

FINANCIAL ACCOUNTING SERIES



ACCOUNTING STANDARDS UPDATE

No. 2018-14
August 2018

Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20)

Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans

An Amendment of the *FASB Accounting Standards Codification*®

Financial Accounting Standards Board

The *FASB Accounting Standards Codification*® is the source of authoritative generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. An Accounting Standards Update is not authoritative; rather, it is a document that communicates how the Accounting Standards Codification is being amended. It also provides other information to help a user of GAAP understand how and why GAAP is changing and when the changes will be effective.

For additional copies of this Accounting Standards Update and information on applicable prices and discount rates contact:

Order Department
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Please ask for our Product Code No. ASU2018-14.

FINANCIAL ACCOUNTING SERIES (ISSN 0885-9051) is published monthly with the exception of May, November, and December by the Financial Accounting Foundation, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116. Periodicals postage paid at Norwalk, CT and at additional mailing offices. The full subscription rate is \$255 per year. POSTMASTER: Send address changes to Financial Accounting Series, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116. | **No. 473**

Copyright © 2018 by Financial Accounting Foundation. All rights reserved. Content copyrighted by Financial Accounting Foundation may not be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the Financial Accounting Foundation. Financial Accounting Foundation claims no copyright in any portion hereof that constitutes a work of the United States Government.



Accounting Standards Update

No. 2018-14
August 2018

Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20)

Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans

An Amendment of the *FASB Accounting Standards Codification*®

Financial Accounting Standards Board

Accounting Standards Update 2018-14

Compensation—Retirement Benefits—Defined Benefit
Plans—General (Subtopic 715-20)

Disclosure Framework—Changes to the Disclosure
Requirements for Defined Benefit Plans

August 2018

CONTENTS

	Page Numbers
Summary.....	1–3
Amendments to the <i>FASB Accounting Standards Codification</i> ®	5–19
Background Information and Basis for Conclusions	20–32
Amendments to the XBRL Taxonomy	33

Summary

Why Is the FASB Issuing This Accounting Standards Update (Update)?

The Board is issuing the amendments in this Update as part of the disclosure framework project. The disclosure framework project's objective and primary focus are to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of the information required by generally accepted accounting principles (GAAP) that is most important to users of each entity's financial statements. Achieving the objective of improving the effectiveness of the notes to financial statements includes:

1. The development of a framework that promotes the Board's consistent decisions about disclosure requirements
2. The appropriate exercise of discretion by reporting entities.

On March 4, 2014, the Board issued a proposed FASB Concepts Statement, *Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements*, which the Board finalized on August 28, 2018. The Concepts Statement is intended to identify a broad range of possible information for the Board to consider when deciding on the disclosure requirements for a particular topic. From that intentionally broad set, the Board will identify a narrower set of disclosures about that topic to be required on the basis of, among other considerations, an evaluation of whether the benefits of entities providing the information justify the costs. The Board will use the Concepts Statement as a basis for establishing disclosure requirements in future accounting standards as well as for evaluating existing disclosure requirements.

Before the Concepts Statement was finalized, the Board decided to test the concepts in the proposed Concepts Statement and improve the effectiveness of disclosure requirements on defined benefit pension and other postretirement plans by using those concepts. The amendments in this Update are the result of the Board's consideration of the concepts in the Concepts Statement as they relate to disclosures about defined benefit plans.

Who Is Affected by the Amendments in This Update?

The amendments in this Update apply to all employers that sponsor defined benefit pension or other postretirement plans.

What Are the Main Provisions?

The amendments in this Update modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans.

The following disclosure requirements are removed from Subtopic 715-20:

1. The amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year.
2. The amount and timing of plan assets expected to be returned to the employer.
3. The disclosures related to the June 2001 amendments to the Japanese Welfare Pension Insurance Law.
4. Related party disclosures about the amount of future annual benefits covered by insurance and annuity contracts and significant transactions between the employer or related parties and the plan.
5. For nonpublic entities, the reconciliation of the opening balances to the closing balances of plan assets measured on a recurring basis in Level 3 of the fair value hierarchy. However, nonpublic entities will be required to disclose separately the amounts of transfers into and out of Level 3 of the fair value hierarchy and purchases of Level 3 plan assets.
6. For public entities, the effects of a one-percentage-point change in assumed health care cost trend rates on the (a) aggregate of the service and interest cost components of net periodic benefit costs and (b) benefit obligation for postretirement health care benefits.

The following disclosure requirements are added to Subtopic 715-20:

1. The weighted-average interest crediting rates for cash balance plans and other plans with promised interest crediting rates
2. An explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period.

The amendments in this Update also clarify the disclosure requirements in paragraph 715-20-50-3, which state that the following information for defined benefit pension plans should be disclosed:

1. The projected benefit obligation (PBO) and fair value of plan assets for plans with PBOs in excess of plan assets
2. The accumulated benefit obligation (ABO) and fair value of plan assets for plans with ABOs in excess of plan assets.

How Do the Main Provisions Differ from Current Generally Accepted Accounting Principles (GAAP) and Why Are They an Improvement?

The amendments in this Update remove disclosures that no longer are considered cost beneficial, clarify the specific requirements of disclosures, and add disclosure requirements identified as relevant. Although narrow in scope, the amendments are considered an important part of the Board's efforts to improve the effectiveness of disclosures in the notes to financial statements by applying concepts in the Concepts Statement.

When Will the Amendments Be Effective?

The amendments in this Update are effective for fiscal years ending after December 15, 2020, for public business entities and for fiscal years ending after December 15, 2021, for all other entities. Early adoption is permitted for all entities.

An entity should apply the amendments in this Update on a retrospective basis to all periods presented.

Amendments to the *FASB Accounting Standards Codification*[®]

Introduction

1. The Accounting Standards Codification is amended as described in paragraphs 2–10. In some cases, to put the change in context, not only are the amended paragraphs shown but also the preceding and following paragraphs. Terms from the Master Glossary are in **bold** type. Added text is underlined, and deleted text is ~~struck out~~.

