

FINANCIAL ACCOUNTING SERIES



No. 2015-04
April 2015

Compensation—Retirement Benefits (Topic 715)

Practical Expedient for the Measurement Date of an
Employer's Defined Benefit Obligation and Plan Assets

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. ASU2015-04.

FINANCIAL ACCOUNTING SERIES (ISSN 0885-9051) is published quarterly by the Financial Accounting Foundation. Periodicals postage paid at Norwalk, CT and at additional mailing offices. The full subscription rate is \$242 per year. POSTMASTER: Send address changes to Financial Accounting Standards Board, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116. | **No. 411**

Copyright © 2015 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. 2015-04
April 2015

Compensation—Retirement Benefits (Topic 715)

Practical Expedient for the Measurement Date of an
Employer’s Defined Benefit Obligation and Plan Assets

An Amendment of the *FASB Accounting Standards Codification*®

Financial Accounting Standards Board

Accounting Standards Update 2015-04

Compensation—Retirement Benefits (Topic 715)

Practical Expedient for the Measurement Date of an Employer’s Defined Benefit Obligation and Plan Assets

April 2015

CONTENTS

	Page Numbers
Summary	1–2
Amendments to the <i>FASB Accounting Standards Codification</i> ®	3–17
Background Information and Basis for Conclusions	18–22
Amendments to the XBRL Taxonomy	23

Summary

Why Is the FASB Issuing This Accounting Standards Update (Update) and What Are the Main Provisions?

The Board is issuing the amendments in this Update as part of its initiative to reduce complexity in accounting standards (the Simplification Initiative). The objective of the Simplification Initiative is to identify, evaluate, and improve areas of generally accepted accounting principles (GAAP) for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of financial statements.

A reporting entity with a fiscal year-end that does not coincide with a month-end may incur more costs than other entities when measuring the fair value of plan assets of a defined benefit pension or other postretirement benefit plan. This is because information about the fair value of plan assets obtained from a third-party service provider typically is reported as of the month-end. That information then is adjusted to reflect the fair value of plan assets as of the fiscal year-end.

For an entity with a fiscal year-end that does not coincide with a month-end, the amendments in this Update provide a practical expedient that permits the entity to measure defined benefit plan assets and obligations using the month-end that is closest to the entity's fiscal year-end and apply that practical expedient consistently from year to year. The practical expedient should be applied consistently to all plans if an entity has more than one plan.

If a contribution or significant event (such as a plan amendment, settlement, or curtailment that calls for a remeasurement in accordance with existing requirements) occurs between the month-end date used to measure defined benefit plan assets and obligations and an entity's fiscal year-end, the entity should adjust the measurement of defined benefit plan assets and obligations to reflect the effects of those contributions or significant events. However, an entity should not adjust the measurement of defined benefit plan assets and obligations for other events that occur between the month-end measurement and the entity's fiscal year-end that are not caused by the entity (for example, changes in market prices or interest rates).

For an entity that has a significant event in an interim period that calls for a remeasurement of defined benefit plan assets and obligations (for example, a partial settlement), the amendments in this Update also provide a practical expedient that permits the entity to remeasure defined benefit plan assets and obligations using the month-end that is closest to the date of the significant event.

The month-end remeasurement of defined benefit plan assets and obligations that is closest to the date of the significant event should be adjusted for any effects of

the significant event that may or may not be captured in the month-end measurement (for example, if the closest month-end is before the date of a partial settlement, then the measurement of plan assets may include assets that are no longer part of the plan). However, an entity should not adjust the measurement of defined benefit plan assets and obligations for other events that occur between the month-end measurement and the date of the significant event that are not caused by the entity (for example, changes in market prices or interest rates).

If an entity applies the practical expedient and a contribution is made between the month-end date used to measure defined benefit plan assets and obligations and the entity's fiscal year-end, the entity should not adjust the fair value of each class of plan assets for the effects of the contribution. Instead, the entity should disclose the amount of the contribution to permit reconciliation of the total fair value of all the classes of plan assets in the fair value hierarchy to the ending balance of the fair value of plan assets.

An entity is required to disclose the accounting policy election and the date used to measure defined benefit plan assets and obligations in accordance with the amendments in this Update.

Employee benefit plans are not within the scope of the amendments in this Update.

