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2016-210
Comment Letter No. 11

330 North Wabash, Suite 3200
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April 25, 2016

Via email to director@fasb.org

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

Re: Compensation - Retirement Benefits - Defined Benefit Plans - General - Changes to the Disclosure Requirements for Defined Benefit Plans (File Reference No. 2016-210)

Dear Ms. Cospers:

We are pleased to provide comments to the Board's proposal to simplify and improve the effectiveness of disclosures related to defined benefit plans. We support the Board's objective of improving the decision usefulness of information disclosed about pension and postretirement benefit plans.

As elaborated in our response to the related exposure draft on the presentation of pension and postretirement benefit costs, we believe that accounting for pension and postretirement benefit plans would be improved primarily by addressing measurement, rather than solely presentation and disclosure. However, we generally agree with the proposed changes to the specific disclosure guidance discussed in the exposure draft. We also believe certain clarifications will be necessary in the final amendments, as elaborated in the Appendix to this letter.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Angela Newell at (214) 689-5669 or Liza Prossnitz at (312) 233-1818.

Very truly yours,

A handwritten signature in blue ink that reads "BDO USA, LLP". The letters are cursive and somewhat stylized.

BDO USA, LLP

Technical Director
Financial Accounting Standards Board
Page 2 of 4

Appendix

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.

We agree that the proposed amendments would result in more effective, decision-useful information. Specifically, we believe that a focus on disclosures related to defined benefit plans that are material to the entity, and the removal of minimum requirements, allow companies to use judgment when deciding what disclosures are relevant to the users of their financial statements.

We generally agree with the proposal to remove certain information currently required to be disclosed. However, we recommend that the Board reconsider the decision to eliminate the disclosure of the accumulated benefit obligation (ABO). Although we note the Board's considerations in paragraph BC12, we also note that the ABO is the measure most consistent with a remeasured projected benefit obligation resulting from a curtailment or settlement. Given the trend in the United States of limiting the use of defined benefit plans, we believe that the ABO may provide relevant information for users.

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

We believe that the proposed disclosure requirements are both operable and auditable, with one exception. The requirement to explain significant changes in the benefit obligation or the plan assets when those changes are not otherwise apparent in other disclosures will likely be challenging both to apply and to audit. First, it is difficult to determine which changes would be considered significant in this context, yet not already apparent in other disclosures. ASC 715-30-35-63B explains that plan amendments, settlements and curtailments represent significant events. However, those types of plan changes are already required to be disclosed given their overall impact to the plan. Second, the gain or loss component of net benefit cost is an overall reflection of the change in assumptions related to both plan assets and actuarial assumptions. Because those assumptions are not independent, but impact each other and combine to either exaggerate or dampen the impacts of other assumptions, it will likely be difficult to identify the changes that most significantly impact the gain/loss. As such, we recommend the Board eliminate this proposed amendment. If the Board chooses to retain the proposal, we believe it will be important for the Board to clarify what is meant by the term significant in this context, and to provide examples of the types of changes that would likely result in disclosure.

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

Generally, we do not believe that the proposed amendments would impose significant incremental costs on preparers. The vast majority of the information included in the proposed amendments is already available to preparers.

We do, however, question the costs and benefits associated with the requirement to make separate disclosures about foreign and domestic plans, regardless of whether those plans use the

Technical Director
Financial Accounting Standards Board
Page 3 of 4

same or similar assumptions. While generating the information to be disclosed would likely not impose significant incremental costs, we believe the high likelihood of significant duplication would result in increased costs to preparers, as it will unnecessarily lengthen the defined benefit plan footnote. In addition, users of the financial statements will likely find it more difficult to identify truly important information. We note the Board's concerns in BC27 that domestic users may not understand the regulatory requirements governing foreign plans, including funding commitments. As such, we recommend that the Board consider requiring a brief discussion of the regulatory environment for foreign plans along with the plan description proposed in 715-20-50-1E instead of requiring separate disclosures for domestic and foreign plans.

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 recommend that the Board consider requiring disclosure of the expected long-term return on plan assets to be used in the fiscal period after the balance sheet date. Although we acknowledge that the footnotes to the financial statements do not typically include forward looking information of this nature, we note that paragraph BC16 of the proposed Concepts Statement indicates that "information in those disclosures [oriented toward the future] is appropriate if it is either dictated by a current known condition or embedded within a current measurement used within the financial statements." Because the expected long-term return on plan assets is used in determining the amount of net periodic benefit cost to be recognized throughout the fiscal year, the rate is determined at the beginning of that year based on information as of the previous balance sheet date. Therefore, this rate is both dictated by a current known condition and available during the financial reporting process. In addition, we believe the rate represents 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.

We note in paragraphs BC 32 through BC 34 of the Exposure Draft that the Board considered revising the requirement to disclose the employer's best estimate of contributions expected to be paid to the plan during the next fiscal year, but ultimately decided to retain that requirement. Although we acknowledge that paragraph BC16 of the proposed Concepts Statement requires disclosure of forward-looking information in some circumstances, as noted above, paragraph BC16 further concludes that "expectations and assumptions about the future that were not within a current measurement would generally not be appropriate for requirement in notes." Based on this language in the proposed Concepts Statement, we recommend that the Board reconsider the requirement to disclose the employer's best estimate of contributions expected to be paid to the plan during the next fiscal year, and instead require disclosure only of the amounts required by laws or regulations during the next fiscal year. We believe that the regulatory requirements related to minimum pension contributions are sufficiently understood that determining the amounts required to be contributed to the plan would be both operable and auditable.

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.

Technical Director
Financial Accounting Standards Board
Page 4 of 4

Given the limited amount of incremental disclosures required by the proposed amendments, and the limited cost of complying as noted above in response to question 3, we believe that the amount of time needed for public entities to implement the proposed amendments should be minimal. In addition, because almost all companies with significant pension and postretirement benefit plans already engage the services of actuaries in order to comply with the existing accounting and disclosure requirements, we do not believe that nonpublic entities will require incremental time to implement the proposed amendments, although we would not object to an additional year being provided. We agree that early adoption should be permitted for both public and nonpublic entities.