Amendments to Subtopic 715-20

2. Amend paragraph 715-20-50-1, with a link to transition paragraph 715-20-65-4, as follows: **[Note: Only the portion of this paragraph that is relevant to the amendments is shown here.]**

Compensation—Retirement Benefits—Defined Benefit Plans—General

Disclosure

> Disclosures by Public Entities

715-20-50-1 An employer that sponsors one or more defined benefit pension plans or one or more defined benefit other postretirement plans shall provide the following information, separately for pension plans and other postretirement benefit plans. Amounts related to the employer's results of operations shall be disclosed for each period for which a statement of income is presented. Amounts related to the employer's statement of financial position shall be disclosed as of the date of each statement of financial position presented. All of the following shall be disclosed:

- k. On a weighted-average basis, all of the following assumptions used in the accounting for the plans, specifying in a tabular format, the assumptions used to determine the benefit obligation and the assumptions used to determine net benefit cost:
 1. Discount ~~Assumed discount~~ rates (see paragraph 715-30-35-45 for a discussion of representationally faithful disclosure)
 2. Rates of compensation increase (for pay-related plans)

3. Expected long-term rates of return on plan assets.
 4. Interest crediting rates (for cash balance plans and other plans with promised interest crediting rates).
- l. The assumed health care cost trend rate(s) for the next year used to measure the expected cost of benefits covered by the plan (gross eligible charges), and a general description of the direction and pattern of change in the assumed trend rates thereafter, together with the ultimate trend rate(s) and when that rate is expected to be achieved.
 - m. Subparagraph superseded by Accounting Standards Update No. 2018-14. The effect of a one percentage point increase and the effect of a one percentage point decrease in the assumed health care cost trend rates on the aggregate of the service and interest cost components of net periodic postretirement health care benefit costs and the accumulated postretirement benefit obligation for health care benefits. Measuring the sensitivity of the accumulated postretirement benefit obligation and the combined service and interest cost components to a change in the assumed health care cost trend rates requires remeasuring the accumulated postretirement benefit obligation as of the beginning and end of the year. (For purposes of this disclosure, all other assumptions shall be held constant, and the effects shall be measured based on the substantive plan that is the basis for the accounting.)
 - n. If applicable, the amounts and types of securities of the employer and **related parties** included in plan assets, ~~the approximate amount of future annual benefits of plan participants covered by insurance contracts, including annuity contracts issued by the employer or related parties, and any significant transactions between the employer or related parties and the plan during the period.~~
 - r. An explanation of the following information: any significant change in the benefit obligation or plan assets not otherwise apparent in the other disclosures required by this Subtopic.
 1. The reasons for significant gains and losses related to changes in the defined benefit obligation for the period
 2. Any other significant change in the benefit obligation or plan assets not otherwise apparent in the other disclosures required by this Subtopic.
 - s. Subparagraph superseded by Accounting Standards Update No. 2018-14. The amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the fiscal year that follows the most recent annual statement of financial position presented, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation.
 - t. Subparagraph superseded by Accounting Standards Update No. 2018-14. The amount and timing of any plan assets expected to be returned to

~~the employer during the 12-month period, or operating cycle if longer, that follows the most recent annual statement of financial position presented.~~

3. Amend paragraph 715-20-50-3, with a link to transition paragraph 715-20-65-4, as follows:

> Entities (Public and Nonpublic) with Two or More Plans

715-20-50-2 The disclosures required by this Subtopic shall be aggregated for all of an employer's defined benefit pension plans and for all of an employer's other defined benefit postretirement plans unless disaggregating in groups is considered to provide useful information or is otherwise required by the following paragraph and paragraph 715-20-50-4.

715-20-50-3 ~~Disclosures about pension plans with assets in excess of the accumulated benefit obligation generally may be aggregated with disclosures about pension plans with accumulated benefit obligations in excess of assets. The same aggregation is permitted for other postretirement benefit plans. If aggregate disclosures are presented, an employer shall disclose, as of the date of each statement of financial position presented,~~ both of the following:

- a. For pension plans, the projected benefit obligation and fair value of plan assets for plans with projected benefit obligations in excess of plan assets, and the accumulated benefit obligation and fair value of plan assets for plans with accumulated benefit obligations in excess of plan assets ~~The aggregate benefit obligation and aggregate fair value of plan assets for plans with benefit obligations in excess of plan assets as of the measurement date of each statement of financial position presented~~
- b. For other postretirement benefit plans, the accumulated postretirement benefit obligation and fair value of plan assets for plans with accumulated postretirement benefit obligations in excess of plan assets ~~The aggregate pension accumulated benefit obligation and aggregate fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets.~~

715-20-50-4 A U.S. reporting entity may combine disclosures about pension plans or other postretirement benefit plans outside the United States with those for U.S. plans unless the benefit obligations of the plans outside the United States are significant relative to the total benefit obligation and those plans use significantly different assumptions. A foreign reporting entity that prepares financial statements in conformity with U.S. generally accepted accounting principles (GAAP) shall apply the preceding guidance to its domestic and foreign plans.

4. Amend paragraph 715-20-50-5, with a link to transition paragraph 715-20-65-4, as follows: **[Note: Only the portion of this paragraph that is relevant to the amendments is shown here.]**

> Disclosures by Nonpublic Entities

715-20-50-5 A **nonpublic entity** is not required to disclose the information required by paragraph 715-20-50-1(a) through (c), 715-20-50-1(h), ~~715-20-50-4(m), and 715-20-50-1(o) through (r)~~ (q), and 715-20-50-1(r)(2). A nonpublic entity that sponsors one or more defined benefit pension plans or one or more other defined benefit postretirement plans shall provide all of the following information, separately for pension plans and other postretirement benefit plans. Amounts related to the employer's results of operations shall be disclosed for each period for which a statement of income is presented. Amounts related to the employer's statement of financial position shall be disclosed as of the date of each statement of financial position presented.

- c. The objectives of the disclosures about postretirement benefit plan assets are to provide users of financial statements with an understanding of:
 1. How investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies
 2. The classes of plan assets
 3. The inputs and valuation techniques used to measure the fair value of plan assets
 4. The effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period
 5. Significant concentrations of risk within plan assets.

An employer shall consider those overall objectives in providing the following information about plan assets:

- ii. The fair value of each class of plan assets as of each date for which a statement of financial position is presented. For additional guidance on determining appropriate classes of plan assets, see paragraph 820-10-50-2B. Examples of classes of assets could include, but are not limited to, the following: cash and cash equivalents; equity securities (segregated by industry type, company size, or investment objective); debt securities issued by national, state, and local governments; corporate debt securities; asset-backed securities; structured debt; derivatives on a gross basis (segregated by type of underlying risk in the contract, for example, interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, credit contracts, and other contracts); investment funds (segregated by type of fund); and real estate. Those examples are not meant to be all inclusive. An employer should consider the overall

objectives in paragraph 715-20-50-5(c)(1) through (5) in determining whether additional classes of plan assets or further disaggregation of classes should be disclosed. If an employer determines the measurement date of plan assets in accordance with paragraph 715-30-35-63A or 715-60-35-123A and the employer contributes assets to the plan between the measurement date and its fiscal year-end, the employer shall not adjust the fair value of each class of plan assets for the effects of the contribution. Instead, the employer shall disclose the amount of the contribution to permit reconciliation of the total fair value of all the classes of plan assets to the ending balance of the fair value of plan assets. For example, the contribution could be disclosed as follows:

