

EITF100C Comment Letter No. 14 Plante & Moran, PLLC

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September 7, 2010

Technical Director
File Reference No. EITF 100C
Financial Accounting Standards Board
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Via e-mail to director@fasb.org

Plante & Moran, PLLC appreciates the opportunity to provide comments on the FASB's proposed Accounting Standards Update, Reporting Loans to Participants by Defined Contribution Pension Plans, a consensus of the FASB Emerging Issues Task Force. We appreciate the attention provided by the FASB and the Task Force to an issue that we believe will improve the relevance of the information included in the financial statements of defined contribution plans that permit participant loans and lessen the burden on financial statement preparers and auditors when participant loans are present.

The following are our responses to the questions proposed in the Exposure Draft:

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?

Yes, we agree that participant loans should be classified as notes receivable from participants, separately from plan investments. Because participant loans represent a participant's borrowing against their own individual account, the underlying nature of the asset is that of a receivable and should not be reported as an investment of the plan.

The Task Force may also want to consider providing clarifying guidance on the interaction of the proposed Update and the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under ERISA. Participant loans are considered investments by the Department of Labor and the Form 5500. As such, a plan's investment custodian's certification of investments and investment activity, provided under 29 CFR 2520.103-8 for a limited scope audit, could still cover participant loans. The disclosure regarding unaudited investment information provided in a plan's financial statements when the auditor has been engaged to perform a limited scope audit would need to clearly indicate when notes receivable balances and related activity are excluded from the scope of the audit. Consideration should also be given to clarifying that the guidance in the proposed Update does not change the DOL's requirement to include participant loans on the Schedule of Assets Held at End of Year, which is required to be presented as supplementary information.



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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?

Yes, we agree that the relevant measurement basis for participant loans is unpaid balance plus accrued but unpaid interest. The nature of the participant loan, and the fact that is secured by the participant's vested account balance, also negates the need to consider impairment of the receivable absent a default by the participant.

Furthermore, the measurement of participant loans at the unpaid balance plus accrued but unpaid interest will bring the GAAP measurement into alignment with the Department of Labor requirements for participant loans.

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?

Yes, we agree that no additional disclosures specific to participant loans are required. The presentation of a significant accounting policy addressing the measurement basis of participant loans will provide all of the information required by financial statement users.

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

Yes, we agree that the amendments in the proposed Update should be applied retrospectively once adopted. The costs associated with retrospective application would be insignificant since many plans currently measure participant loans at unpaid principal balance plus accrued but unpaid interest, even after the implementation of Topic 820, *Fair Value Measurements*.

We also agree that early adoption of the proposed Update should be permitted. However, we believe that the proposed Update should be effective for financial reporting periods beginning after December 15, 2009. Alternately, the proposed Update could be effective for financial statements issued (or available to be issued) after October 15, 2010. Many defined contribution plans will be issuing financial statements in the coming weeks in advance of the Department of Labor's October 15, 2010 deadline for calendar year financial reports. A provision that allows these plans to defer implementation of the proposed Update will provide flexibility should the plan's management not be able to quickly implement the proposed changes. Because, as described above, many plans currently report participant loans at the unpaid principal balance plus accrued but unpaid interest, it is unlikely that there would be a lack of comparability should certain plans choose to defer implementation of the proposed Update.

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



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The amount of time required by our firm and our clients to efficiently implement the proposed Update is expected to be insignificant relative to the benefit gained, on an ongoing basis, of the proposed changes.

Plante & Moran, PLLC appreciates the consideration you have provided to our responses. If you have any questions, please contact Theresa Banka at 248.223.3572 or David Grubb at 248.223.3745.

Very truly yours,

Plante + Moran, PLLC

Plante & Moran, PLLC