What Are the Transition Requirements and When Will the Amendments Be Effective?

The amendments in this Update are effective for public business entities for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. For all other entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Earlier application is permitted.

The amendments in this Update should be applied prospectively.

How Do the Provisions Compare with International Financial Reporting Standards (IFRS)?

IFRS does not have a practical expedient that permits an entity to measure defined benefit plan assets and obligations as of the month-end that is closest to the entity's fiscal year-end (or the month-end that is closest to the date of a significant event that occurred in an interim period), whereas the amendments in this Update provide that practical expedient.

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

Introduction

1. The Accounting Standards Codification is amended as described in paragraphs 2–9. 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 paragraphs 715-20-50-1(d) and 715-20-50-5(c) and add paragraphs 715-20-50-1(u) and 715-20-50-5(p), with a link to transition paragraph 715-10-65-1, as follows:

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:

- d. 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:

- i. A narrative description of investment policies and strategies, including target allocation percentages or range of percentages considering the classes of plan assets disclosed pursuant to (ii) below, as of the latest statement of financial position presented (on a weighted-average basis for employers with more than one plan), and other factors that are pertinent to an understanding of those policies and strategies such as investment goals, risk management practices, permitted and prohibited investments including the use of derivatives, diversification, and the relationship between plan assets and benefit obligations. For investment funds disclosed as classes as described in (ii) below, a description of the significant investment strategies of those funds shall be provided.
- 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 715-20-50-1(d)(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:

[For ease of readability, the newly added table is not underlined.]

<u>Asset Class</u>	<u>Total</u>	<u>Fair Value Measurements at February 3, 20X5 (in thousands)</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
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			

- iii. A narrative description of the basis used to determine the overall expected long-term rate-of-return-on-assets assumption, such as the general approach used, the extent to which the overall rate-of-return-on-assets assumption was based on historical returns, the extent to which adjustments were made to those historical returns in order to reflect expectations of future returns, and how those adjustments were determined. The description should consider the classes of assets as described in (ii) above, as appropriate.
- 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:
 01. The level of the fair value hierarchy within which the fair value measurements are categorized in their entirety, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1),

significant other observable inputs (Level 2), and significant unobservable inputs (Level 3). The guidance in paragraphs 820-10-35-37 through 35-37A is applicable. 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 plan assets in the fair value hierarchy to the ending balance of the fair value of plan assets. For example, the contribution could be disclosed as follows:

[For ease of readability, the newly added table is not underlined.]

Asset Class	Fair Value Measurements at February 3, 20X5 (in thousands)			
	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	<u>102,205</u>	<u>\$ 75,770</u>	<u>\$ 21,580</u>	<u>\$ 4,855</u>
Contributions after measurement date	<u>25,000</u>			
Total assets reported at 2/3/20X5	<u>\$ 127,205</u>			

02. For fair value measurements of plan assets using significant unobservable inputs (Level 3), a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:
 - A. 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. Purchases, sales, and **settlements**, net

- C. The amounts of any transfers into or out of Level 3 (for example, transfers due to changes in the observability of significant inputs)
 - 03. Information about the valuation technique(s) and inputs used to measure fair value and a discussion of changes in valuation techniques and inputs, if any, during the period.
- u. If applicable, the accounting policy election to measure plan assets and benefit obligations using the month-end that is closest to the employer's fiscal year-end in accordance with paragraph 715-30-35-63A or 715-60-35-123A and the month-end measurement date.~~Subparagraph not used.~~

> Disclosures by Nonpublic Entities

715-20-50-5 A **nonpublic entity** is not required to disclose the information required by paragraphs 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). 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:

- i. A narrative description of investment policies and strategies, including target allocation percentages or range of percentages considering the classes of plan assets disclosed pursuant to (ii) below, as of the latest statement of financial position presented (on a weighted-average basis for employers with more than one plan), and other factors that are pertinent to an understanding of those policies and strategies such as investment goals, risk management practices, permitted and prohibited investments including the use of derivatives, diversification, and the relationship between plan assets and benefit obligations. For

investment funds disclosed as classes as described in (ii) below, a description of the significant investment strategies of those funds shall be provided.

- 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 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:

[For ease of readability, the newly added table is not underlined.]

