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Proposed Accounting Standards Update: Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965)

Plante & Moran, PLLC appreciates the opportunity to comment on the proposed Accounting Standards Update. We support the Financial Accounting Standards Board’s (“Board’s”) continuing efforts to improve the usefulness of the information reported to users of employee benefit plan financial statements. Our firm audits over 1,200 employee benefit plan financial statements that report over $175 billion of investments. We have a vested interest in ensuring benefit plan financial statements provide the information needed by users in an understandable format, while making sure the costs of providing that information are justified by the benefits. Following, please find our responses to the specific Questions for Respondents in the Proposed Update.

**Question 1:** Should a plan’s interest in a master trust and the change in its interest in the master trust be presented in single line items in the plan’s statement of net assets available for benefits and in the statement of changes in net assets available for benefits, respectively? Why or why not?

**Response 1:** Yes, a plan’s interest in a master trust should be presented as a single line item. The plan transacts at the master trust level and single line presentation better reflects the level of control the plan has over its investments. In addition, single line presentation provides a clear distinction between the investment in the master trust and any other investments held directly by the plan.

**Question 2:** Should a plan with a divided interest in a master trust be required to disclose the dollar amount of its interest in each general type of investment held by the master trust as well as the total investments held by the master trust, presented by general type? Why or why not?

**Response 2:** For all applicable plans, disclosures should include the fact that the plan has a divided interest in the master trust. For plan’s that hold participant-directed investments (common in defined contribution plans), we do not believe that disclosure of the dollar amount of a plan’s interest in each general type of investment held by the master trust is meaningful to the users of the financial statements. For plan’s that hold participant-directed investments, investment risk and concentrations are largely dictated by the decisions of the participants as opposed to the decisions of the plan...
sponsor. As such, the participant’s individual account statement provides the necessary information, rather than the master trust disclosures included in the plan’s financial statements.

For plan’s that hold non-participant-directed investments (common in defined benefit and health and welfare plans), we support the disclosure of the dollar amount of a plan’s interest in each general type of investment held by the master trust, as well the total ownership of the master trust (and not just ownership of the investments). We believe this information is relevant since a plan’s investment risk and concentrations are based on the plan sponsor’s decisions, which also impact the funding of the plan.

**Question 3:** Should a plan be required to disclose a master trust’s other assets and liabilities (for example, amounts due from brokers for securities sold, amounts due to brokers for securities purchased, accrued interest and dividends, and other accrued expenses) and the dollar amount of the plan’s interest in each of those assets and liabilities? Why or why not?

**Response 3:** Yes, a plan should be required to disclose a master trust’s other assets and liabilities. This information will allow the reader to have a better understanding of the total net assets of the master trust, and improve the ability to reconcile a plan’s interest in the master trust. While the other assets and liabilities are generally related to investments, we nonetheless believe that disclosure of a master trust’s other investment related assets and liabilities should be required.

With respect to disclosure of the plan’s interest in each of the other assets and liabilities, we do not believe this information would be meaningful to a user in all circumstances. For situations where a plan has an undivided interest in the master trust, the other asset and liability accounts are typically master trust level accounts and, while allocated to the individual plans, cannot be attributed to a specific plan.

If it this disclosure were required, we believe it should only be required when a plan has a divided interest in the master trust and only when investments are non-participant directed.

**Question 4:** Should a health and welfare benefit plan not be required to include the 401(h) account investment disclosures? If so, should the health and welfare benefit plan be required to disclose the name of the defined benefit pension plan in which those 401(h) account investments are legally held? Why or why not?

**Response 4:** Yes, a health and welfare benefit plan should be exempt from making investment disclosures for 401(h) accounts. We believe this will make the statements more streamlined and reduce redundant disclosures. We also support disclosure of the name of the related defined benefit plan in which those 401(h) account investments are held, as there is minimal anticipated effort involved to do so, and the disclosure would assist the user in finding the related disclosures.

Whether the defined benefit plan with the 401(h) assets invests in a master trust or not, we would still support this change. We would advocate the edit be outside the master trust section of ASC 965. Accordingly, to be consistent with the proposed changes to ASC 965-205-50-5, we recommend the last sentence of ASC 965-205-50-2 be removed or modified to define components to be investments, receivables, payables, etc., so it is clear the underlying investments do not need to be disclosed.
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**Question 5:** The Task Force decided not to require plans to provide other disclosures (for example, those required by Topics 815 and 820) for the underlying investments held by a master trust. Do you agree that such disclosures should not be required for the underlying investments held by the master trust? Why or why not?

