September 26, 2016

Technical Director
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

File Reference No. EITF-16B

The Employee Benefits Committee and Accounting Principles Committee of the Illinois CPA Society ("Committees") appreciate the opportunity to provide their perspective on the 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): Employee Benefit Plan Master Trust Reporting. Our comments represent the collective views of the Committees and not the individual views of the members or the organizations with which they are affiliated. The organization and operating procedures of the Committees are outlined in Appendix A to this letter.

Questions for Respondents

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?

We agree that balances and activity should be shown net, as a single line item as this is truly represents the Plan’s ownership, with either an undivided or divided ownership structure. The Plan does not own the underlying assets of the Master Trust, and therefore has no requirement for reporting on Schedule H, Line 4(i) Schedule of Assets Held as of Plan year end. Additionally, with the Master Trust (MT) which files its own Form 5500 reporting assets held a change from the current reporting requirement may mislead users of the financial statements as to true ownership rights of these assets.

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?

As it relates to plans with divided interest only, this change would be welcomed as it provides much more transparency as to specific investment ownership and the allocation of earnings for the Plan that holds a divided interest. Undivided interest ownership structures can create
difficulty in evaluating the accurate allocation of earnings without the transparency of the underlying ownership in investments. Additionally, the disclosure will provide more transparency into overall risk of concentration of the divided ownership in the general type of investments.

**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?

We agree that a plan should be required to disclose a MT’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). This will provide for more transparency and less speculation as to the reconciling items related to the Plan's holdings.

**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?

We agree that a health and welfare benefit plan should not be required to include the 401(h) account investment disclosures as this information serves no purpose for Health and Welfare plan reporting. However, we agree that there should be disclosure of the name of the defined benefit pension related to the 401(h) account investments. We believe this information could serve as a reference point to users of the financial statements in obtaining sufficient information about the 401(h) account.

**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?

We believe that although the other disclosures under Topics 815 and 820 are useful to the financial statements, such disclosures would be better presented in reporting related to MT, and not at the Plan level. Currently an audited financial statement is not required for a MT, and as such this reporting is not available. If users of the financial statements, including regulators, require such disclosures, we would recommend that it be introduced as a requirement for disclosure at the MT filing. For example, the fair value tables include all of the investments of the MT in its entirety, which are not owned by the Plan with a participating interest.

**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?

We agree that the ownership interest in the Master Trust should be appropriately disclosed in the fair value hierarchy table. The investment in the master trust does denote rightful ownership of the asset by the Plan. The ownership interest in the MT would be leveled within the fair value hierarchy rather than the underlying assets of the MT. However, the presumption in doing so is that the underlying assets of the MT are categorized within the fair value hierarchy on the MT financial statements. MTs, however, are not currently required to categorize their underlying investments in the fair value hierarchy. Therefore, we would recommend that MTs be required to categorize the underlying investments in the fair value hierarchy in order to assist in the leveling by the plans holding an investment in the master trust.

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?

None noted.

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

We anticipate that the change in presentation would require additional time for the financial preparation and reporting process. There will likely be additional audit procedures to ensure allocation of ownership is accurate for a full scope audit where certification of the completeness and accuracy of Plan level statements are not available.

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

We agree with the retrospective application, so as to provide comparability, as well as to avoid divergence in practice during the year of implementation. This would also help produce concise and comparable statements for readers of the financial statements.

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

We recommend at least one plan year time for adoption of the new amendment. Early adoption should be permitted as plan sponsors will likely apply the standard immediately, assuming immediate availability of data from their service providers.

We appreciate the opportunity to offer our comments.

