for other reasons? Please explain why.*

We suggest that the Board consider requiring an entity to disclose its accounting policy for measuring the market-related value of plan assets at either fair value or calculated value since users may be interested in this disclosure for comparability purposes.

In addition, under IFRSs, IAS 19 requires disclosure of all significant actuarial assumptions, whereas ASC 715-20 requires disclosure of only specified assumptions. To promote convergence, we suggest that the FASB consider requiring disclosure of the significant actuarial assumptions used to determine the present value of the defined benefit obligation and net benefit costs in a manner similar to the requirement in paragraph 144 of IAS 19. Further, paragraph 76 of IAS 19 indicates that significant actuarial assumptions include both demographic assumptions (e.g., mortality, rates of employee turnover) and financial assumptions (e.g., discount rate, benefit levels). We believe that

disclosure of all significant actuarial assumptions used to calculate the projected benefit obligation could provide additional decision-useful information.

*Question 5: Are there any other disclosure requirements retained following the review of Subtopic 715-20 that should be removed on the basis of the proposed Concepts Statement or for other reasons? Please explain why.*

The proposed ASU would align the disclosure requirements for nonpublic entities with the public-entity requirement to disclose the effects of a one-percentage-point change in the assumed health care trend rate and the effect of this change in rates on service cost, interest cost, and the benefit obligation for postretirement health care benefits. We believe that this disclosure does not significantly affect financial decision making and suggest that the FASB instead remove the requirement for both public and nonpublic entities. Because of shifts in postretirement benefit plan designs, which include plans that make annual contributions to health retirement accounts and plans with maximum caps on benefits, many entities have significantly reduced the risks associated with rising health care costs. Thus, the potential variability from the effects of a one-percentage-point change in the assumed health care cost trend rate is no longer as significant as it was historically.

*Question 6: How much time would be needed to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by nonpublic entities be different from the amount of time needed by public entities? Should early adoption be permitted? If yes to either question, please explain why*

While we defer to preparers' views on the time needed to implement the guidance in the proposed ASU, we do not believe that an entity would require a long transition period since the additional disclosure requirements are straightforward, the entity is likely to have the information readily available, and no changes are likely to be required to the entity's systems. We also believe that the effective date of the final guidance should be delayed for nonpublic business entities by up to one year, as needed, to give such entities time to comply with the additional requirements. All entities should be allowed to early adopt the guidance.