**Response 5:** While there is value in providing information required by the disclosures in Topic 820 related to the underlying master trust investments, we believe disclosure of the underlying investments by general type with the related valuation methodologies provides similarly useful information such that the costs of applying the Topic 820 disclosures would outweigh the benefits. Related to Topic 815 disclosures, we find that many times these disclosures are made based on qualitative considerations as opposed to quantitative considerations such as materiality, and believe the cost of compiling the disclosures outweighs their benefits. We therefore agree that the Topic 815 disclosures should also not be required for the underlying master trust investments.

**Question 6:** Should plans be required to provide the Topic 820 disclosures for a plan’s interest in the master trust (that is, consistent with the single line item that is presented in the statement of net assets available for benefits)? For example, should a plan be required to disclose the fair value hierarchy level of its interest in the master trust and if its interest in the master trust is classified as Level 3, then also the relevant Level 3 disclosures? Why or why not?

**Response 6:** No. Given the single line presentation of the master trust in the plan’s financial statements, we do not believe the Topic 820 disclosures would be meaningful. Application of these disclosures could result in diversity in practice regarding the proper classification within the fair value hierarchy, and the disclosure would not provide meaningful information to the users of the financial statements.

**Question 7:** Are there other disclosures that should be required in the plan’s financial statements related to the plan’s interest in the master trust or related to the master trust’s activity?

**Response 7:** As mentioned previously, disclosure of whether the plan’s interest in a master trust is divided or undivided should be required. The master trust’s year end, if different from the plan’s year end, should also be considered for disclosure.

**Question 8:** Are there other current master trust disclosure requirements that should be amended or no longer be required? Why or why not?

**Response 8:** If a conclusion is reached that the Topic 820 disclosures for the master should be included in the financial statements of a plan, either at the underlying investment level or in its entirety (refer to Question 6 above), we believe the Level 3 disclosures (e.g. tabular roll forward, quantitative unobservable inputs table, valuation processes and changes to those processes, etc.) should be excluded as they do not provide sufficient benefit to the user when compared to the cost of their preparation.

Additionally, if it is determined that the Topic 815 disclosures should be made, we believe that disclosure of positions should be limited to (1) the gross fair value of assets and liabilities; (2) information that would enable users of its financial statements to understand the volume of its activity in those instruments (e.g., the gross absolute notional values); and (3) collateral posted/pledged and
received. The cost of preparing the offsetting and other derivative-related disclosures outweighs the benefits to a user.

**Question 9:** What costs do you anticipate would be incurred if the proposed amendments were implemented?

**Response 9:** There will likely be costs associated with report set up, system updates or accumulation of information related to the plan level disclosure of master trust investments by general type when there is a divided interest. The amount of time and costs will vary based on the complexity of the master trust investments and how many pools of investments have different divided interests.

**Question 10:** Should the proposed amendments be applied retrospectively? Why or why not?

**Response 10:** Retrospective application should be required to help maintain consistency and allow for the greatest usefulness to users since the statement of net assets available for benefits is required to be comparative, and in certain circumstances the statement of changes in net assets available for benefits is also required to be comparative.

**Question 11:** How much time would be needed to implement the proposed amendments? Should early adoption be permitted?

**Response 11:** While early implementation should be encouraged, we can see in more complicated scenarios, most notably a divided interest in a master trust, that plans may need a two-year window to implement. For example if this standard were finalized and issued by December 1, 2016, we would suggest the effective date being for periods beginning after December 15, 2017 (calendar year 2018). That would allow for system changes to be implemented, and for data to be obtained for calendar year end 2017 for comparability purposes with calendar year end 2018.

Thank you again for the opportunity to comment on this exposure draft. We would be pleased to respond to any questions the Board or its staff may have about these comments. Please direct any questions to David Grubb at david.grubb@plantemoran.com or 248.223.3745 or Theresa Banka at theresa.banka@plantemoran.com or 248.223.3572.

Very truly yours,

PLANTE & MORAN, PLLC