

# FINANCIAL ACCOUNTING SERIES

## **FASB** ACCOUNTING STANDARDS UPDATE

No. 2017-06  
February 2017

Plan Accounting:  
Defined Benefit Pension Plans (Topic 960)  
Defined Contribution Pension Plans (Topic 962)  
Health and Welfare Benefit Plans (Topic 965)

Employee Benefit Plan Master Trust Reporting

a consensus of the FASB Emerging Issues Task Force

An Amendment of the *FASB Accounting Standards Codification*®

Financial Accounting Standards Board

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# Accounting Standards Update 2017-06

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Defined Contribution Pension Plans (Topic 962)

Health and Welfare Benefit Plans (Topic 965)

Employee Benefit Plan Master Trust Reporting

February 2017

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# Summary

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

The Board is issuing this Update to improve the usefulness of the information reported to users of employee benefit plan financial statements and to provide clarity to preparers and auditors. This Update relates primarily to the reporting by an employee benefit plan (a plan) for its interest in a master trust. A master trust is a trust for which a regulated financial institution (bank, trust company, or similar financial institution that is regulated, supervised, and subject to periodic examination by a state or federal agency) serves as a trustee or custodian and in which assets of more than one plan sponsored by a single employer or by a group of employers under common control are held.

Current disclosure guidance about an employee benefit plan's interest in a master trust in Topic 960, Plan Accounting—Defined Benefit Pension Plans, and Topic 962, Plan Accounting—Defined Contribution Pension Plans, includes requirements for a plan to disclose the following items: the fair value of investments held by the master trust by general type of investment; the net change in the fair value of investments of the master trust; the total investment income of the master trust by type; a description of the basis used to allocate net assets, net investment income or loss, and gains or losses to participating plans; and the plan's percentage interest in the master trust.

Many stakeholders find the master trust disclosure requirements in generally accepted accounting principles (GAAP) to be limited and incomplete, particularly relating to disclosures of the plan's interest in the master trust. Most preparers rely on the AICPA Audit and Accounting Guide, *Employee Benefit Plans*, to develop master trust disclosures in plan financial statements. Because many employee benefit plans hold investments in master trusts, some stakeholders have said that master trust disclosures is an area in which standard setting is needed.

The amendments in this Update clarify presentation requirements for a plan's interest in a master trust and require more detailed disclosures of the plan's interest in the master trust. The amendments also eliminate a redundancy relating to 401(h) account disclosures.

## Who Is Affected by the Amendments in This Update?

The amendments in this Update apply to reporting entities within the scope of Topic 960, Topic 962, or Topic 965, Plan Accounting—Health and Welfare Benefit Plans.

## What Are the Main Provisions and Why Will They Be an Improvement to Current Generally Accepted Accounting Principles (GAAP)?

Under Topic 960, investments in master trusts are presented in a single line item in the statement of net assets available for benefits. Similar guidance is not provided in Topic 962 or 965, which has resulted in diversity in practice. For each master trust in which a plan holds an interest, the amendments in this Update require a plan's interest in that master trust and any change in that interest to be presented in separate line items in the statement of net assets available for benefits and in the statement of changes in net assets available for benefits, respectively.

Topics 960 and 962 require plans to disclose their percentage interest in the master trust and a list of the investments held by the master trust, presented by general type, within the plan's financial statements. Stakeholders said that the disclosure can be misleading when the plan has a divided interest in the individual investments of the master trust (that is, when the plan has a specific, rather than a proportionate, interest in the master trust). The amendments in this Update remove the requirement to disclose the percentage interest in the master trust for plans with divided interests and require that all plans disclose the dollar amount of their interest in each of those general types of investments, which supplements the existing requirement to disclose the master trust's balances in each general type of investments.

Current GAAP does not require disclosure by plans of the master trust's other assets and liabilities. Examples of those balances include amounts due from brokers for securities sold, amounts due to brokers for securities purchased, accrued interest and dividends, and accrued expenses. Some stakeholders said that disclosure of those balances is necessary to understand the single line item presented in the statement of net assets available for benefits. The amendments in this Update require all plans to disclose (1) their master trust's other asset and liability balances and (2) the dollar amount of the plan's interest in each of those balances.

