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May 3, 2016

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

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

Dear Director:

Eli Lilly and Company (“Lilly”) appreciates the opportunity to comment on the Financial Accounting Standards Board’s (the “Board”) Proposed Accounting Standards Update, *“Compensation-Retirement Benefits–Defined Benefit Plans-General (Subtopic 715-20), Changes to the Disclosure Requirements for Defined Benefit Plans”* (the “proposed Update”). Lilly is a multinational pharmaceutical and animal health company with legal entities in over 50 jurisdictions.

We support the Board’s objective to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of the information that is most important to users of an entity’s financial statements. We support the proposed changes to eliminate certain disclosures and the use of discretion in excluding disclosures that are not considered to be material.

Our primary concern is the disaggregation of disclosures between domestic and foreign plans. The Board’s goal is to narrow existing disclosures and require new disclosures that are cost justified. However, this proposed update will only increase the disclosures related to Defined Benefit Plans without providing more effective or useful information about the plans. Current guidance already requires disclosure for disaggregation of plans if it will provide useful information. Given our disclosures related to defined benefit and other post retirement benefit plans already account for approximately 20% of the pages allocated for footnotes in our consolidated financial statements, requiring disclosures such as describing characteristics for multiple plans and disaggregation between domestic and foreign plans would become very onerous and lengthen the already protracted disclosures related to Defined Benefit Plans. In addition, financial statements are to be prepared from a consolidated view of global operations, and disclosures related to Defined Benefit Plans should be prepared as such.

As stated above, we appreciate the FASB providing relief regarding disclosures on the basis of materiality and excluding language such as “disclose at a minimum”. However the auditors

have expressed concerns with assessing materiality per the guidance in the Board's Materiality Proposal. The disparity in interpretation by the accounting firms regarding materiality may lead to inconsistencies across disclosures; reduce comparability of disclosures for companies in the same industries, and an increase in disclosures that are not useful or meaningful.

Lastly, we are also concerned about the timing of these proposed changes. These amendments (including File Reference 2016--200 Proposed ASU: Compensation-Retirement Benefit (Topic 715)) will follow the new Revenue Recognition Standard to be adopted and implemented in 2018 and the new Lease Standard to be adopted and implemented in 2019. The significance of these two new standards and this proposed standard on the financial statements within a short time period will create a significant burden on the preparers of the financial statements to review, digest, educate and fully implement multiple financial statement changes in consecutive reporting years, while also processing the overall business results for the entity and how these changes affect comparability to prior years and across companies.

Following are responses to selected questions in the proposed Update:

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 do not believe the proposed amendments result in more effective, decision-useful information about defined benefit pension and other postretirement plans. We believe the proposed Update will lead to additional disclosures without providing increased significant information to the financial statement users and conflicts with the Board's disclosure effectiveness initiatives.

We believe a description of the nature of benefits provided, employee groups covered, and type of benefit formula will be of little or no value to the users of financial statements due to the varying and large number of pension plans.

Topic 820, Fair Value Measurement, quantitative and qualitative disclosures would require multiple discussions with investment managers in various countries with material benefits plans and will not necessarily provide more decision-useful information since the plan asset disclosure is already robust and includes lengthy disclosures discussing all assets of the plan. In addition requiring more disclosure here appears contradictory to the prior adoption of Update 2015-07 that removed certain assets from the level 3 disclosures and roll forward.

The narrative description for significant gains and losses affecting the benefit obligation or plan assets again appears to be contradictory to improve the effectiveness of disclosures. Again, the current disclosure requirements provide for disclosures related to material gains and losses affecting the entity's financial position.

As discussed above our primary concern is the disaggregation for disclosures between domestic and foreign plans. Bifurcating the consolidated view of the financial statements in the footnote will not necessarily provide more effective or decision-useful information to the users of the

financial statements. ASC 715-20-50-2 states that “...disclosures shall be aggregated... unless...disaggregating in groups is considered to provide useful information.” Further ASC 715-20-50-4 states that entities may combine disclosure unless foreign plans are significant relative to the total benefit obligation or unless those plans use significantly different assumptions. Therefore, current guidance already requires additional disclosure when the disclosure of information is useful.

In addition the significant concerns expressed by top accounting firms related to materiality, we feel that companies may be required to disclose information under this proposed guidance even though plans are not material or have significant different assumptions.

We fully support the disclosure items that are proposed to be eliminated. We do not believe the proposed amendments result in the elimination of decision-useful information about defined benefit pension and other postretirement plans.

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

We do believe the proposed disclosure requirements are operable and auditable. However, some of the proposed disclosures may require significant effort to make operable and auditable. The Topic 820, *Fair Value Measurement*, disclosures and increased pension plan disclosures require some judgment and estimation, which are always more difficult to streamline across numerous foreign affiliates. In addition, judgment and estimation items typically require more effort with various company personnel, actuaries, investment managers and auditors.

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

We do believe the additional disclosure items require incremental costs. For large multi-national companies that operate in numerous foreign countries, gathering additional data for domestic and foreign pension plans for disclosure purposes requires considerable implementation effort. This will involve increased employee, actuary, and audit personnel resources and increased actuary and auditing fees for the work performed.

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 do not believe there are any other disclosures that should be required by Subtopic 715-20 on the basis of the proposed Concepts Statement or for other reasons.

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 believe there are additional Defined Benefit Plans 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. We believe the disclosure requirements surrounding plan assets and the type of investments in benefit plans can be streamlined. A summary of types of investments in the pension plans rather than detailed descriptions offer better effectiveness for the financial statement user.

In addition, we believe there is minimal incremental benefit for the financial statement user in the rollforward requirement of Level 3 assets required for benefit plan asset disclosures. Due to Update 2015-07 in May of 2015 related to Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent), there will be considerably less activity shown in the rollforward. The level 3 assets previously shown in the rollforward will no longer be required since the investments for which fair value is measured using the net asset value per share practical expedient is no longer required to be categorized within the fair value hierarchy table.

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 questions, please explain why.

We believe it would take significant time to implement the proposed amendments, especially since retroactive adoption is required. Principally related to this amendment, the Topic 820, *Fair Value Measurement*, quantitative and qualitative disclosures would require multiple discussions with investment managers in various countries with material benefit plans. In addition, working through the foreign plans affected by the interest credit rating disclosure and gathering the description of benefits provided, the employee groups covered and the type of benefit plan formula will take considerable time in working with affiliate personnel and in-country actuarial firms. As stated previously, this will coincide with the new Revenue Recognition Standard to be adopted and implemented in 2018 and the new Lease Standard to be adopted and implemented in 2019. Resources will be stretched as these two standards are taking considerable time and effort to implement. We would recommend at least one year from the release of this proposed update, if it is finalized, to adopt these changes.

We appreciate the opportunity to express our views and concerns regarding the discussion paper. If you have any questions regarding our response, or would like to discuss our comments further, please call me at (317) 651-2310.

Sincerely,

ELI LILLY AND COMPANY

/s/Donald A. Zakrowski

Donald A. Zakrowski
Vice President, Finance and
Chief Accounting Officer