



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

April 25, 2016

**RE: File Reference No. 2016-210**

Dear Ms. Cospers,

PricewaterhouseCoopers LLP appreciates the opportunity to comment on the FASB's Proposed Accounting Standards Update, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Topic 715-20): Changes to the Disclosure Requirements for Defined Benefit Plans* (the "ED") and the supplemental paper included on the FASB website, *Decision Questions Considered in Establishing Disclosure Requirements* (the "supplemental paper").

We support the Board's overall objective in the Disclosure Framework project to make financial statement disclosures more effective, balancing the information needs of financial statement users with the costs and complexity of producing that information. Further, we agree with the FASB's expected approach of considering the feedback on the ED with feedback on the disclosure framework proposed in March 2014 and on the other tests of that framework in the areas of fair value measurement, income taxes, inventory, and interim reporting. We propose that no changes to the disclosure requirements in any of those areas be finalized until all feedback is considered.

We are providing our views on whether the proposal enhances the clarity of disclosures or provides better decision-useful information related to defined benefit plans. That is, we are commenting on the merits of the proposed disclosures and on how the proposed framework was applied, without expressing a view on the proposed disclosure framework directly.

***Materiality***

We support the elimination of phrases like "an entity shall at a minimum provide" and other wording that could appear to limit an entity's discretion to omit immaterial disclosures. We believe this supports the Board's intent to clarify that entities have flexibility to determine what information is material for disclosure in their financial statements.



*“Nonpublic entities”*

While the ED delineates the proposed disclosures applicable to public and nonpublic entities, we believe preparers may be confused by the ED’s reference to “nonpublic entities” as ASC 715 contains multiple definitions of that term. For example, ASC 715-20-20 contains two different definitions of “nonpublic entity,” and ASC 715-30-20 contains a third. As a result, preparers may be unsure which disclosures apply in their specific circumstances. The term “nonpublic entity” is a dated definition that may create confusion and should not be used. New standards and amendments to existing standards should use or be based on the definition of a “public business entity” in the Master Glossary (from ASU 2013-12, *Definition of a Public Business Entity*). We continue to believe that practice would be better served by a single definition of a private company. For the sake of clarity, we believe the Board should specify which disclosures would be required using current and consistent terminology.

\* \* \* \* \*

The appendix to this letter contains our responses to the Questions for Respondents in the ED, which includes additional observations and in some cases expands on our comments above. If you have any questions, please contact Patrick Durbin at (973) 236-5152 or Jay Seliber at (973) 236-7277.  
Sincerely,

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP



## Appendix 1

**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.**

Overall, we believe the proposed changes in the ED describing the objectives of the different categories of disclosures should enable preparers to eliminate less relevant information from the footnotes. However, we believe the specific new disclosures proposed to be added or removed will not result in significantly better decision-useful information.

Following are our specific comments on each of the proposed changes.

### Remove:

#### *1. The amount of the pension accumulated benefit obligation*

We agree with eliminating the required disclosure because the accumulated benefit obligation (“ABO”) no longer impacts financial statement recognition under ASC 715. However, we do note that certain users, such as analysts, view the ABO as useful in understanding what the entity’s obligation would be if the entity froze or terminated the plan as of the date of the financial statements.

#### *2. The aggregate pension accumulated benefit obligation and aggregate fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets*

As discussed above, we agree with eliminating the required disclosure but note that some users continue to find disclosures related to the ABO useful.

#### *3. The amount and timing of plan assets expected to be returned to the entity*

We agree with eliminating the required disclosure.

#### *4. The disclosures related to the June 2001 amendments to the Japanese Welfare Pension Insurance Law*

We agree with eliminating the required disclosure.

#### *5. Related party disclosures about the amount of future annual benefits covered by insurance and annuity contracts, and significant transactions between the employer or related parties and the plan*



We note that material transactions of this type would likely be subject to the disclosure provisions of ASC 850-10-50, *Related Party Disclosures*. Thus, those disclosure requirements do not need to be repeated in ASC 715.

*6. The amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year*

We agree with eliminating the required disclosure.

*7. For nonpublic entities, the reconciliation of the opening balances to the closing balances of plan assets measured on a recurring basis in Level 3 of the fair value hierarchy. However, nonpublic entities would be required to disclose the amounts of transfers into and out of Level 3 of the fair value hierarchy and purchases of Level 3 plan assets.*

We agree with eliminating the proposed changes.