Lastly, investment disclosures (for example, those required by Topics 815 and 820) relating to 401(h) account assets are generally provided in both the defined benefit pension plan financial statements and the health and welfare benefit plan financial statements. Stakeholders noted that the disclosures are redundant. The amendments in this Update remove that redundancy and do not require that the investment disclosures relating to the 401(h) account assets be provided in the health and welfare benefit plan's financial statements. The amendments will require the health and welfare benefit plan to disclose the name of the defined benefit pension plan in which those investment disclosures are provided, so that participants can easily access those statements for information about the 401(h) account assets, if needed.



## When Will the Amendments Be Effective?

The amendments in this Update are effective for fiscal years beginning after December 15, 2018. Early adoption is permitted.

An entity should apply the amendments in this Update retrospectively to each period for which financial statements are presented.



# Amendments to the *FASB Accounting Standards Codification*<sup>®</sup>

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## Introduction

1. The Accounting Standards Codification is amended as described in paragraphs 2–20. 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 960-30

2. Supersede paragraph 960-30-45-11 and its related heading, with a link to transition paragraph 962-10-65-4, as follows:

### **Plan Accounting—Defined Benefit Pension Plans—Net Assets Available for Plan Benefits**

#### **Other Presentation Matters**

##### ~~> Investments in Master Trusts~~

**960-30-45-11** Paragraph superseded by Accounting Standards Update No. 2017-06. Investments in master trusts are presented in a single line item in the statement of net assets available for benefits. [Content amended and moved to paragraph 960-205-45-7]

3. Supersede paragraphs 960-30-50-1 through 50-3 and their related heading, with a link to transition paragraph 962-10-65-4, as follows:

#### **Disclosure**

##### ~~> Master Trust Investments~~

**960-30-50-1** Paragraph superseded by Accounting Standards Update No. 2017-06. In the notes to financial statements the investments of a master trust measured

using fair value shall be detailed by general type, such as the following, as of the date of each statement of ~~net assets available for benefits~~ presented:

- a. ~~Government securities~~
- b. ~~Short term securities~~
- c. ~~Corporate bonds~~
- d. ~~Common stocks~~
- e. ~~Mortgages~~
- f. ~~Real estate.~~ [Content amended and moved to paragraph 960-325-50-9]

~~960-30-50-2 Paragraph superseded by Accounting Standards Update No. 2017-06. The net change in the fair value of investments of the master trust and total investment income of the master trust by type, including interest, dividends, and so forth, also shall be disclosed in the notes for each period for which a statement of changes in net assets available for benefits is presented.~~ [Content amended and moved to paragraph 960-325-50-7]

~~960-30-50-3 Paragraph superseded by Accounting Standards Update No. 2017-06. The notes to financial statements shall also include both of the following:~~

- a. ~~Description of the basis used to allocate all of the following:~~
  - 1. ~~Net assets~~
  - 2. ~~Net investment income~~
  - 3. ~~Gains and losses to participating plans.~~
- b. ~~The plan's percentage interest in the master trust as of the date of each statement of net assets available for benefits presented.~~ [Content amended and moved to paragraph 960-325-50-8]

## Amendments to Subtopic 960-205

4. Add paragraph 960-205-45-7 and its related heading, with a link to transition paragraph 962-10-65-4, as follows:

### **Plan Accounting—Defined Benefit Pension Plans— Presentation of Financial Statements**

#### **Other Presentation Matters**

##### **> Interests in Master Trusts**

~~960-205-45-7 For each master trust in which a plan holds an interest, a plan shall present that interest and the change in that interest in investments in master trusts are presented in a single line item separate line items in the statement of net assets available for benefits and in the statement of changes in net assets available for~~

benefits, respectively. See Section 960-325-50 for master trust disclosures. **[Content amended as shown and moved from paragraph 960-30-45-11]**

## Amendments to Subtopic 960-325

5. Add paragraphs 960-325-50-7 through 50-11 and their related heading, with a link to transition paragraph 962-10-65-4, as follows:

### **Plan Accounting—Defined Benefit Pension Plans—Investments—Other**

#### **Disclosure**

##### **> Interests in Master Trusts**

**960-325-50-7** A plan shall disclose the following in the notes to financial statements for each period for which a statement of changes in net assets available for benefits is presented:

- a. ~~The net change~~Net appreciation or depreciation in the fair value of investments of the master trust ~~and total investment income of the master trust by type, including interest, dividends, and so forth, also shall be disclosed in the notes for each period for which a statement of changes in net assets available for benefits is presented. Net appreciation or depreciation includes realized gains and losses on investments that were both purchased and sold during the period as well as unrealized appreciation or depreciation of the investments held at year-end.~~ **[Content amended as shown and moved from paragraph 960-30-50-2]**
- b. Investment income (exclusive of (a)).