Fair Value Measurements at February 3, 20X5 (in thousands)				
Asset Class	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 14,770	\$ 14,770	\$ -	\$ -
Equity securities:				
U.S. companies	41,200	37,000	1,200	3,000
International companies	32,900	24,000	7,600	1,300
Mortgage-backed securities	13,335	-	12,780	555
Assets at fair value at measurement date of 1/31/20X5	102,205	\$ 75,770	\$ 21,580	\$ 4,855
Contributions after measurement date	25,000			
Total assets reported at 2/3/20X5	\$ 127,205			

- iv. Information that enables users of financial statements to assess the inputs and valuation techniques used to develop fair value measurements of plan assets at the reporting date. For fair value measurements using significant unobservable inputs, an employer shall disclose the effect of the measurements on changes in plan assets for the period. To meet those objectives, the employer shall disclose the following information for each class of plan assets disclosed pursuant to (ii) above for each annual period:

02. For fair value measurements of plan assets using significant unobservable inputs (Level 3), the amounts of purchases and any transfers into or out of Level 3 (for example, transfers due to changes in the observability of significant inputs), disclosed separately, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:

- A. Subparagraph superseded by Accounting Standards Update No. 2018-14. Actual Return on Plan Assets (Component of Net Periodic Postretirement Benefit

- Cost) or Actual Return on Plan Assets (Component of Net Periodic Pension Cost), separately identifying the amount related to assets still held at the reporting date and the amount related to assets sold during the period
- B. Subparagraph superseded by Accounting Standards Update No. 2018-14. Purchases, sales, and settlements, net
 - C. Subparagraph superseded by Accounting Standards Update No. 2018-14. The amounts of any transfers into or out of Level 3 (for example, transfers due to changes in the observability of significant inputs).
- j. On a weighted-average basis, all of the following assumptions used in the accounting for the plans, specifying in a tabular format, the assumptions used to determine the benefit obligation and the assumptions used to determine net benefit cost:
- 1. Discount Assumed discount rates (see paragraph 715-30-35-45 for a discussion of representationally faithful disclosure)
 - 2. Rates of compensation increase (for pay-related plans)
 - 3. Expected long-term rates of return on plan assets.
 - 4. Interest crediting rates (for cash balance plans and other plans with promised interest crediting rates).
- l. If applicable, the amounts and types of securities of the employer and related parties included in plan assets, ~~the approximate amount of future annual benefits of plan participants covered by insurance contracts, including annuity contracts, issued by the employer or related parties, and any significant transactions between the employer or related parties and the plan during the period.~~
- n. Subparagraph superseded by Accounting Standards Update No. 2018-14. The amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the fiscal year that follows the most recent annual statement of financial position presented, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation.
- o. Subparagraph superseded by Accounting Standards Update No. 2018-14. The amount and timing of any plan assets expected to be returned to the employer during the 12-month period, or operating cycle if longer, that follows the most recent annual statement of financial position presented.
- r. An explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period.
5. Supersede paragraphs 715-20-50-9 through 50-10 and their related heading, with a link to transition paragraph 715-20-65-4, as follows:

> Disclosures Related to Japanese Governmental Settlement Transactions

715-20-50-9 Paragraph superseded by Accounting Standards Update No. 2018-14. See paragraphs 715-30-55-69 through 55-79 for guidance on the accounting for Japanese governmental settlement transactions.

715-20-50-10 Paragraph superseded by Accounting Standards Update No. 2018-14. The required disclosures for the separation of the substitutional portion of the benefit obligation from the corporate portion of the benefit obligation in a Japanese Employee Pension Fund arrangement and the transfer of the substitutional portion and related assets to the Japanese government pursuant to the June 2004 Japanese Welfare Pension Insurance Law amendment are as follows:

- a. ~~The difference between the obligation settled and the assets transferred to the government, determined pursuant to the government formula, shall be disclosed separately as a subsidy from the government pursuant to applicable GAAP.~~
- b. ~~The derecognition of previously accrued salary progression at the time of settlement, pursuant to this consensus, shall be disclosed separately from the government subsidy.~~

6. Amend paragraphs 715-20-55-15 through 55-17, with a link to transition paragraph 715-20-65-4, as follows:

Implementation Guidance and Illustrations

> Illustrations

715-20-55-15 The financial statements of a nonpublic entity would be similarly presented but would not be required to include the information contained in paragraph 715-20-50-1(a) through (c), 715-20-50-1(h), ~~715-20-50-1(m), and 715-20-50-1(o) through (r) (q), and 715-20-50-1(r)(2).~~ The items presented in these Examples have been included for illustrative purposes. Certain assumptions have been made to simplify the computations and focus on the disclosure requirements.

> > Example 1: Disclosures about Defined Benefit Pension and Other Postretirement Benefit Plans in the Annual Financial Statements of a Publicly Traded Entity

715-20-55-16 The following illustrates the fiscal 20X3 financial statement disclosures for an employer (Entity A) with multiple defined benefit pension plans and other postretirement benefit plans (dollar amounts in millions). This Example assumes that Entity A does not have cash balance plans or other plans with promised interest crediting rates. Narrative descriptions of the basis used to determine the overall expected long-term rate-of-return-on-assets assumption (see paragraph 715-20-50-1(d)(iii)) and disclosure of the valuation technique(s) and inputs used to measure the fair value of plan assets and a discussion of changes in valuation techniques and inputs (see paragraph 715-20-50-

1(d)(iv)(03)), if any, are not included in this Example. The narrative description of the basis used to determine the overall expected long-term rate-of-return-on-assets assumption is meant to be entity-specific. An explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period (see paragraph 715-20-50-1(r)(1)), if any, is not provided in this Example because the reasons may vary in different reporting periods or in different entities. For purposes of this Example, the disclosures required by paragraphs 715-20-50-1(d)(ii) and 715-20-50-1(d)(iv) are provided for only the fiscal year ending December 31, 20X3. However, those paragraphs indicate that the disclosures are required to be presented as of each date for which a statement of financial position is presented.

715-20-55-17 During 20X3, Entity A acquired FV Industries and amended its plans. Entity A would make the following disclosure.

Notes to Financial Statements

Pension and Other Postretirement Benefit Plans

[Note: Only the portion of this paragraph that is relevant to the amendments is shown here.]

Entity A has both funded and unfunded noncontributory defined benefit pension plans that together cover substantially all of its employees. The plans provide defined benefits based on years of service and final average salary.

Entity A also has both funded and unfunded other postretirement benefit plans covering substantially all of its employees. The health care plans are contributory with participants' contributions adjusted annually; the life insurance plans are noncontributory. The accounting for the health care plans anticipates future cost-sharing changes to the written plans that are consistent with the entity's expressed intent to increase retiree contributions each year by 50 percent of health care cost increases in excess of 6 percent. The postretirement health care plans include a limit on the entity's share of costs for recent and future retirees.

Entity A acquired FV Industries on December 27, 20X3, including its pension plans and other postretirement benefit plans. Amendments made at the end of 20X3 to Entity A's plans increased the pension benefit obligations by \$70 and reduced the other postretirement benefit obligations by \$75.

