

Technical Director File Reference No. EITF100C Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116

Submitted via email: director@fasb.org

We appreciate the opportunity to respond to the Exposure Draft of a Proposed Accounting Standard Update, "Reporting Loans to Participants by Defined Contribution Plans."

In simplest terms, the proposed ASU will result in the FASB realizing that plans traditionally have not actually complied with the exiting requirement to report all investments at fair value (FV). Historically, the cost to determine the FV of participant loans has been expensive and is not a measurement that improves financial reporting for the DC Plans. There is no "market" for participant loans (they cannot be sold or traded) and to apply procedures to measure these loans at what could be considered FV using level three inputs has never been cost effective. The ability of small or large plans to gather the relevant information from participants relating to their credit risk would be nearly impossible. Therefore, historically plans have made the assumption that amortized cost approximated FV and the auditors have been hard pressed to challenge that assumption since the necessary information to audit FV have not been available. Right, wrong or indifferent, this GAAP departure (if material) has not been disclosed in audits. Perhaps based on the assumption that to settle the balance outstanding at the "balance sheet" date would be accounted for as a distribution at the outstanding loan balance. That all being said, we support the FASB's proposed ASU for no longer reporting loans to participants as an investment.

Following is our response to the individual questions:

Question 1: Do you agree that participant loans should be classified by defined contribution pension plans as notes receivable from participants separately from plan investments? If not, why not? What alternative classification would you prefer and why?

As stated in the preceding paragraph, we concur with the decision to classify participant loans as notes receivable.

Question 2: Do you agree that participant loans should be measured at their unpaid principal balance plus any accrued but unpaid interest? If not, why not? What alternative measurement would you prefer and why?

We agree that the relevant measurement for participant loans is their unpaid principal balance plus accrued but unpaid interest. However, I assume that the auditor and/or plan will be considering the materiality of the unpaid interest accrual. We believe that in practice we will not see this accrual recorded on the financial statements in the less sophisticated plans.



Question 3: The Task Force concluded that no additional disclosures specific to participant loans would be required as part of the amendments in this proposed Update. Do you agree? If not, what additional disclosures do you believe would be necessary?

We believe that an additional disclosure clarifying for the reader of the financial statements that the participant loans are a loan from a vested participant's balance to that participant and not a general loan from the plan. This disclosure could be added to the required disclosure on how participant loans are made (e.g. minimum of \$1,000, no more than 50% of vested balance, etc.)

Question 4: Do you agree that the amendments in this proposed Update should be applied retrospectively, with early adoption allowed? If not, why not?

We support a retroactive application and early adoption. In fact, the adoption of the proposed Update should in practice have little to no impact to a majority of the plans since historically plans have been carrying these loans at their unpaid principal balance.

Question 5: How much time do you believe would be necessary for you to efficiently implement the amendments in this proposed Update?

As stated previously the changes in the proposed Update will in fact have little to no impact on how plans currently report participant loans; therefore, the time to implement this proposed Update should be minimal.

Respectfully submitted,

Richard Wortmann, CPA, Member

RW Group, LLC