

MINUTES



To: Board Members

From: Vaheb (ext. 298)

Subject: Minutes: Proposed FSP FAS 132(R)-a,
Employers' Disclosures about Postretirement Benefit Plan Assets **Date:** November 19, 2008

cc: FASB: Bielstein, Golden, Hood, Mechanick, Proestakes, Vaheb, Mussatt, Posta, Stoklosa, Chookaszian, Lott, Klimek, Allen, Gabriele, Vernuccio, Sutay, FASB Intranet; GASB: K. Johnson; IASB: Leisenring, McGeachin,

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue a final Statement, Interpretation, or FASB Staff Position.

Topics: Disclosures about fair value measurements of plan assets, effective date and transition, and issues for private companies and not-for-profit organizations related to proposed FSP FAS 132(R)-a, *Employers' Disclosures about Postretirement Benefit Plan Assets*

Basis for Discussion: Board memorandum dated September 10, 2008

Length of Discussion: 1:00 – 1:30 p.m.

Attendance:

Board members present:	Herz, Seidman, Siegel, and Smith
Board member participating by phone:	Linsmeier
Other Participants:	Leisenring
Staff in charge of topic:	Hood
Other staff at Board table:	Golden, Proestakes, Vaheb, and Mussatt

Summary of Decisions Reached:

The Board redeliberated proposed FSP FAS 132(R)-a, *Employers' Disclosures about Postretirement Benefit Plan Assets*. The Board decided to amend FASB Statement No. 132 (revised 2003), *Employers' Disclosures about Pensions and Other Postretirement Benefits*, to require that an employer disclose the following information about fair value measurements of plan assets:

- a. The level within the fair value hierarchy in which fair value measurements of plan assets fall
- b. Information about the inputs and valuation techniques used to measure the fair value plan assets
- c. A reconciliation of beginning and ending balances for fair value measurements of plan assets using significant unobservable inputs (Level 3).

The Board decided that the final FSP will be effective for fiscal years ending after December 15, 2009, with early application permitted. At initial adoption, application of the FSP would not be required for earlier periods that are presented for comparative purposes.

Objective of Meeting:

The objective of the meeting was for the Board to finalize the disclosures about fair value measurements of plan assets, the effective date and transition guidance, and the application of the proposed FSP to private companies and not-for-profit organizations. The objective was met.

Matters Discussed and Decisions Reached:

Disclosures About Fair Value Measurements of Plan Assets

1. Mr. Hood stated that the proposed FSP includes a requirement for employers to disclose the following information for each annual period separately for each major category of plan assets:
 - a. The level within the fair value hierarchy in which the fair value measurements in their entirety fall, segregating fair value measurements using quoted prices in active markets for identical assets and liabilities

(Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3).

- b. For fair value measurements of plan assets using significant unobservable inputs (Level 3), a reconciliation of the beginning and ending balances of plan assets, separately presenting changes during the period attributable to the following:
 - i. Actual return on plan assets (as defined in FASB Statements No. 87 and 106), separately identifying the amount related to assets still held at the reporting date and the amount related to assets sold during the period.
 - ii. Purchases, sales, and settlements (net).
 - iii. Transfers in and/or out of Level 3 (for example, transfers due to changes in the observability of significant inputs).
 - c. Information about the valuation technique(s) and inputs used to measure fair value and a discussion of changes in valuation techniques and inputs, if any, during the period.
2. **Staff Recommendation:** The staff recommended that the final FSP be modified to not include a requirement to disclose a reconciliation of the beginning and ending balances of Level 3 plan assets.
 3. **Board Vote:** The Board voted to require the reconciliation.
 4. **Board Comments:** In response to the statement that preparers believe the Level 3 reconciliation would be too difficult and costly to provide, Mr. Smith disagreed because plan assets are already required to be measured at fair value under Statement 157. Therefore, Mr. Smith stated it should not be too costly to provide disclosures about how the fair value of plan assets was determined. Mr. Smith noted that if an employer is able to disclose the beginning and ending balances of the various levels in the fair value hierarchy, an employer should already have the information necessary to disclose the Level 3 reconciliation. Additionally, Mr. Smith emphasized that the fair value disclosures, including the Level 3 reconciliation, are currently required for a postretirement benefit plan's financial statements. Therefore, employers should already have the systems in place at the plan level to provide the Level 3 reconciliation.