Add:

*1. A description of the nature of the benefits provided, the employee groups covered, and the type of benefit plan formula*

We agree with adding the required disclosure.

*2. The weighted-average interest crediting rate for cash balance plans and other plans with a promised interest crediting rate*

We agree with adding the required disclosure.

*3. Quantitative and qualitative disclosures from Topic 820, Fair Value Measurement, about assets measured at net asset value using a practical expedient*

We do not agree with adding the required disclosure. We believe the disclosures from ASC 820, *Fair Value Measurement*, on assets measured using the NAV practical expedient are excessive in light of the long-term nature of benefit plans and the nature of benefit plan trusts that significantly limit a plan sponsor's access to the investments. Since the entity does not have direct access to funds held in a benefit plan trust, we believe disclosure of the redemption rights or restrictions and capital contribution commitments—essentially liquidity-oriented disclosures—are not relevant. Furthermore, adding these disclosures would result in far more disclosure for plan assets measured using the NAV practical expedient than for plan assets in Level 2 and Level 3 of the fair value measurement hierarchy.



*4. A narrative description of the reasons for significant gains and losses affecting the benefit obligation or plan assets*

We agree with adding the required disclosure.

*5. For nonpublic entities, the effects of a one-percentage-point change in assumed health care cost trend rates (this disclosure is currently required only for public entities).*

We understand that adding the required disclosure for nonpublic entities would be consistent with the disclosure for public entities. However, we believe the Board should eliminate the requirement to disclose the impact of the one-percentage-point change in health care cost trend rates for all entities. This is just one of many key assumptions in the measurement of defined benefit obligations, and no sensitivity disclosures are required for changes in other key assumptions (e.g., discount rates, compensation increases, mortality, etc.) that could have an equal or greater impact on the current measurement of the obligation.

In paragraph 355 of FAS 106 (the original basis for including this disclosure for other postretirement benefit plans), we note that the FASB initially proposed sensitivity disclosures for pension costs but ultimately decided not to require those disclosures because the cost would outweigh the benefits. However, the Board believed at the time that it was more compelling to require such sensitivity disclosures for retiree medical costs because financial statement users "are considerably less familiar with postretirement health care measurements than with pension measurements and with the subjectivity of the health care cost trend rate and the significant effect that assumption may have on measurement of the postretirement health care obligation." In the 25 years since FAS 106 was issued, we believe financial statement users have become familiar with the manner in which retiree healthcare obligations are calculated and with the key drivers of those liabilities. Therefore, we recommend that this disclosure be eliminated for all entities.

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

We expect that preparers will be able to accumulate the information necessary to provide the proposed disclosures and the information will be auditable.

**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 the determination of whether the proposed disclosures impose significant incremental costs to entities would be best answered by preparers, we would not anticipate that the proposed disclosures would require significant incremental costs.



**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 believe the following additional disclosures should be required by Subtopic 715-20:

- We believe the amount of benefit cost capitalized as part of the cost of an asset should be disclosed, as feedback we have received from users has indicated that this would be helpful information in evaluating the overall impact of the entity's benefit plans. While acknowledging there may be some difficulties in isolating this amount because it may be part of a basket of allocated labor and benefits costs, we believe it is possible to capture and conceptually no different than disclosing how much share-based compensation cost has been capitalized (which is required under ASC 718-10-50-2(h)(1)(ii)).
- We believe the requirement in ASC 715-20-50-8 about incorporating the effects of interim remeasurements into the disclosure of the weighted average assumptions used to determine net benefit cost is equally relevant for all key assumptions (such as discount rate, rate of compensation increase, health care cost trends, etc.). Thus, this paragraph should be updated to refer to all of the assumptions used to measure net benefit cost.

**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.**

Other than as indicated in the responses to the other questions, we do not propose to remove any other disclosures from ASC 715-20. However, we suggest including the "to the extent material" qualifier before "shall be disaggregated" in ASC 715-20-50-2 in the ED regarding the disclosure of domestic and foreign plans, to be consistent with the notion in ASC 715-20-50-1A.

**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 this question would be best answered by preparers, we anticipate that the proposed guidance would not require significant time to adopt. We support a one-year delay in the effective date for nonpublic entities, consistent with the issuance of other recent standards.

We believe that early adoption should be permitted.