Sincerely,
Kathleen Musial, CPA
Chair, Employee Benefits Committee

Ryan Brady, CPA
Chair, Accounting Principles Committee
APPENDIX A
EMPLOYEE BENEFITS COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2016-2017

The Employee Benefits Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from industry, government and public practice. The Committee usually operates by assigning Subcommittees of its members to study and discuss fully exposure documents proposing additions to or revisions of accounting, audit and attestation standards. The Subcommittee develops a proposed response that is considered, discussed and voted on by the full Committee, which is then submitted to the appropriate senior level committee of the Illinois CPA Society for its review and approval. Support by the two Committees results in the issuance of a formal response, which at times includes a minority viewpoint. Current members of the Employee Benefits Committee and their business affiliations are as follows:

Public Accounting Firms:

Large: (national & regional)
Rose Ann Abraham, CPA
Janice Forgue, CPA
David Kot, CPA
William Zorc, CPA

Medium: (more than 40 professionals)
Brent DeMay, CPA
Joseph Klapka, CPA
Kenneth Kobiernicki, CPA
Eric Wallin, CPA

Small: (less than 40 professionals)
Kenny Adegoke, CPA
JoAnn Cassell, CPA
Nicholas Cheronis, CPA
Jodi Dicenzo, CPA
Kathleen Musial, CPA (Chair)
Matthew Mauer, CPA
Daniel Schober, CPA
Douglas Taylor, CPA
Aimee Urnikis, CPA

Baker Tilly Virchow Krause LLP
Marcum LLP
BDK, LLP
Marcum LLP
Sikich LLP
Legacy Professionals LLP
Ostrow Reisin Berk & Abrams Ltd
Legacy Professionals LLP
Washington Pittman & McKeever, LLC
Cassell, Inc.
Nicholas Cheronis, CPA
JLD Consulting LLC
Bik & Co, LLP
HDB, LLC
Daniel Schober, CPA
Mann, Weitz & Associates, LLC
Sassetti, LLC

Government:
Kathryn McAlpine, CPA
Internal Revenue Service

Industry:
G. David Nolan, CPA
Andrew Strimaitis, JD
Mark Wachholz, CPA
Mark Yahoudy, CPA
Donald Weinoff, CPA
National Life Insurance Company
Barack Ferrazzano Kirschbaum & Nagelberg LLP
Property Casualty Insurers Association of America
Verisight Group
Quorum Consulting Group

Staff Representative:
Paul Pierson, CPA
Illinois CPA Society
APPENDIX A
ACCOUNTING PRINCIPLES COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2016-2017

The Accounting Principles Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from industry, education and public accounting. These members have Committee service ranging from newly appointed to more than 20 years. The Committee is an appointed senior technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of accounting standards. The Committee’s comments reflect solely the views of the Committee and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to fully study and discuss exposure documents proposing additions to or revisions of accounting standards. The Subcommittee ordinarily develops a proposed response that is considered, discussed and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times includes a minority viewpoint. Current members of the Committee and their business affiliations are as follows:

Public Accounting Firms:
Large: (national & regional)
  Jared Bourgeois, CPA  
  Ryan Brady, CPA (Chair)  
  Rakesh Desai, CPA  
  William Keirse, CPA  
  Scott Lehman, CPA  
  Reid Mitchell, CPA  
  Elizabeth Prosnitz, CPA  
Medium: (more than 40 professionals)
  Timothy Bellazzini, CPA  
  Michael Kidd, CPA  
  Matthew Mitzen, CPA  
  Jeffery Watson, CPA  
Small: (less than 40 professionals)
  Peggy Brady, CPA  
  Marvin Hoffman, CPA  
  Brian Kot, CPA (Vice Chair)  
  Joshua Lance, CPA  

Educators:
  John Hepp, CPA

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Industry:
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  Ashlee Earl, CPA
  Jeffrey Ellis, CPA
  Christopher Hamm, CPA
  Marianne Lorenz, CPA
  Michael Maffei, CPA
  Joshua Shenton, CPA
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AGL Resources Inc.
GATX Corporation
Northern Trust Corp.
Reynolds Group Holdings

Staff Representative:
  Gayle Floresca, CPA

Illinois CPA Society