Asset Class	Fair Value Measurements at February 3, 20X5 (in thousands)			
	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			

- iii. A narrative description of the basis used to determine the overall expected long-term rate-of-return-on-assets assumption, such as the general approach used, the extent to which the overall rate-of-return-on-assets assumption was based on historical returns, the extent to which adjustments were made to those historical returns in order to reflect expectations of future returns, and how those adjustments were determined. The description should consider the classes of assets described in (ii) above, as appropriate.
- 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:
 01. The level of the fair value hierarchy within which the fair value measurements are categorized in their entirety, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3). The guidance in paragraphs 820-10-35-37 through 35-37A is applicable. 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 plan assets in the fair value hierarchy to the ending balance of the fair value of plan assets. For example, the contribution could be disclosed as follows:

[For ease of readability, the newly added table is not underlined.]

Asset Class	Fair Value Measurements at February 3, 20X5 (in thousands)			
	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			

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

03. Information about the valuation technique(s) and inputs used to measure fair value and a discussion of changes in valuation techniques and inputs, if any, during the period.
- p. If applicable, the accounting policy election to measure plan assets and benefit obligations using the month-end that is closest to the employer's fiscal year-end in accordance with paragraph 715-30-35-63A or 715-60-35-123A and the month-end measurement date. ~~Subparagraph not used.~~

Amendments to Subtopic 715-30

3. Add paragraphs 715-30-35-63A through 35-63B and 715-30-35-66A through 35-66B, with a link to transition paragraph 715-10-65-1, as follows:

Compensation—Retirement Benefits—Defined Benefit Plans—Pension

Subsequent Measurement

> Timing of Measurement

715-30-35-62 The measurements of plan assets and benefit obligations required by this Subtopic shall be as of the date of the employer's fiscal year-end statement of financial position except in both of the following cases:

- a. The plan is sponsored by a subsidiary that is consolidated using a fiscal period that differs from its parent's, as permitted by paragraph 810-10-45-12.
- b. The plan is sponsored by an investee that is accounted for using the equity method of accounting under paragraph 323-10-35-6, using financial statements of the investee for a fiscal period that is different from the investor's, as permitted by that Subtopic.

715-30-35-63 If the exceptions in the preceding paragraph apply, the employer shall measure the subsidiary's plan assets and benefit obligations as of the date used to consolidate the subsidiary's statement of financial position and shall measure the investee's plan assets and benefit obligations as of the date of the investee's financial statements used to apply the equity method. For example, if a calendar year-end parent consolidates a subsidiary using the subsidiary's September 30 financial statements, the funded status of the subsidiary's benefit plan included in the consolidated financial statements shall be measured as of September 30.

715-30-35-63A If an employer's fiscal year-end does not coincide with a month-end, the employer may measure plan assets and benefit obligations using the month-end that is closest to the employer's fiscal year-end. That election shall be

applied consistently from year to year. The election shall be applied consistently to all of its defined benefit plans if an employer has more than one defined benefit plan.

715-30-35-63B If an employer measures plan assets and benefit obligations in accordance with paragraph 715-30-35-63A and a contribution or significant event caused by the employer (such as a plan amendment, settlement, or curtailment that calls for a remeasurement) occurs between the month-end date used to measure plan assets and benefit obligations and the employer's fiscal year-end, the employer shall adjust the fair value of plan assets and the actuarial present value of benefit obligations so that those contributions or significant events are recognized in the period in which they occurred. An employer shall not adjust the fair value of plan assets and the actuarial present value of benefit obligations for other events occurring between the month-end date used to measure plan assets and benefit obligations and the employer's fiscal year-end that may be significant to the measurement of defined benefit plan assets and obligations, but are not caused by the employer (for example, changes in market prices or interest rates).

715-30-35-64 Requiring that the pension measurements be as of a particular date is not intended to require that all procedures be performed after that date. As with other financial statement items requiring estimates, much of the information can be prepared as of an earlier date and projected forward to account for subsequent events (for example, employee service).

715-30-35-65 Unless an entity remeasures both its plan assets and benefit obligations during the fiscal year, the funded status it reports in its interim-period statement of financial position shall be the same asset or liability recognized in the previous year-end statement of financial position adjusted for both of the following:

- a. Subsequent accruals of net periodic pension cost that exclude the amortization of amounts previously recognized in other comprehensive income (for example, subsequent accruals of service cost, interest cost, and return on plan assets)
- b. Contributions to a funded plan, or benefit payments.