Obligations and Funded Status

At December 31

	Pension Benefits		Other Benefits	
	20X3	20X2	20X3	20X2
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 1,246	\$ 1,200	\$ 742	\$ 712
Service cost	76	72	36	32
Interest cost	90	88	55	55
Plan participants' contributions			20	13
Amendments	70		(75)	
Actuarial loss	20		25	
Acquisition	900		600	
Benefits paid	(125)	(114)	(90)	(70)
Benefit obligation at end of year	<u>2,277</u>	<u>1,246</u>	<u>1,313</u>	<u>742</u>
Change in plan assets				
Fair value of plan assets at beginning of year	1,068	894	206	87
Actual return on plan assets	29	188	5	24
Acquisition	1,000		25	
Employer contributions	75	100	137	152
Plan participants' contributions			20	13
Benefits paid	(125)	(114)	(90)	(70)
Fair value of plan assets at end of year	<u>2,047</u>	<u>1,068</u>	<u>303</u>	<u>206</u>
Funded status at end of year	<u>\$ (230)</u>	<u>\$ (178)</u>	<u>\$ (1,010)</u>	<u>\$ (536)</u>

[Note: Nonpublic entities are not required to provide information in the preceding tables; they are required to disclose the employer's contributions, participants' contributions, benefit payments, and the funded status.]

Amounts recognized in the statement of financial position consist of the following.

	Pension Benefits		Other Benefits	
	20X3	20X2	20X3	20X2
Noncurrent assets	\$ 227	\$ 127	\$ -	\$ -
Current liabilities	(125)	(125)	(150)	(150)
Noncurrent liabilities	(332)	(180)	(860)	(386)
	<u>\$ (230)</u>	<u>\$ (178)</u>	<u>\$ (1,010)</u>	<u>\$ (536)</u>

[Note: The sum of current liabilities and noncurrent liabilities consists of the amount of underfunded (including unfunded) pension benefits or other benefits.]

The accumulated benefit obligation for all defined benefit pension plans was \$1,300 and \$850 at December 31, 20X3, and 20X2, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets

	December 31	
	20X3	20X2
Projected benefit obligation	\$ 263	\$ 247
Accumulated benefit obligation	\$ 237	\$ 222
Fair value of plan assets	84	95

Information for pension plans with a projected benefit obligation in excess of plan assets

	December 31	
	20X3	20X2
Projected benefit obligation	\$ 1,277	\$ 696
Fair value of plan assets	820	391

[Note: The net amount of projected benefit obligation and plan assets for all underfunded (including unfunded) pension plans was \$457 and \$305 at December 31, 20X3, and 20X2, respectively, and was classified as liabilities on the statement of financial position.]

[Note: Information for other postretirement benefit plans with an accumulated postretirement benefit obligation in excess of plan assets has been disclosed in the note on "Obligations and Funded Status" because all the other postretirement benefit plans are unfunded or underfunded.]

**Components of Net Periodic Benefit Cost and Other Amounts
Recognized in Other Comprehensive Income**

	Pension Benefits		Other Benefits	
Net Periodic Benefit Cost	20X3	20X2	20X3	20X2
Service cost	\$ 76	\$ 72	\$ 36	\$ 32
Interest cost	90	88	55	55
Expected return on plan assets	(85)	(76)	(17)	(8)
Amortization of prior service cost <u>(credit)</u>	20	16	(5)	(5)
Amortization of net (gain) loss	-	-	-	-
Net periodic benefit cost	\$ 101	\$ 100	\$ 69	\$ 74

Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income

Net loss (gain)	\$ 76	\$ (112)	\$ 37	\$ (16)
Prior service cost (credit)	70	-	(75)	-
Amortization of prior service cost (cost) credit	<u>(20)</u>	<u>(16)</u>	<u>5</u>	<u>5</u>
Total recognized in other comprehensive income	<u>126</u>	<u>(128)</u>	<u>(33)</u>	<u>(11)</u>
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$ 227</u>	<u>\$ (28)</u>	<u>\$ 36</u>	<u>\$ 63</u>

The components of net periodic benefit cost other than the service cost component are included in the line item "other income/(expense)" in the income statement.

~~The estimated net loss and prior service cost for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are \$4 and \$27, respectively. The estimated prior service credit for the other defined benefit postretirement plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is \$10.~~

[Note: Nonpublic entities are not required to separately disclose components of net periodic benefit cost.]

[Entity-specific narrative description of the reasons for significant gains and losses related to changes in the defined benefit obligation for the period would be disclosed.]

Assumptions

Weighted-average assumptions used to determine benefit obligations at December 31

	Pension Benefits		Other Benefits	
	20X3	20X2	20X3	20X2
Discount rate	6.75%	7.25%	7.00%	7.50%
Rate of compensation increase	4.25	4.50		

Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31

	Pension Benefits		Other Benefits	
	20X3	20X2	20X3	20X2
Discount rate	7.25%	7.50%	7.50%	7.75%
Expected long-term return on plan assets	8.00	8.50	8.10	8.75
Rate of compensation increase	4.50	4.75		

[Entity-specific narrative description of the basis used to determine the overall expected long-term rate of return on assets, as described in paragraph 715-20-50-1(d)(iii), would be disclosed ~~included here.~~]

[An entity with cash balance plans or other plans with promised interest crediting rates would disclose the weighted-average interest crediting rates used to determine the benefit obligation and net periodic benefit cost.]

Assumed health care cost trend rates at December 31

	<u>20X3</u>	<u>20X2</u>
Health care cost trend rate assumed for next year	12%	12.5%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	6%	5%
Year that the rate reaches the ultimate trend rate	20X9	20X9

~~Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percentage point change in assumed health care cost trend rates would have the following effects.~~

	<u>1-Percentage- Point Increase</u>	<u>1-Percentage- Point Decrease</u>
Effect on total of service and interest cost	\$ 22	\$ (20)
Effect on postretirement benefit obligation	173	(156)

~~[Note: Nonpublic entities are not required to provide the information about the impact of a one percentage point increase and one percentage point decrease in the assumed health care cost trend rates.]~~

Plan Assets

[Note: An entity shall disclose the following information regardless of its method for disclosing classes of plan assets.]

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Equity Long/Short Hedge Funds	Event Driven Hedge Funds	Global Opportunities Hedge Funds	Multi- Strategy Hedge Funds	Private Equity Funds	Real Estate	Total
Beginning balance at December 31, 20X2	\$ 40	\$ 35	\$ 39	\$ 35	\$ 40	\$ 10	\$ 199
Actual return on plan assets:							
Relating to assets still held at the reporting date	(2)	5	(7)	5	2	3	6
Relating to assets sold during the period		3			2		5
Purchases, sales, and settlements	15	2			3	62	82
Transfers in and/or out of Level 3	2		3				5
Ending balance at December 31, 20X3	<u>\$ 55</u>	<u>\$ 45</u>	<u>\$ 35</u>	<u>\$ 40</u>	<u>\$ 47</u>	<u>\$ 75</u>	<u>\$ 297</u>

[Note: Nonpublic entities are not required to provide a reconciliation from the opening balances to the closing balances of plan assets measured on a recurring basis in Level 3 of the fair value hierarchy. However, nonpublic entities are required to disclose separately the amounts of purchases of Level 3 plan assets and transfers into and out of Level 3 of the fair value hierarchy.]

