

December 15, 2014

Susan M. Cospers, CPA  
Technical Director  
FASB  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

**Re: October 14, 2014 Exposure Draft of a Proposed Accounting Standards Update (ASU), *Compensation—Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer’s Defined Benefit Obligation and Plan Assets* [File Reference No. 2014-260]**

Dear Ms. Cospers:

One of the objectives that the Council of the American Institute of Certified Public Accountants (AICPA) established for the PCPS Executive Committee is to speak on behalf of local and regional firms and represent those firms’ interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

TIC has reviewed the ED and is providing the following comments for your consideration. This letter also includes comment points from the AICPA Employee Benefit Plans Expert Panel (the Expert Panel).

#### **GENERAL COMMENTS**

TIC and the Expert Panel are supportive of the proposal. It will provide much needed cost relief and simplification for employers (plan sponsors) that have adopted a fiscal year-end that does not coincide with the end of a calendar month.

However, we recommend expanding the scope of the final standard to employee benefit plans, which can also have fiscal year-ends that do not coincide with the end of the calendar month.

## SPECIFIC COMMENTS

**Question 1:** *Should entities with fiscal year-ends that do not fall on a month-end be permitted as a practical expedient to measure their defined benefit plan assets and obligations as of the month-end that is closest to their fiscal year-end? If not, why?*

TIC and the Expert Panel agree with the FASB proposal to allow plan sponsors to measure their defined benefit plan assets and obligations as of the month-end that is closest to their fiscal year-end for entities whose year-ends do not fall on a month-end.

TIC also recommends extending this practical expedient to all benefit plans, including defined benefit plans, defined contribution plans and health and welfare plans, with fiscal year-ends that are also not at a month-end. We recommend that employee benefit plans be allowed to measure plan assets and obligations, if applicable, as of the closest month-end date (measurement date) to the plan's fiscal year-end, as well as to include or exclude recurring transactions that occur between the fiscal year-end period and measurement date, as long as the plan reflects this consistently year to year.

Employee benefit plans generally contract recordkeeping and custodial services with third party administrators and, as such, typically receive the plan's financial statement information as of each month-end. These monthly financial reports include the asset valuations as of month-end, along with recurring transactions such as contributions, distributions and expenses through the month-end. Additionally, a plan may have a significant plan amendment or a nonrecurring transaction such as a merger, termination, or spin-off that is effective during the period between the measurement date and the plan's fiscal year-end.

We recommend that the plan include (when the measurement date falls after the fiscal year-end) or exclude (when the measurement date is prior to the fiscal year-end) all of the plan transactions that fall within the period between the measurement date and the plan's fiscal year-end, as well as reporting the plan's investments at the fair value as of the measurement date. The plan's obligations should be measured as of the same date used to measure the plan's assets to appropriately reflect the financial status of the plan.

Employee benefit plans with fiscal year-ends that do not fall on a month-end may incur additional costs for the same reason as the employer would incur additional costs. These costs are incurred when the plans must adjust the information received from the plan service providers (such as investment valuation, contributions, and distributions) so that the information reflects only the valuation and transactions as of and through the end of the fiscal year-end. TIC and the Expert Panel believe that extending the practical expedient to include plan accounting would reduce the costs of measuring the plan's assets and obligations for plans with fiscal year-ends that do not fall on a month-end without decreasing the usefulness of the information to financial statement users.

**Question 2:** *Should the practical expedient be applied consistently to all plans if an employer has more than one plan?*

Yes, it should be applied consistently so as to keep an employer from evaluating which plans might benefit from a delayed measurement date and which might benefit from the same measurement date as the year-end.

**Question 3:** *The amendments in this proposed Update would require an entity to adjust the funded status recognized in its statement of financial position to reflect contributions made between the date used to measure defined benefit plan assets and obligations and the entity's fiscal year-end. Should the funded status be adjusted for other transactions (for example, benefit payments or plan amendments) that could occur between the date used to measure defined benefit plan assets and obligations and an entity's fiscal year-end?*

Potentially, high costs and significant time may be involved in adjusting the funded status for transactions that occur between the measurement date and the month-end. Therefore, TIC recommends that such adjustments be limited to contributions made (as required in the proposal) and other material, non-routine transactions (such as a plan amendment or the closure of a division of the sponsor's business) occurring during the intervening period.

Immaterial or routine transactions should not result in an adjustment to the funded status. For example, monthly benefit payments that are always paid at each month-end every year should be considered routine payments, for which no adjustments should be made. To roll back such payments would defeat the purpose of the practical expedient.

**Question 4:** *Should an employer be required to disclose the accounting policy election and the alternative date used for measuring defined benefit plan assets and obligations?*

In accordance with our recommendation in question 1 to extend this practical expedient to employee benefit plans, we agree that employers and plans that use the practical expedient should disclose in the notes to the financial statements the accounting policy election and the alternative date used for measuring plan investments and recording plan transactions. The effect of any significant transactions or events that occurred between the measurement date and the plan's fiscal year-end also should be disclosed.

**Question 5:** The Board's goal is for the final Update to be adopted as soon as practicable. When should the proposed amendments be effective and should early adoption be permitted?

The effective date of the standard should be at least 12-24 months after issuance to give preparers and auditors time to become aware of the practical expedient and reach a decision on whether to adopt it. However, early adoption should be permitted for those plan sponsors and plans (assuming our recommendation in Question 1 is adopted) that would like to benefit from the expedient as soon as possible.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Scot Phillips". The signature is written in a cursive, slightly slanted style.

Scot Phillips, Chair  
PCPS Technical Issues Committee

cc: PCPS Executive and Technical Issues Committees and the AICPA Employee Benefit Plans Expert Panel