715-30-35-66 Paragraph 715-30-25-5 notes that, sometimes, an entity remeasures both plan assets and benefit obligations during the fiscal year, for example, when a significant event such as a plan amendment, settlement, or curtailment occurs that calls for a remeasurement.

715-30-35-66A If a significant event caused by the employer (such as a plan amendment, settlement, or curtailment) that requires an employer to remeasure both plan assets and benefit obligations does not coincide with a month-end, the employer may remeasure plan assets and benefit obligations using the month-end that is closest to the date of the significant event.

715-30-35-66B If an employer remeasures plan assets and benefit obligations during the fiscal year in accordance with paragraph 715-30-35-66A, the employer

shall adjust the fair value of plan assets and the actuarial present value of benefit obligations for any effects of the significant event that may or may not be captured in the month-end measurement (for example, if the closest month-end is before the date of a partial settlement, then the measurement of plan assets may include assets that are no longer part of the plan). An employer shall not adjust the fair value of plan assets and the actuarial present value of benefit obligations for other events occurring between the month-end date used to measure plan assets and benefit obligations and the employer's fiscal year-end that may be significant to the measurement of defined benefit plan assets and obligations, but are not caused by the employer (for example, changes in market prices or interest rates).

715-30-35-67 As required by paragraph 715-30-25-5, upon remeasurement, an entity shall adjust its statement of financial position in a subsequent interim period to reflect the overfunded or underfunded status of the plan consistent with that measurement date.

715-30-35-68 Measurements of net periodic pension cost for both interim and annual financial statements shall be based on the assumptions used for the previous year-end measurements unless more recent measurements of both plan assets and obligations are available or a significant event occurs, such as a plan amendment, that would ordinarily call for such measurements.

Amendments to Subtopic 715-60

4. Add paragraphs 715-60-35-123A through 35-123B and 715-60-35-126A through 35-126B, with a link to transition paragraph 715-10-65-1, as follows:

Compensation—Retirement Benefits—Defined Benefit Plans—Other Postretirement

Subsequent Measurement

> Timing of Measurement

715-60-35-121 The measurements of plan assets and benefit obligations required by this Subtopic shall be as of the date of the employer's fiscal year-end statement of financial position, unless either of the following conditions applies:

- a. The plan is sponsored by a subsidiary that is consolidated using a fiscal period that differs from its parent's, as permitted by paragraph 810-10-45-12.
- b. The plan is sponsored by an investee that is accounted for using the equity method of accounting under Subtopic 323-10, using financial statements of the investee for a fiscal period that is different from the investor's, as permitted by paragraph 323-10-35-6.

715-60-35-122 In those cases, the employer shall measure the subsidiary's plan assets and benefit obligations as of the date used to consolidate the subsidiary's statement of financial position and shall measure the investee's plan assets and benefit obligations as of the date of the investee's financial statements used to apply the equity method.

715-60-35-123 For example, if a calendar year-end parent consolidates a subsidiary using the subsidiary's September 30 financial statements, the funded status of the subsidiary's benefit plan included in the consolidated financial statements shall be measured as of September 30.

715-60-35-123A If an employer's fiscal year-end does not coincide with a month-end, the employer may measure plan assets and benefit obligations using the month-end that is closest to the employer's fiscal year-end. That election shall be applied consistently from year to year. The practical expedient shall be applied consistently to all of its defined benefit plans if an employer has more than one defined benefit plan.

715-60-35-123B If an employer measures plan assets and benefit obligations in accordance with paragraph 715-60-35-123A and a contribution or significant event caused by the employer (such as a plan amendment, settlement, or curtailment that calls for a remeasurement) occurs between the month-end date used to measure plan assets and benefit obligations and the employer's fiscal year-end, the employer shall adjust the fair value of plan assets and the actuarial present value of benefit obligations so those contributions or significant events are recognized in the period in which they occurred. An employer should not adjust the fair value of plan assets and the actuarial present value of benefit obligations for other events occurring between the month-end date used to measure plan assets and benefit obligations and the employer's fiscal year-end that may be significant to the measurement of defined benefit plan assets and obligations, but are not caused by the employer (for example, changes in market prices or interest rates).

