

MINUTES



MEMORANDUM

To: Board Members
From: Bennett, x353
Subject: Minutes of the November 2, 2016, Pension Presentation Board Meeting
Date: November 4, 2016
cc: Tosches

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue an Accounting Standards Update or a Statement of Financial Accounting Concepts.

Topic: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost

Basis for Discussion: FASB Memo Nos. 5, 6, and 7

Length of Discussion: 11:15 a.m. to 12:30 p.m.

Attendance:

Board members present: Golden, Kroeker, Buck, Botosan, Schroeder, Siegel, Smith

Board members absent: None

Staff in charge of topic: Cheng

Other staff at Board table: Proestakes, Bennett

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of a final Accounting Standards Update addressing the presentation of net periodic pension cost and net periodic postretirement benefit cost. The Board's technical plan calls for that document to be issued in the first quarter of 2017.

Tentative Board Decisions:

The Board affirmed the following decisions from the proposed Accounting Standards Update, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*.

- To require all employers, including not-for-profit organizations, that offer defined benefit pension plans, other postretirement benefit plans, or other types of benefits accounted for under Topic 715 to: **(Vote: 6 to 1)**
 - a. Separate their net periodic pension cost and net periodic postretirement benefit cost into the service cost component and other components. **(Vote: unanimous)**
 - b. Present the service cost component in the same line item (or items) as other compensation costs arising from services rendered by the pertinent employees during the period. Service cost would be the only component eligible for capitalization, if appropriate, as part of an asset such as inventory or property, plant, and equipment. **(Vote: unanimous)**
 - c. Report in the income statement the other components as defined in paragraphs 715-30-35-4 and 715-60-35-9 separately from the service cost component and outside a subtotal of income from operations, if one is presented. If other components are presented in a separate line item (or items) in the income statement, that line item (or items) should be described appropriately. **(Vote: 6 to 1)**

The Board decided to require an entity to disclose the line item (or items) in the income statement where the entity presents the other components (of net periodic pension cost and net periodic postretirement benefit cost). **(Vote: unanimous)**

Transition and Adoption

The Board affirmed its decisions from the proposed Update to:

1. Apply the amendments retrospectively for the presentation in the income statement of the service cost component and other components of net periodic pension cost and net periodic postretirement benefit cost. **(Vote: unanimous)**
2. Apply the amendments prospectively, on and after the effective date, for the capitalization in assets of the service cost component of net periodic

pension cost and net periodic postretirement benefit cost. **(Vote: unanimous)**

3. Disclose the nature of and reason for the change in accounting principle in the first interim and annual reporting periods in which the entity adopts the amendments. **(Vote: unanimous)**

The Board decided:

1. To provide a practical expedient to permit entities that have difficulty in determining the disaggregation of the service cost component and other components for the prior comparative periods to use the amounts disclosed in their pension and other postretirement benefit plan footnote as the basis for applying retrospective presentation requirements. **(Vote: unanimous)**
2. If an entity applies the practical expedient, the entity would be required to disclose the reason for applying that practical expedient and other qualitative information about the capitalization of net benefit cost. **(Vote: unanimous)**
3. The forthcoming amendments will be effective for public business entities for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. **(Vote: unanimous)**
4. The forthcoming amendments will be effective for entities other than public business entities for annual reporting periods beginning after December 15, 2018, and interim periods beginning after December 15, 2019.
5. Early adoption will be permitted for all entities. **(Vote: unanimous)**

Analysis of Benefits, Perceived Costs, and Complexities

The Board concluded that it has received sufficient information and analysis on the proposed amendments to the guidance for pension cost and other postretirement benefit costs to make an informed decision on the issues presented. The Board also concluded that the expected benefits of the proposed amendments justify the costs. **(Vote: 6 to 1)**

Next Steps

The Board directed the staff to draft a final Accounting Standards Update for vote by written ballot. **(Vote: unanimous)**

General Announcements: None.