

[\(484\) 574-8782](tel:4845748782)

Torrillo & Associates

Benefit Plan Audit Specialists

- [Home](#)
- [About](#)
 - [Specialists](#)
 - [Our Team](#)
 - [Careers](#)
- [Services](#)
 - [401\(k\) Audits](#)
 - [403\(b\) Audits](#)
 - [Pension Plan Audits](#)
 - [Audit Process](#)
 - [CPA Firm Assistance](#)
- [Clients](#)
- [Videos](#)
- [Blog](#)
- [FAQs](#)
- [Contact Us](#)

Select Page

FASB Considering Employee Benefit Plan Simplifications



In January 2013 the Financial Accounting Standards Board (FASB) and staff met with members of the AICPA's Employee Benefit Plan (EBP) Expert Panel and members of the AICPA Employee Benefit Plan Audit Quality Center (EBPAQC). Areas in current GAAP that do not consider the specialized characteristics and challenges of accounting and reporting for employee benefit plans were

discussed.

At the meeting, the users of the financial statements were discussed and it highlighted how different benefit plan financial statements are in GAAP. While each type of user (participant, sponsor, and regulator) may use the financial statements to assess the plan's present and future ability to pay benefits, they are all different from the user that is typically considered when setting accounting standards.

Participants provide resources to the plan and receive benefits from the plan, but do not buy or sell investments based on the Plan's financial statements and often the participants do not obtain the financial statements.

Sponsors provide resources to the plan and have an interest in net cash flows, but are internal users and according to Concepts Statement 8, general purpose financial statements are not primarily directed towards internal users.

Regulators (DOL, IRS, PBGC, SEC) do not provide resources or receive resources from EBPs; however they use financial statement disclosures to evaluate whether sponsors are fulfilling their fiduciary responsibilities. According to Concepts Statement 8, general purpose financial statements are not primarily directed towards regulators.

In response to this meeting, the FASB added Issue No. 15-C, *Employee Benefit Plan Simplifications*, to its agenda. The primary objective of Issue No. 15-C is to simplify fair value measurement and disclosure requirements for the financial statements of employee benefit plans. In particular, FASB is considering three areas for updates:

- Classes of Assets – Currently, participant directed investments may be shown in aggregate, as one-line item, on the statement of net assets available for benefits. However, nonparticipant-directed investments are disaggregated based on general type. Additionally Topic

820, *Fair Value Measurement*, requires classes of assets to be disaggregated based on nature, characteristics and risks. The Working Group would like participant and non-participant directed investments to be subject to the same accounting treatment with classes of assets being disaggregated only based on general type and only in the notes to the financial statements. Additionally, self-directed brokerage accounts should be treated as one type of investment.

- **Details About Plan Assets** – Plans are required to identify investments that are equal to or greater than 5 percent of the net assets available for benefits as of the end of the year (the 5% Rule). The Working Group does not believe such information is useful as all assets are included in the supplemental schedule of assets (held at the end of year). Additionally Topic 820, *Fair Value Measurement*, requires an entity to disclose valuation methodologies; categorization of financial assets within the fair value hierarchy; and quantitative information about significant unobservable inputs for Level 3 fair value measurements. The Working Group would like Topic 820 disclosures to be provided by general type.
- **Disclosures of Changes in Plan Assets** – Plans are required to disclose the net appreciation/ depreciation for all plan assets by general type. The Working Group does not believe that net appreciation/depreciation by general type is useful. Additionally Topic 820, *Fair Value Measurement*, requires an entity to disclose a roll forward of investments categorized as Level 3, which disaggregates the activity, including a breakout of realized gains/losses, unrealized gains/losses, sales, purchases and transfers. The Working Group questioned the benefit of the Level 3 rollforward although it is noted that the volume of Level 3 investments may significantly decrease depending upon the finalization of current NAV proposals (Topic 820, *Fair Value*

Measurement, Disclosures for Investment in Certain Entities that Calculate Net Asset Value per Share or its Equivalent).

In addition, Issue No. 15-C will consider if EBP's should measure fully-benefit responsive investments at contract value. Fully benefit-responsive investment contracts are generally conservative, fixed income investment vehicles with the objective of preserving capital while providing a relatively stable rate of return and are very common in defined contribution plans. Under current accounting, they are measured at fair value with a reconciliation of contract value and fair value presented on the face of the financial statements. Additional disclosures are required for these investments, including a description of events that limit the ability to transact at contract value. Plans do not typically transact at fair value and most fully benefit-responsive investment contracts are reported on the Form 5500 at contract value. Insurance companies that issue these investments often assert that fair value equals contract value. However, evaluating the validity of that assertion can sometimes be challenging.

The Working Group believes that contract value is the relevant measurement attribute for fully benefit-responsive investment contracts, because it is the amount participants in the fund would receive if they were to initiate permitted transactions (for example, withdrawals) under the terms of the underlying plan. The Working Group also believes that if measured at contract value, these investments should not be included in the fair value hierarchy table and that current disclosure requirements should be considered for their appropriateness.

The FASB is targeting to issue an exposure draft of an Accounting Standards Update (ASU) in April 2015 with comments due approximately by June 15, 2015. The FASB hopes to issue a final ASU in early third quarter 2015 so that such simplifications will be available for many 2014 employee



benefit plan financial statements.



Phone:

Email:

Address:

	<hr/>
	<hr/>

Who We Are

Torrillo & Associates, LLC specializes in employee benefit plan audits including 401k audits, 403b audits, pension plan audits, and other retirement plan audits. We are licensed in 10 states including Pennsylvania, New Jersey, Delaware, New York and Florida. We are also able to practice in additional states that have passed firm mobility.

Recent Articles

- [DOL Issues Proposed Rule for Fiduciary Duties in Selecting Designated Investment Alternatives](#)

- [DOL Updates National Enforcement Projects for Employee Benefit Plans](#)
- [2025 Required Amendments List Issued by the IRS](#)
- [401\(k\) Limit Increases to \\$24,500 for 2026](#)

Site Navigation

- [Home](#)
- [About](#)
- [Services](#)
- [Careers](#)
- [Clients](#)
- [Videos](#)
- [Blog](#)
- [FAQs](#)
- [Contact Us](#)
- [Privacy Policy](#)
- [Terms of Use](#)

Search The Site

Search for:

- [RSS](#)

© 2010 to 2025 Torrillo & Associates, LLC - 36 Regency Plaza, Glen Mills, PA 19342 | Site Development and [Marketing by Client by Design](#)