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Torrillo & Associates

Benefit Plan Audit Specialists

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FASB Proposes Updates Aimed at Simplifying Accounting for Employee Benefit Plans



[As expected](#), the FASB proposed three

Accounting Standards Updates (ASUs) aimed at simplifying

accounting for employee benefit plans. According to the [AICPA Journal of Accountancy](#), the updates were the result of consensus of FASB's Emerging Issues Task Force. The three proposed ASUs for plan accounting were included in one exposure draft: [Proposed ASU](#), *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): I. Fully Benefit-Responsive Investment Contracts, II. Plan Investment Disclosures, and III. Measurement Date Practical Expedient*.

Those proposals are part of FASB's simplification initiative:

- The first proposal would designate contract value as the only required measure for fully benefit-responsive investment contracts. It would apply to defined contribution pension plans and health and welfare benefit plans that classify investments and fully benefit-responsive investment contracts. A plan would continue to provide disclosures that help users understand the nature and risks of fully benefit-responsive investment contracts.
- The second proposal would require that participant-directed and nonparticipant-directed investments of employee benefit plans be grouped only by general type, eliminating the need to disaggregate the investments in multiple ways. Additionally, the requirement to disclose investments that represent 5 percent or more of net assets available for benefits would be eliminated. For investments measured using the net asset value per share (or its equivalent) expedient in Topic 820, *Fair Value Measurement*, disclosure of that investment's strategy would no longer be required if that investment is in a fund that files a U.S. Department of Labor Form 5500, *Annual Return/Report of Employee Benefit Plan*, as a direct filing entity. This proposal would apply to defined benefit pension plans, defined contribution

pension plans, and health and welfare benefit plans.

- The third proposal also would apply to those three types of plans, providing a practical expedient allowing employers to measure benefit plan assets on a month-end date nearest to the employer's fiscal year end when the fiscal period does not coincide with a month end. Employee benefit plans were excluded from a standard FASB [issued](#) earlier this month allowing this practical expedient for other entities.



Comments are due May 18 on the proposals and can be submitted at FASB's [website](#).



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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.

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