7. Add paragraph 715-20-65-4 and its related heading as follows:

Transition and Open Effective Date Information

> Transition Related to Accounting Standards Update No. 2018-14, Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans

715-20-65-4 The following represents the transition and effective date information related to Accounting Standards Update No. 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*:

- a. The pending content that links to this paragraph shall be effective as follows:
 1. For **public business entities**, for financial statements issued for fiscal years ending after December 15, 2020
 2. For all other entities, for financial statements issued for fiscal years ending after December 15, 2021.
- b. An entity shall apply the pending content that links to this paragraph retrospectively to all periods presented.
- c. Early adoption of the pending content that links to this paragraph is permitted.

Amendments to Subtopic 958-715

8. Amend subparagraph 958-715-50-1(c), with a link to transition paragraph 715-20-65-4, as follows:

Not-for-Profit Entities—Compensation—Retirement Benefits

Disclosure

958-715-50-1 Not-for-profit entities (NFPs) shall make the following substitutions when applying the disclosure requirements of Section 715-20-50:

- c. The references to the net gain or loss, net prior service cost or credit, and net transition asset or obligation recognized in accumulated other

comprehensive income in the following paragraphs shall instead be to such amounts that have been recognized as changes in net assets without donor restrictions arising from a defined benefit plan but not yet reclassified as components of net periodic benefit cost:

1. Paragraph 715-20-50-5(i)
2. Paragraph 715-20-50-1(j)
3. ~~Subparagraph superseded by Accounting Standards Update No. 2018-14, Paragraph 715-20-50-5(n)~~
4. ~~Subparagraph superseded by Accounting Standards Update No. 2018-14, Paragraph 715-20-50-1(c).~~

Amendments to Status Sections

9. Amend paragraph 715-20-00-1, by adding the following items to the table, as follows:

715-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
715-20-50-1	Amended	2018-14	08/28/2018
715-20-50-3	Amended	2018-14	08/28/2018
715-20-50-5	Amended	2018-14	08/28/2018
715-20-50-9	Superseded	2018-14	08/28/2018
715-20-50-10	Superseded	2018-14	08/28/2018
715-20-55-15 through 55-17	Amended	2018-14	08/28/2018
715-20-65-4	Added	2018-14	08/28/2018

10. Amend paragraph 958-715-00-1, by adding the following item to the table, as follows:

958-715-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
958-715-50-1	Amended	2018-14	08/28/2018

The amendments in this Update were adopted by the unanimous vote of the seven members of the Financial Accounting Standards Board:

Russell G. Golden, *Chairman*
James L. Kroeker, *Vice Chairman*
Christine A. Botosan
Marsha L. Hunt
Harold L. Monk, Jr.
R. Harold Schroeder
Marc A. Siegel

Background Information and Basis for Conclusions

Introduction

BC1. The following summarizes the Board's considerations in reaching the conclusions in this Update. It includes reasons for accepting certain approaches and rejecting others. Individual Board members gave greater weight to some factors than to others.

BC2. The Board is issuing the amendments in this Update as part of the disclosure framework project. The disclosure framework project's objective and primary focus are to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of the information required by GAAP that is most important to users of each entity's financial statements. Achieving the objective of improving the effectiveness of the notes to financial statements includes:

- a. The development of a framework that promotes consistent decisions by the Board about disclosure requirements
- b. The appropriate exercise of discretion by reporting entities.

BC3. On March 4, 2014, the Board issued proposed Chapter 8 of the conceptual framework, which was finalized on August 28, 2018. The Concepts Statement is intended to identify a broad range of possible information for the Board to consider when deciding on the disclosure requirements for a particular topic. From that intentionally broad set, the Board will identify a narrower set of disclosures about that topic to be required on the basis of, among other considerations, an evaluation of whether the benefits of entities providing the information justify the costs. The Concepts Statement will be used by the Board as a basis for establishing disclosure requirements in future accounting standards as well as for evaluating existing disclosure requirements. The amendments in this Update are the result of the Board's consideration of the concepts in the Concepts Statement as they relate to defined benefit pension and other postretirement plans.

BC4. On January 26, 2016, the Board issued proposed Accounting Standards Update, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Changes to the Disclosure Requirements for Defined Benefit Plans* (the proposed Update), for public comment with the comment period ending on April 25, 2016. The Board received 34 comment letters in response to the questions in the proposed Update. Overall, respondents supported the Board's efforts to improve the effectiveness of disclosures related to defined benefit pension and other postretirement plans, although feedback was mixed on certain amendments in the proposed Update.

Benefits and Costs

BC5. The objective of financial reporting is to provide information that is useful to present and potential investors, creditors, donors, and other capital market participants in making rational investment, credit, and similar resource allocation decisions. However, the benefits of providing information for that purpose should justify the related costs. Present and potential investors, creditors, donors, and other users of financial information benefit from improvements in financial reporting, while the costs to implement new guidance are borne primarily by present investors. The Board's assessment of the costs and benefits of issuing new guidance is unavoidably more qualitative than quantitative because there is no method to objectively measure the costs to implement new guidance or to quantify the value of improved information in financial statements.

BC6. In general, financial statement users indicated that the current disclosures about defined benefit pension and other postretirement plans are sufficient and do not need substantial revision. However, the amendments in this Update could provide financial statement users with incremental benefits by adding disclosures about some decision-useful and relevant information.

BC7. The Board does not anticipate that entities will incur significant costs because of the amendments in this Update. The amendments will not create new accounting requirements other than additional disclosures for which information should be readily available. The cost incurred for additional disclosures will, to some extent, be offset by the cost reduction from eliminating some existing disclosures. The Board concluded that the expected benefits of the amendments justify the expected costs.

Background Information

BC8. The current disclosure requirements for defined benefit pension and other postretirement plans have been developed through numerous projects over the past 30 years. The most recent consideration of all of the defined benefit pension and other postretirement plan disclosures was performed during the deliberations on FASB Statement No. 132 (revised 2003), *Employers' Disclosures about Pensions and Other Postretirement Benefits*.

BC9. In developing the amendments in this Update, the Board utilized the concepts in the Concepts Statement as a guide. The Board rejected certain disclosures that might be indicated by the Concepts Statement because it concluded that the benefits of the information would not have justified the costs.