715-60-35-124 Even though the postretirement benefit measurements are required as of a particular date, all procedures are not required to be performed after that date. As with other financial statement items requiring estimates, much of the information can be prepared as of an earlier date and projected forward to account for subsequent events (for example, employee service).

715-60-35-125 Measurements of net periodic postretirement benefit cost for both interim and annual financial statements generally shall be based on the assumptions at the beginning of the year (assumptions used for the previous year-end measurements of plan assets and obligations) unless more recent measurements of both plan assets and the accumulated postretirement benefit obligation are available.

715-60-35-126 For example, if a significant event occurs, such as a plan amendment, settlement, or curtailment, that ordinarily would call for remeasurement, the assumptions used for those later measurements shall be

used to remeasure net periodic postretirement benefit cost from the date of the event to the year-end measurement date.

715-60-35-126A If a significant event caused by the employer (such as a plan amendment, settlement, or curtailment) that requires an employer to remeasure both plan assets and benefit obligations does not coincide with a month-end, the employer may elect to remeasure plan assets and benefit obligations using the month-end that is closest to the date of the significant event.

715-60-35-126B If an employer remeasures plan assets and benefit obligations during the fiscal year in accordance with paragraph 715-60-35-126A, the employer shall adjust the fair value of plan assets and the actuarial present value of benefit obligations for any effects of the significant event that may or may not be captured in the month-end measurement (for example, if the closest month-end is before the date of a partial settlement, then the measurement of plan assets may include assets that are no longer part of the plan). An employer shall not adjust the fair value of plan assets and the actuarial present value of benefit obligations for other events occurring between the month-end date used to measure plan assets and benefit obligations and the employer's fiscal year-end that may be significant to the measurement of defined benefit plan assets and obligations, but are not caused by the employer (for example, changes in market prices or interest rates).

715-60-35-127 Unless an employer remeasures both its plan assets and benefit obligations during the fiscal year, the funded status it reports in its interim-period statement of financial position shall be the same asset or liability recognized in the previous year-end statement of financial position adjusted for subsequent accruals of net periodic postretirement benefit cost that exclude the amortization of amounts previously recognized in other comprehensive income (for example, subsequent accruals of service cost, interest cost, and return on plan assets) and contributions to a funded plan, or benefit payments.

5. Add paragraph 715-10-65-1 and its related heading as follows:

> Transition Related to Accounting Standards Update No. 2015-04, Compensation—Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets

715-10-65-1 The following represents the transition and effective date information related to Accounting Standards Update No. 2015-04, *Compensation—Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets*:

- a. For public business entities, the pending content that links to this paragraph shall be effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Earlier adoption is permitted.

- b. For all other entities, the pending content that links to this paragraph shall be effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Earlier adoption is permitted.
- c. The pending content that links to this paragraph shall be applied prospectively.
- d. An entity shall provide the transition disclosure required by paragraph 250-10-50-1(a) in the period the entity adopts the pending content that links to this paragraph.
- e. The pending content that links to this paragraph is not applicable to employee benefit plans.

Amendments to Status Sections

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

715-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
715-10-65-1	Added	2015-04	04/15/2015

7. 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	2015-04	04/15/2015
715-20-50-5	Amended	2015-04	04/15/2015

8. Amend paragraph 715-30-00-1, by adding the following items to the table, as follows:

715-30-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
715-30-35-63A	Added	2015-04	04/15/2015
715-30-35-63B	Added	2015-04	04/15/2015
715-30-35-66A	Added	2015-04	04/15/2015
715-30-35-66B	Added	2015-04	04/15/2015

9. Amend paragraph 715-60-00-1, by adding the following items to the table, as follows:

715-60-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
715-60-35-123A	Added	2015-04	04/15/2015
715-60-35-123B	Added	2015-04	04/15/2015
715-60-35-126A	Added	2015-04	04/15/2015
715-60-35-126B	Added	2015-04	04/15/2015

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*
 Daryl E. Buck
 Thomas J. Linsmeier
 R. Harold Schroeder
 Marc A. Siegel
 Lawrence W. Smith

Background Information and Basis for Conclusions

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 its initiative to reduce complexity in accounting standards (the Simplification Initiative). The objective of the Simplification Initiative is to identify, evaluate, and improve areas of GAAP for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of financial statements.