5. Mr. Proestakes stated that the staff concluded that the costs of providing the Level 3 reconciliation outweigh the benefits because the Board decided to require disclosure of the Level 3 reconciliation in Statement 157 to provide more information about the effect of fair value measurements on earnings for the period. Due to the smoothing provisions in Statements 87 and 106, changes in the fair value of plan assets do not have a direct effect on earnings for the period. Additionally, Mr. Hood noted that some respondents, including users and preparers, questioned the usefulness of the Level 3 reconciliation for measurements of plan assets for the same reason.
6. Mr. Smith and Mr. Linsmeier stated that the Level 3 reconciliation for plan assets would provide useful information about the balance sheet. Mr. Linsmeier noted that the Level 3 reconciliation would provide useful information about what caused the change in Level 3 plan assets (that is, purchases of Level 3 assets or transfers of Level 1 or Level 2 assets into the Level 3 category). Mr. Siegel agreed and added that an investor may use the Level 3 reconciliation for evaluating the liquidity of plan assets and the ability of those plan assets to pay for the benefit obligation in the future.
7. Ms. Seidman noted that the FSP requires other enhanced disclosures about plan assets that will provide information about the quality of assets, including a narrative discussion of an employer's investment strategies, detailed categories of plan assets, and the nature of those plan assets. Therefore, Ms. Seidman concluded that the benefits of providing the Level 3 reconciliation do not outweigh the costs.
8. Mr. Herz marginally favored the staff's recommendation to not require the reconciliation because of the significant increase in the level of disclosures, however, Mr. Herz stated that he would not object to including the reconciliation in the FSP.

Effective Date

9. Mr. Vaheb stated that the proposed FSP included an effective date for fiscal years ending after December 15, 2008. At a previous Board meeting (September 24, 2008), the Board concluded that the effective date in the proposed FSP for fiscal years ending after December 15, 2008, would be too soon to properly implement the proposed disclosures because the final FSP has not been issued.
10. **Staff Recommendations:** The staff recommended that the effective date be for fiscal years ending after December 15, 2009.

11. **Board Vote:** The Board unanimously agreed to an effective date for fiscal years ending after December 15, 2009.

12. **Board Comments:** None.

Transition

13. Mr. Vaheb stated that the proposed FSP required application of the disclosures on a prospective basis and earlier application would not be permitted

14. **Staff Recommendations:** The staff recommended that early application be permitted, noting that the final FSP should not preclude enhanced information for prior periods related to disclosures.

15. **Board Vote:** The Board unanimously agreed to allow early application of the final FSP. At initial adoption, application of the FSP would not be required for earlier periods that are presented for comparative purposes.

16. **Board Comments:** None.

Private Companies & Non Public Non-profit Organizations

17. Mr. Vaheb stated that the proposed FSP does not provide a separate set of disclosures for private companies and nonpublic non-profit organizations.

18. **Staff Recommendations:** The staff recommended to not alter the provisions in the final FSP for private companies and nonpublic non-profit organizations. The staff noted that delaying the effective date to fiscal years ending after December 15, 2009, would provide time for private companies and nonpublic non-profit organizations to implement the final FSP.

19. **Board Vote:** The Board unanimously agreed with the staff recommendation.

20. **Board Comments:** Mr. Herz stated that he and Ms. Seidman would probably support not requiring the Level 3 reconciliation for private companies and nonpublic non-profit organizations, but ultimately affirmed the staff recommendation.

Follow-up Items:

None.

General Announcements:

None.