BC10. In December 2013, the Board issued the *Private Company Decision-Making Framework: A Guide for Evaluating Financial Accounting and Reporting for Private Companies*, which assists the Board and the Private Company Council (PCC) in determining, among other things, whether and in what circumstances to

provide alternative disclosure requirements for private companies reporting under GAAP. The Board also used that framework, in conjunction with feedback received from the PCC on the Board's preliminary decisions, to determine whether the disclosures discussed as part of the disclosure framework review of defined benefit pension and other postretirement plans should be applied to nonpublic entities.

BC11. On September 24, 2015, the Board issued the proposed Accounting Standards Update, *Notes to Financial Statements (Topic 235): Assessing Whether Disclosures Are Material*, which was intended to promote reporting entities using discretion when evaluating disclosure requirements in the Codification. At its March 21, 2018 meeting, the Board decided not to amend Topic 235, and, therefore, not reference those proposed amendments in the Disclosure Sections of the Codification, noting that paragraph 105-10-05-6 already clearly states that the provisions of the Codification need not be applied to immaterial items. As a result, the following language that was added in the proposed Update no longer is included in this Update:

. . . provide disclosures required by this Subtopic to the extent material. See paragraphs 235-10-50-7 through 50-9 for additional guidance on determining whether disclosures are material.

Basis for Conclusions

Disclosures Removed by the Board

BC12. This section summarizes the Board's considerations for the decisions to remove certain disclosure requirements. The Board concluded that removing these disclosures will not significantly reduce the decision usefulness of the information provided to financial statement users. Comment letter respondents generally supported removing the disclosure requirements listed in paragraphs BC13, BC14, and BC16.

Amounts in Accumulated Other Comprehensive Income Expected to Be Recognized as Components of Net Periodic Benefit Cost over the Next Fiscal Year

BC13. The Concepts Statement suggests a limit on disclosures about future-oriented information to the following two types that are not expected to result in negative consequences to the reporting entity:

- a. Information about estimates and assumptions used as inputs to measurements

- b. Information about existing plans and strategies related to matters under management's control that affect the presentation, recognition, and/or measurement of line items.

The requirement to disclose the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year is not consistent with this aspect of the Concepts Statement. Furthermore, the Board did not identify any other concepts within the Concepts Statement that indicate that this disclosure requirement is necessary in this Update; therefore, the Board removed the requirement.

Disclosures That Are Not Broadly Relevant

BC14. The Board decided to remove certain disclosure requirements that are not applicable to most entities. Those disclosure requirements include:

- a. The amount and timing of plan assets expected to be returned to the employer during the 12-month period, or operating cycle if longer, that follows the most recent annual statement of financial position presented
- b. Disclosures related to the June 2001 amendments to the Japanese Welfare Pension Insurance Law
- c. Related party disclosures about the amount of future annual benefits covered by insurance and annuity contracts and significant transactions between the employer or related parties and the plan.

BC15. In addition, because disclosures about related party transactions also are subject to Topic 850, Related Party Disclosures, removing certain related party disclosures in Subtopic 715-20 will align the disclosures about an entity's related party transactions (including transactions related to defined benefit pension and other postretirement plans) on the basis of the same guidance.

Rollforward of Level 3 Plan Assets for Nonpublic Entities

BC16. According to the Private Company Decision-Making Framework, private companies generally should not be required to disclose disaggregated information, such as a table reconciling the beginning and ending balances of balance sheet accounts, even if the reconciliation provides information that relates to common areas on which typical users of private company financial statements would focus. The Board decided to exempt private companies from disclosing a reconciliation of the beginning and ending balances of Level 3 plan assets. The Board also decided to extend this exemption to other nonpublic entities considering that the need for and access to that information by financial statement users of private companies and other nonpublic entities are similar.

BC17. Therefore, the Board decided that nonpublic entities should not be required to disclose a reconciliation of the beginning and ending balances of Level 3 plan assets. However, the Board decided that nonpublic entities should be required to disclose separately the amounts of purchases of Level 3 plan assets and transfers of assets into and out of Level 3 of the fair value hierarchy because the Board observed that those disclosures contain the most important information obtained from the reconciliation.

BC18. This amendment is consistent with the Board's decision on the fair value measurement disclosure requirements that exempts nonpublic entities from disclosing a reconciliation of the beginning and ending balance of Level 3 of the fair value hierarchy and requires nonpublic entities to disclose total purchases and issues and the amounts of any transfers into or out of Level 3 of the fair value hierarchy and the reasons for those transfers.

The Effects of a One-Percentage-Point Change in the Assumed Health Care Cost Trend Rates

BC19. The Board considered requiring nonpublic entities to disclose the effect of a one-percentage-point increase and the effect of a one-percentage-point decrease in assumed health care cost trend rates on the (a) aggregate of the service and interest cost components of net periodic benefit costs and (b) benefit obligation for postretirement health care benefits. This disclosure already is required for public entities. Based on advice from the PCC, the Board concluded in the proposed Update that financial statement users would find this disclosure relevant if entities have defined benefit postretirement health care plans and that it would not result in significant incremental costs.

BC20. Some comment letter respondents disagreed with this proposal and further commented that this disclosure should be removed for public entities because it does not significantly affect financial decision making. Additionally, they noted that both the changes in the structure of other postretirement benefit plans and the reduction in the health care inflation rate over the years reduced the risk associated with health care costs borne by employers that sponsor defined benefit other postretirement plans; therefore, this information no longer is as relevant and significant as it was historically.

BC21. Some financial statement users said that they use this disclosure on a regular or as-needed basis for various purposes (such as reasonableness assessment, stress testing, and peer comparison) and that they could not estimate this information because of the complexity of the calculation of health care benefit obligations. Other financial statement users said that they have not used or are unaware of any active use of this information and, therefore, supported removing this disclosure for public entities.

BC22. Although it acknowledges that this disclosure might be useful in certain circumstances, the Board decided to remove the requirement for public entities, instead of adding this requirement for nonpublic entities. The Board made this decision considering (a) the reduced significance and relevance of this information to financial statement users, (b) the redundancy of this information with information disclosed by public entities in other sections of their financial reporting packages, and (c) the lack of flexibility in applying this disclosure requirement.

Disclosures Added by the Board

BC23. This section summarizes the Board's considerations for the decisions to add certain disclosure requirements. The Board concluded that adding these disclosures will provide financial statement users with decision-useful information and should not impose significant costs on preparers. The majority of the comment letter respondents supported adding these disclosures.

Weighted-Average Interest Crediting Rates

BC24. FASB Statements No. 87, *Employers' Accounting for Pensions*, and No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, established a requirement to disclose the assumptions that usually have the most significant effect on the benefit obligation and net periodic benefit cost. Those assumptions include the discount rates, the rates of compensation increase (for pay-related plans), the expected long-term rates of return on plan assets, and the information about health care cost trend rates.