Background Information

BC3. Topic 715 requires an entity to measure the fair value of defined benefit plan assets as of the date of its year-end statement of financial position, except in the following cases:

- a. The plan is sponsored by a subsidiary that is consolidated using a fiscal period that differs from its parent's fiscal period.
- b. The plan is sponsored by an investee that is accounted for using the equity method of accounting and using financial statements of the investee for a fiscal period that is different from the investor's.

BC4. For entities with a fiscal year-end that does not coincide with a month-end, it often is more difficult to measure plan assets as of the date of the statement of financial position when information about the fair value of plan assets obtained from third parties is reported as of the month-end. Those entities must consider whether to adjust that information to reflect the fair value of plan assets as of their fiscal year-end.

BC5. The Board decided to simplify current requirements and reduce costs for entities that have a fiscal year-end that does not coincide with a month-end by permitting those entities to measure defined benefit plan assets and obligations as of the month-end that is closest to their fiscal year-end. The Board concluded that for entities that elect this accounting policy, the defined benefit obligation also should be measured as of the same date used to measure plan assets so that each reflects economic conditions and assumptions as of the same point in time (for example, interest rates).

BC6. In establishing the requirement to measure the obligation as of the same date as plan assets, the Board was aware that many entities prepare information as of an earlier date (such as demographic information) and project that information forward to the measurement date. This requirement is not intended to change that practice.

BC7. On October 14, 2014, the Board issued an Exposure Draft of a proposed Accounting Standards Update, *Compensation—Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer’s Defined Benefit Obligation and Plan Assets*, which would permit an entity with a fiscal year-end that does not coincide with a month-end to measure defined benefit plan assets and obligations as of the month-end that is closest to its fiscal year-end. The Board received 15 comment letters addressing questions included in the Exposure Draft. Overall, respondents agreed with permitting an entity with a fiscal year-end that does not coincide with a month-end to measure defined benefit plan assets and obligations as of the month-end that is closest to its fiscal year-end.

Practical Expedient

BC8. Because contributions or other significant events may occur between the date used to measure defined benefit plan assets and obligations and an entity’s fiscal year-end, an entity that applies the practical expedient may not capture the effects of those events in the measurement of its defined benefit plan assets and obligations. Therefore, the Exposure Draft included a question about whether the funded status should be adjusted for those events.

BC9. Some respondents recommended clarifying that an entity’s month-end measurement of defined benefit plan assets and obligations should be adjusted for contributions or significant events caused by the entity that occur between the month-end measurement and an entity’s fiscal year-end. Other respondents disagreed with adjusting the measurement of defined benefit plan assets and obligations for significant events and recommended that the Board require disclosing significant events that occur between an entity’s fiscal year-end and the month-end measurement date.

BC10. The Board noted that only disclosing the effects of those significant events would increase costs and complexity for users because the financial statements would not reflect the effects of those events in the accounting period in which they occurred. Additionally, this would represent a more fundamental change to defined benefit plan accounting that is outside the scope of the Simplification Initiative. Therefore, the Board concluded that the net asset or liability recognized in the statement of financial position should be adjusted for contributions and significant events caused by the entity that occur between the month-end measurement date and an entity’s fiscal year-end so that the net asset or liability recognized in the entity’s statement of financial position accurately reflects the funded status of the plan as of the entity’s fiscal year-end. However, an entity does not need to adjust

the net asset or liability recognized in the statement of financial position for other significant events that are not caused by the entity (for example, changes in market prices or interest rates) because this would nullify the benefits of the practical expedient.

BC11. Under the amendments in the proposed Update, only an entity with a fiscal year-end that does not coincide with a month-end would be eligible to apply the practical expedient for measuring defined benefit plan assets and obligations. Some respondents noted that entities face the same issues when they are required to remeasure plan assets for significant events that occur on a date that does not coincide with a month-end (for example, a partial settlement). The Board agreed with those respondents and decided to expand the practical expedient to required remeasurements of defined benefit plan assets and obligations that do not coincide with a month-end.

