April 25, 2016

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

File Reference No. 2016-200

The Employee Benefits Committee and Accounting Principles Committee of the Illinois CPA Society ("Committees") appreciate the opportunity to provide their perspective on the Invitation to Comment on the Proposed Accounting Standards Update: Compensation – Retirement Benefits (Topic 715) Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Pension Benefit Cost. 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.

Although it changes one of the fundamental aspects of the pension accounting model, we agree the separation of the service cost component of net benefit cost from the other components of net benefit cost will provide beneficial information to the financial statement users. Separate reporting of the service cost will provide a clearer picture of cost incurred in the current period without being affected by the other components which often are dependent on other economic forces such as interest rates and market performance. Therefore, separate reporting of the service cost component within current employee compensation costs in the income statement, particularly for entities that report a subtotal for operating income, would provide additional information to better allow financial statement users to assess an entity’s continuing operating costs.

We also agree the service cost component should be the only component eligible for capitalization as it best reflects the costs related to current operating activities and costs capitalized are not, therefore, affected by the components that are often dependent on other economic forces.

Separate disclosure of each of the other components of net benefit cost such as interest cost, return on plan assets, amortization of prior service costs and effects of gains or losses would assist in a more detail presentation of the net benefit cost, however, we believe presenting these components combined in one line item outside the subtotal of income from operations is a better model as the assets of the plan are not available to the sponsor, only the plan itself, and the other components would not provide any useful information to financial statement users in their assessment of the entity’s core operating performance.
We noted the use of the term “predictive value” throughout the Proposed Accounting Standards Update. We recommend that the Board further explain how it considers predictive value for purposes of income statement presentation.

We believe the implementation of the changes proposed by this Accounting Standards Update would not cause entities to incur significant incremental costs and agree with retrospective implementation of the presentation of the service cost component and other components of net benefit cost in the income statement and prospective implementation of the capitalization of the service cost component of net benefit costs in assets on and after the effective date.

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
  Matthew Mauer, CPA
  Daniel Schober, CPA
  Douglas Taylor, CPA
  Aimee Urnikis, CPA

Baker Tilly Virchow Krause LLP
Marcum LLP
BKD, 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 Strimitis, 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
- Matthew Mitzen, CPA
- Elizabeth Prossnitz, CPA
- PricewaterhouseCoopers LLP
- Grant Thornton LLP
- KPMG LLP
- Ernst & Young LLP
- Crowe Horwath LLP
- Wipfli LLP
- Marcum LLP
- BDO USA LLP

Medium: (more than 40 professionals)
- Timothy Bellazzini, CPA
- Michael Kidd, CPA
- Jeffery Watson, CPA
- Sikich LLP
- Mowery & Schoenfeld LLC
- Miller Cooper & Company Ltd

Small: (less than 40 professionals)
- Peggy Brady, CPA
- Marvin Hoffman, CPA
- Brian Kot, CPA (Vice Chair)
- Selden Fox, Ltd.
- Bronswick, Reicin, Pollack, Ltd.
- Cray Kaiser Ltd CPAs
- Joshua Lance, CPA
- Joshua Lance CPA, LLC

Educators:
- John Hepp, CPA
- University of Illinois at Urbana-Champaign

Industry:
- Rose Cammarata, CPA
- Ashlee Earl, CPA
- Jeffrey Ellis, CPA
- Christopher Hamm, CPA
- Marianne Lorenz, CPA
- Michael Maffei, CPA
- Joshua Shenton, CPA
- Richard Tarapchak, CPA
- Mattersight Corp.
- Seaway Bank and Trust Company
- FTI Consulting, Inc.
- Artex Risk Solutions, Inc.
- AGL Resources Inc.
- GATX Corporation
- Northern Trust Corp.
- National Material

Staff Representative:
- Gayle Floresca, CPA
- Illinois CPA Society