BC25. Since those Statements were issued, the number of cash balance plans has increased significantly. In a cash balance plan, an employee's benefit is defined in terms of a hypothetical account balance that grows with principal and interest credits. The interest crediting rate is based on the plan formula, which usually may provide for a fixed rate or a variable rate based on a market instrument or index level and may be constrained by a floor or ceiling. The interest crediting rate is typically a significant assumption affecting the benefit obligation and net benefit cost in a cash balance plan.

BC26. According to the Concepts Statement, the Board should consider whether disclosing details about significant assumptions is needed to provide users with a general understanding of how the carrying amount of a line item was determined. In the Board's view, the weighted-average interest crediting rate is one of the significant assumptions that affect the benefit obligation and net benefit cost of cash balance plans and other plans with promised interest crediting rates. Disclosure of the weighted-average interest crediting rates will assist financial statement users to understand how this assumption affects the changes in the benefit obligation and net benefit cost and to make meaningful comparisons between reporting entities.

Reasons for Significant Gains and Losses

BC27. Subtopic 715-20 requires disclosures, for public entities, that explain significant changes in the benefit obligation or the plan assets when those changes are not otherwise apparent in other disclosures. It also requires that all entities disclose the gain or loss component of net benefit cost and the net gain or loss recognized in other comprehensive income. However, there is no specific requirement to disclose the reasons for significant gains and losses. Gains and losses can result from a change in the value of either the benefit obligation or the plan assets resulting from experience different from that assumed (for example, the difference between expected and actual return on plan assets) or from a change in an actuarial assumption (for example, changes in discount or mortality rates).

BC28. According to the Concepts Statement, the Board should consider whether disclosing the causes of the changes in an entity's line item is needed when there are numerous causes or the line item is subject to nonroutine changes. The Board concluded that the reasons for gains and losses related to changes in the plan assets are relatively apparent in and readily assessable from other disclosures. However, gains and losses related to changes in the benefit obligation are subject to different variables (such as changes in economic condition and changes in composition and characteristics of the plan participants, and so forth) of which the effects are not readily assessable from other disclosures. Therefore, the Board concluded that disclosing the reasons for significant gains and losses related to changes in the benefit obligation for the period will improve the transparency and relevance of the information to financial statement users.

BC29. Some comment letter respondents stated that it might be more appropriate to disclose the reasons for significant gains and losses in management's discussion and analysis because this information is analytical in nature. Observing that this information is not specifically required in other sections of the financial reporting package by other regulations and rules and considering the decision usefulness and relevance of this information to financial statement users, the Board concluded that adding the requirement in Subtopic 715-20 to disclose the reasons for significant gains and losses related to changes in the benefit obligation for the period will ensure consistent disclosure for both public entities and nonpublic entities.

BC30. Some comment letter respondents asked the Board to clarify (a) what the term *significant* means and (b) what basis (net or gross) should be used to determine whether gains and losses are significant. The Board did not consider it necessary to clarify the term *significant* in Subtopic 715-20, noting that this term has been used in various Topics of the Codification. The Board also decided not to be prescriptive on how significant gains and losses should be determined to allow entities to exercise judgment in disclosing relevant information to financial statement users.

Certain Disclosures Considered by the Board That Did Not Result in Changes

BC31. This section summarizes the Board's considerations for certain disclosures that did not result in changes.

Accumulated Benefit Obligation (ABO) for Defined Benefit Pension Plans

BC32. The amendments in the proposed Update would have removed the disclosure about the amount of the ABO for defined benefit pension plans because, as indicated by the Concepts Statement, the ABO, as an alternative measure, is not considered clearly useful in assessing prospects for cash flows.

BC33. Some comment letter respondents were opposed to removing this disclosure. They commented that the ABO is clearly useful in evaluating an entity's immediate financial condition, especially when plans are intended to be terminated or settled. Additionally, the cost of disclosing the ABO is very low because the ABO is often a standard output of actuarial systems. Furthermore, the difference between the ABO and the projected benefit obligation (PBO) provides a quantitative measure of the uncertainty of the benefit obligation and allows financial statement users to assess the effect of the compensation increase rate assumption on the PBO. The Board observed that stakeholders always have had split views on whether the ABO or the PBO represents the present benefit obligation since the issuance of Statement 87. Those who stated that the ABO is the more appropriate measure of an entity's obligation viewed the ABO as a clearly useful measure.

BC34. During outreach, financial statement users said that the disclosure about the amount of the ABO for defined benefit pension plans is clearly useful in their analyses and, therefore, they supported retaining this disclosure because it allows them to understand an employer's present benefit obligation and make meaningful comparisons between reporting entities.

BC35. Furthermore, the Concepts Statement supports the disclosure about the amount of the ABO for defined benefit pension plans on the basis that this disclosure provides a relevant understanding of uncertainties driven by future compensation increases inherent in the PBO.

BC36. Considering this conceptual basis and the feedback received, the Board decided to retain the disclosure about the amount of the ABO for defined benefit pension plans.

Information for Underfunded (Including Unfunded) Defined Benefit Pension Plans

BC37. As a result of its decision to retain the disclosure about the amount of the ABO for defined benefit pension plans, the Board decided to retain the disclosure in paragraph 715-20-50-3 about the ABO and fair value of plan assets for defined benefit pension plans with ABOs in excess of plan assets. The Board also decided to clarify that the following information for defined benefit pension plans should be disclosed:

- a. The PBO and fair value of plan assets for plans with PBOs in excess of plan assets
- b. The ABO and fair value of plan assets for plans with ABOs in excess of plan assets.

BC38. The Board concluded that this clarification is consistent with the intent of the guidance in paragraph 715-20-50-3 and that it will improve the clarity and consistency of the guidance in Subtopic 715-20. The Board expects that this clarification will reduce confusion and misunderstanding in practice in applying the guidance in paragraph 715-20-50-3. This clarification will affect only some entities that have not prepared this disclosure according to the intent of paragraph 715-20-50-3.

Plan Assets Measured at Net Asset Value (NAV) Using the Practical Expedient

BC39. The amendments in the proposed Update would have added a requirement to Topic 715 for quantitative and qualitative disclosures from Topic 820, Fair Value Measurement, about assets measured at NAV using a practical expedient. The basis for this proposal is that (a) there are no comparable disclosure requirements about plan assets measured at NAV in Topic 715 and (b) those disclosures, as indicated by the Concepts Statement, would help satisfy the objective of how the contractual terms of the plan affect future cash flows.

BC40. Half of the comment letter respondents disagreed with adding the NAV disclosure requirements. Most of them commented that the quantitative and qualitative disclosures about plan assets measured at NAV using a practical expedient are not relevant to a plan sponsor's financial statement users because the sponsor does not have direct access to the assets held in a defined benefit plan. They also raised concerns about the cost of disclosing that information and the redundancies with the plan's financial statement disclosures that are subject to Topic 820. Financial statement users stated during outreach that the NAV disclosure is not necessary for plan assets as long as they know the assets are measured at NAV.

