Emerging Issues Task Force Approves Amendments for Benefit Plans' Investments in Master Trusts

As reported by Thomson Reuters, December 1, 2016, with no debate, a unanimous FASB on November 30, 2016, approved a recommendation from its Emerging Issues Task Force (EITF) to amend U.S. GAAP to improve the information employee benefit plans convey about investments in master trusts.

The forthcoming update, expected to be published in 2017, is based on [Proposed Accounting Standards Update (ASU) No. EITF-16B, *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: A Consensus of the FASB Emerging Issues Task Force*], which the FASB released for public comment in July.

The amended guidance covers reporting by an employee benefit plan for its interest in a master trust – a trust managed for more than one benefit plan, with a bank or other financial institution serving as the custodian or trustee.

The FASB wants plans to present their interest in the master trust and the change in interest in the master trust as single line items in the statement of net assets available for benefits and the statement of changes in net assets available for benefits, respectively.

Plans would disclose the dollar amount of the plan's interest in each general type of investment held by the master trust and also disclose the master trust's other asset and liabilities and the dollar amount of the plan's interest in each of those balances.

Health and welfare benefit plans will not be required to provide investment disclosures for 401(h) account assets because those disclosures are required within the defined benefit pension plan financial statements, the FASB agreed.

The FASB's forthcoming update is a response to criticism that existing disclosure and presentation requirements, developed when benefit plans were largely centered around employer promises, are limited and incomplete, particularly regarding plans' interests in master trusts.

The proposal will apply to businesses and organizations subject to Topic 960, *Plan Accounting – Defined Benefit Pension Plans, Topic 962, Plan Accounting – Defined Contribution Pension Plans, or Topic 965, Plan Accounting – Health and Welfare Benefit Plans*.

Plan participants and regulators, such as those from the Department of Labor, the IRS, and the Pension Benefit Guaranty Corp., want to know more information so they can assess an employee benefit plan’s current and future abilities to make payouts, the FASB said in background materials.

The forthcoming amendments will be effective for fiscal years beginning after December 15, 2018, and the FASB said they can be adopted ahead of the effective date. Businesses will have to follow the new requirements using what the FASB calls a retrospective basis, meaning they will have to show prior years’ results using the new accounting requirements so readers of financial statements can accurate year-to-year comparisons.

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