BC12. The Exposure Draft included a question asking respondents whether the practical expedient for measuring defined benefit plan assets and obligations should apply consistently to all defined benefit plans if an entity has more than one defined benefit plan. Some respondents stated that an entity should be permitted to apply the practical expedient on a plan-by-plan basis. Those respondents noted that if the goal is to reduce complexity, then providing flexibility in applying the practical expedient would further this goal.

BC13. Other respondents recommended that the Board require consistent application of the practical expedient to all of an entity's defined benefit plans. Those respondents noted that comparability is enhanced when there is internal consistency in selecting the measurement date for all defined benefit plans. The Board agreed with those respondents, and observed that using different measurement dates for different plans could confuse users and warrant more disclosures about an entity's application of the practical expedient.

BC14. The Board decided to limit the practical expedient for measuring defined benefit plan assets and obligations to entities that sponsor defined benefit pension or other postretirement benefit plans. While many entities hold financial assets for investment purposes, those entities typically do not rely on third parties to provide information about the fair value of plan assets as much as entities that sponsor defined benefit pension or other postretirement benefit plans.

BC15. The Board considered extending the scope of the Update to apply to the reporting of employee benefit plan financial statements. However, plan assets and benefit obligations are more significant to a plan's financial statements than to business or not-for-profit entities' financial statements that sponsor those plans. Therefore, the Board decided to conduct additional research on applying the practical expedient to plan financial statements as part of its project to make targeted improvements to employee benefit plan accounting and reporting.

Disclosure

BC16. For an entity that contributes to plan assets between the measurement date and its fiscal year-end, the Board concluded that it may be costly for the entity to determine which classes of plan assets and levels in the fair value hierarchy were affected by the contribution. Therefore, the Board decided that the contribution should not be categorized within the classes of plan assets or the fair value hierarchy. Instead, an entity should disclose the amount of the contribution to permit reconciliation of the total fair value of all the classes of plan assets in the fair value hierarchy to the ending balance of the fair value of plan assets.

BC17. The Board also determined that it is important that users know what date is used for measuring plan assets and obligations so they can assess whether there have been any significant changes in market prices or interest rates that may have occurred between the measurement date and an entity's fiscal year-end. Therefore, the Board decided to require an entity to disclose the accounting policy election and the date that defined benefit plan assets and obligations are measured.

Effective Date and Transition

BC18. Many respondents recommended that early adoption be permitted. The Board decided to permit early adoption of the amendments in this Update because this practical expedient is intended to reduce the costs of measuring defined benefit plan assets.

BC19. The Board concluded that entities may need some time to assess whether to adopt the practical expedient because the practical expedient is an accounting policy election. Therefore, the Board decided that for public business entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Board noted that entities other than public business entities may need more time to apply the amendments in this Update. Therefore, the Board decided that for entities other than public business entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017.

BC20. The Board decided to require prospective application of the amendments in this Update. Although retrospective application would increase comparability with prior years, the Board concluded that the costs of remeasuring the fair value of defined benefit plan assets and obligations would be greater than the benefits because of the number of financial statement line items that may need to be adjusted and because those adjustments may be insignificant.

Benefits and Costs

BC21. 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 benefits and costs 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.

BC22. The Board anticipates that the amendments in this Update will reduce the costs of measuring the fair value of defined benefit plan assets for entities with a fiscal year-end that does not coincide with a month-end by permitting those entities to measure defined benefit plan assets as of the date that information about the fair value of plan assets is provided by third parties (that is, as of month-end). Additionally, the Board anticipates that the amendments in this Update will reduce the costs of measuring the fair value of defined benefit plan assets for remeasurements in interim periods because of the occurrence of significant events. The Board expects that the amendments in this Update will not significantly reduce the relevance of the information about the fair value of defined benefit plan assets and obligations because the date used to measure defined benefit plan assets and obligations in accordance with the practical expedient will be close to an entity's fiscal year-end (or close to the date of a significant event that calls for a remeasurement) and that date will be disclosed.

Amendments to the XBRL Taxonomy

The amendments to the *FASB Accounting Standards Codification*® in this Accounting Standards Update require changes to the U.S. GAAP Financial Reporting Taxonomy (Taxonomy). Those changes, which will be incorporated into the proposed 2016 Taxonomy, are available for public comment through [ASU Taxonomy Changes](#) provided at www.fasb.org, and finalized as part of the annual release process starting in September 2015.