



April 28, 2016

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

Re: **File Reference No. 2016-210**, Proposed Accounting Standards Update – *Compensation – Retirement Benefits – Defined Benefit Plans—General (Subtopic 715-20) – Changes to the Disclosure Requirements for Defined Benefit Plans*

Dear Ms. Cospers:

The Financial Reporting Committee (FRC) of the Institute of Management Accountants (IMA) is writing to share its views on the Financial Accounting Standards Board's (FASB) Exposure Draft (ED) of the Proposed Accounting Standards Update – *Compensation – Retirement Benefits – Defined Benefit Plans—General (Subtopic 715-20) – Changes to the Disclosure Requirements for Defined Benefit Plans*.

The IMA is a global association representing over 80,000 accountants and finance team professionals. Our members work inside organizations of various sizes, industries and types, including manufacturing and services, public and private enterprises, not-for-profit organizations, academic institutions, government entities and multinational corporations. The FRC is the financial reporting technical committee of the IMA. The committee includes preparers of financial statements for some of the largest companies in the world, representatives from the world's largest accounting firms, valuation experts, accounting consultants, academics and analysts. The FRC reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. Additional information on the FRC can be found at [www.imanet.org](http://www.imanet.org) (About IMA, Advocacy Activity, Areas of Advocacy, Financial Reporting Committee).

Consistent with our previous letters on the disclosure framework project as well as the exposure draft with respect to disclosure requirements for fair value measurement, while we are supportive of the FASB's project to develop a conceptual framework for disclosures and address the current ineffectiveness of certain disclosures, we are equally concerned with the ever increasing volume of required disclosures that may have adverse impacts to the understandability and focus of financial statements. We believe that certain proposed disclosure requirements in the defined benefit plan ED seem to lean towards "disclosure overload". It does not surprise us that this topical review of disclosures for defined benefit plans without the benefit of disclosure objectives for defined benefit plans has resulted in incremental prescriptive disclosures of questionable benefit.

For most companies with substantial benefit plan obligations that are required to comply with the disclosure provisions of Topic 715, the pension footnote is one of the more voluminous footnotes in their financial statements, often requiring anywhere from five to ten pages of disclosures. We believe the ED would significantly add to that. The proposed change to require a description of the nature of benefits provided, the employee groups covered and the type of benefit plan formula of a company's defined benefit plans appears to be particularly onerous without providing any meaningful utility to the reader of the financial statements. The ED suggests that providing the users of financials with the contractual terms of each plan will help the user to be able to evaluate future cash flows related to the plan. We question



whether providing the information suggested would really result in an increased knowledge and insight into future cash flow impact of each plan. In addition, benefit formulas can often be complex, individualized by country, and sometimes individualized by type of employee within a country. It would be hard to summarize such complexities in general terms. We would also point out that most multinational companies have numerous benefit plans, and in most cases, have multiple benefit plans in each country that differ from one another and are generally impacted by local country regulations. Benefit plan formulas may change frequently due to union/labor force agreements or changes in local laws/regulations. It would be costly to retain and constantly update such information for numerous plans on a recurring basis for purposes of disclosure. We believe the proposed changes would add a significant amount of disclosure to an already sizeable footnote, without adding any particularly useful content (i.e., the costs exceed any relevant benefit).

We also believe a narrative description of the reasons for significant gains and losses affecting the benefit obligation and plan assets may not be relevant in the context of financial statement footnotes. Most companies cover such discussion currently in Management’s Discussion and Analysis in SEC filings. We believe that current disclosure requirements provide some indication as to the direction of gains and losses experienced (i.e., discount rate assumptions, asset return assumptions, the roll forward of plan assets and projected benefit obligation). Perhaps the disclosure requirement could be more specific to any significant plan amendments or terminations that occurred during a fiscal year and a brief explanation of such events.

We also question the proposal that disclosure of the pension accumulated benefit obligation (ABO) be removed. The ABO is the actuarial present value of future benefits attributed to employees’ services rendered to a particular date and is generally a good barometer for the approximation of the liability upon termination of a plan. We question the reasoning for removing this disclosure, as we would see this as something that users would be interested in, particularly in the current environment where companies are looking to de-risk and terminate defined benefit plans where economically and legally feasible.

Last, as we noted above, we believe that the pension footnote is currently one of the most voluminous footnotes in a typical set of financial statements where pension plans are relevant to a company. The footnote in some cases doubled when the pension asset disclosures became a requirement. Has the staff done recent extensive outreach to users to see if information currently disclosed in a typical pension footnote is actively being used and analyzed and whether or not there is some room for a reassessment and reduction, particularly as it relates to pension asset disclosures?

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We appreciate the opportunity to express our views in this letter and we would be pleased to discuss our comments with the Board or the FASB staff at your convenience.

Sincerely,

Nancy J. Schroeder, CPA  
Chair, Financial Reporting Committee  
Institute of Management Accountants  
[nancy@beaconfinancialconsulting.com](mailto:nancy@beaconfinancialconsulting.com)