BC41. Plan assets are usually segregated from a plan sponsor and restricted to be used only to pay the benefits to plan participants. Therefore, the Board concluded that plan assets have a very different nature, use, and overall risk management strategy from general investment assets held by an entity. Considering that (a) the NAV disclosures are only for a portion of plan assets and are less direct and relevant to financial statement users and (b) the additional cost for an entity to acquire and disclose that information, the Board decided not to add to Topic 715 the quantitative and qualitative disclosures from Topic 820 about assets measured at NAV using a practical expedient.

General Descriptive Information

BC42. The amendments in the proposed Update would have added a requirement for a description of the nature of the benefits provided, the employee groups covered, and the type of benefit plan formula. The basis for this proposal is that these disclosures, as indicated by the Concepts Statement, would help satisfy the objective of how the contractual terms of the plan and the employer's policies affect future cash flows.

BC43. Approximately half of the comment letter respondents disagreed with adding the disclosure about a general plan description. They were concerned that it would be difficult to provide a disclosure that adequately summarizes all the different types of plans and any such disclosure would be so aggregated that it would provide little predictive information about the plan costs and cash flows.

BC44. Although the disclosure about a general plan description could provide a general context for the other disclosures about defined benefit plans, the Board affirmed its previous conclusion that it provides only limited useful information to financial statement users because of the general nature of the information provided, particularly after aggregating information about multiple plans with different characteristics. Therefore, the Board decided not to add a requirement for a description of the nature of the benefits provided, the employee groups covered, and the type of benefit plan formula. The Board also did not consider requiring disclosures about funding policies. However, observing that many public entities currently provide a general plan description voluntarily, the Board acknowledges that it is at an entity's discretion to provide that information if it would provide meaningful information.

Disaggregated Information

BC45. The current guidance in paragraphs 715-20-50-2 and 715-20-50-4 allows aggregated disclosure about defined benefit pension or other postretirement plans unless (a) disaggregating in groups provides useful information or (b) the benefit obligations of the plans outside the United States for a U.S. reporting entity or of foreign plans for a foreign reporting entity are significant relative to the total benefit obligation and those plans use significantly different assumptions.

BC46. The amendments in the proposed Update would have amended the disclosure requirements in paragraphs 715-20-50-2 and 715-20-50-4 by requiring a mandatory disaggregation of domestic and foreign plans, regardless of whether the domestic and foreign plans use the same or similar assumptions. Domestic plans are plans that cover employees in the parent entity's country, while foreign plans cover employees outside the parent entity's country. The basis for this proposal is that the mandatory disclosures about foreign plans are considered important to financial statement users that usually are less familiar with the regulatory requirements governing foreign plans.

BC47. Some comment letter respondents disagreed with this proposal. They commented that there would be confusion in interpreting the terms used in this proposal because it is not clear (a) whether *parent entity's country* is the country in which the parent is incorporated or the country in which it primarily operates and (b) whether *domestic plans* refers to plans established in the parent entity's country or plans that may be established in other countries but that cover employees working in the parent entity's country. In addition, the comment letter respondents were concerned that this proposal would significantly increase the volume of the existing disclosures and, accordingly, the preparation cost.

BC48. The Board concluded that the current distinction for disaggregation in paragraph 715-20-50-4 (U.S. plans and plans outside the United States for U.S. reporting entities and domestic plans and foreign plans for foreign reporting entities) is clear and relevant; therefore, it decided to retain the current guidance in that paragraph to avoid unnecessary confusion and unintended changes in the disaggregation of defined benefit plans.

BC49. The Board also decided not to require a mandatory disaggregated disclosure as proposed because it would not have brought significant incremental benefits to financial statement users, as compared with the current guidance on disaggregated disclosures that is based on the relative significance to the total benefit obligation and the significantly different assumptions.

BC50. On the basis of these considerations, the Board decided not to amend the current guidance in paragraphs 715-20-50-2 and 715-20-50-4.

Required Contributions

BC51. Subtopic 715-20 requires that an entity disclose the employer's best estimate of contributions expected to be paid to the plan during the next fiscal year beginning after the date of the latest statement of financial position presented. Those estimated contributions may comprise both contributions required by funding regulations or laws and discretionary contributions. The Concepts Statement only indicates that an entity should disclose the contributions by funding regulations or laws. However, financial statement users stated that an employer's best estimate of contributions expected to be paid to the plan during the next fiscal year is useful information, particularly during times of economic downturn. In

addition, preparers recognized the benefits of this information and did not raise concerns about providing this type of information. Consequently, the Board decided not to remove the requirement to include discretionary contributions in an employer's estimate of contributions expected to be paid to the plan during the next fiscal year.

BC52. The Board also considered financial statement users' feedback that separate disclosure of contributions required by laws or regulations, discretionary contributions, and noncash contributions would be useful information. However, stakeholders expressed concern during past pension projects that because of the complexities of funding regulations and the uncertain distinction between required and voluntary contributions and cash and noncash contributions, separately identifying those amounts would involve significant judgment and period-to-period volatility. The Board continues to acknowledge those concerns and decided not to require separate disclosure of those amounts.

Comparison with International Financial Reporting Standards (IFRS Standards)

BC53. IAS 19, *Employee Benefits*, establishes recognition, measurement, and disclosure requirements for financial statements prepared in conformity with International Financial Reporting Standards. Much of the current disclosure guidance in Subtopic 715-20 already is the same as or is similar to that in IAS 19. However, there are differences based on the FASB's and the International Accounting Standards Board's differing assessments on financial statement users' needs and the differences in the recognition and measurement principles applied to defined benefit pension and other postretirement plans.

BC54. The amendments in this Update are the result of the Board's application, factoring in cost-benefit considerations, of the concepts in the Concepts Statement as they relate to defined benefit pension and other postretirement plans and are narrow in scope. As a result, significant convergence with IAS 19 is not expected to be achieved by this Update.

Effective Date and Transition

BC55. The amendments in this Update are effective for fiscal years ending after December 15, 2020, for public business entities and for fiscal years ending after December 15, 2021, for all other entities. Early adoption is permitted for all entities. The effective date is expressed as "fiscal years ending after" because no amendments are made to the interim disclosure requirements included in Subtopic 715-20. Because the amendments in this Update add several new disclosure requirements for nonpublic entities, the Board decided to provide a one-year delay in the effective date for entities other than public business entities.

BC56. The Board decided to require retrospective application of the amendments in this Update to all periods presented to improve comparability of financial information across reporting entities. The Board does not expect that retrospective application will result in significant costs for reporting entities.

Amendments to the XBRL Taxonomy

The amendments to the *FASB Accounting Standards Codification*® in this Accounting Standards Update require improvements to the U.S. GAAP Financial Reporting Taxonomy (Taxonomy). Those improvements, which will be incorporated into the proposed 2019 Taxonomy, are available through [Taxonomy Improvements](#) provided at www.fasb.org, and finalized as part of the annual release process.