**960-325-50-8** A plan ~~also shall include in the~~The notes to financial statements ~~shall also include both of the following:~~

- a. Description of the basis used to allocate ~~at both~~ of the following:
  1. Net assets
  2. ~~Total~~Net investment income. See paragraph 960-325-50-7 for the components of total investment income.
  3. ~~Gains and losses to participating plans.~~
- b. ~~For a plan with an undivided interest in the master trust (that is, when the plan has a proportionate, rather than a specific, interest in the master trust), its~~The plan's percentage interest in the master trust as of the date of each statement of net assets available for benefits presented.

**[Content amended as shown and moved from paragraph 960-30-50-3]**

**960-325-50-9** In the notes to financial statements a plan shall include the investments of a master trust measured using fair value shall be detailed presented by general type of investment, such as the following, as of the date of each statement of **net assets available for benefits** presented:

- a. Registered investment companies (for example, mutual funds)
- ~~a.b.~~ Government securities
- c. Common-collective trusts
- d. Pooled separate accounts
- ~~b.e.~~ Short-term securities
- e.f. Corporate bonds
- ~~d.g.~~ Common stocks
- e.h. Mortgages
- f.i. Real estate. **[Content amended as shown and moved from paragraph 960-30-50-1]**

**960-325-50-10** A plan shall disclose the dollar amount of its interest in each general type of investment held by the master trust, consistent with the disclosure required by paragraph 960-325-50-9. See paragraph 962-325-55-18 for an example of this disclosure.

**960-325-50-11** A plan also shall disclose the master trust's other assets and liabilities and the dollar amount of the plan's interest in each of those other assets and liabilities. Examples of those balances include the following:

- a. Amounts due from brokers for securities sold
- b. Amounts due to brokers for securities purchased
- c. Receivables relating to derivatives
- d. Payables relating to derivatives
- e. Accrued interest and dividends
- f. Accrued expenses.

See paragraph 962-325-55-18 for an example of this disclosure.

## Amendments to Subtopic 962-205

6. Add paragraph 962-205-45-10 and its related heading, with a link to transition paragraph 962-10-65-4, as follows:

### **Plan Accounting—Defined Contribution Pension Plans— Presentation of Financial Statements**

#### **Other Presentation Matters**

## **> Interests in Master Trusts**

**962-205-45-10** For each master trust in which a plan holds an interest, a plan shall present that interest and the change in that interest in separate line items in the statement of net assets available for benefits and in the statement of changes in net assets available for benefits, respectively. See Section 962-325-50 for master trust disclosures.

## Amendments to Subtopic 962-325

7. Supersede paragraph 962-325-50-6, amend paragraphs 962-325-50-7 through 50-8 and the related heading, and add paragraphs 962-325-50-8A through 50-8C, with a link to transition paragraph 962-10-65-4, as follows:

## **Plan Accounting—Defined Contribution Pension Plans—Investments—Other**

### **Disclosure**

#### **> Interests in Master Trusts**~~Trust Investments~~

**962-325-50-6** Paragraph superseded by Accounting Standards Update No. 2017-06. In the notes to financial statements the investments of a master trust measured using fair value shall be presented by general type, such as the following, as of the date of each statement of net assets available for benefits presented:

- a. ~~Government securities~~
- b. ~~Short-term securities~~
- c. ~~Corporate bonds~~
- d. ~~Common stocks~~
- e. ~~Mortgages~~
- f. ~~Real estate~~
- g. ~~Self-directed brokerage accounts (that is, an investment option that allows participants to select investments outside the plan's core options).~~

For the presentation of ~~fully benefit-responsive investment contracts~~, which are measured at contract value, see paragraphs 962-325-35-5A and 962-325-50-3. **[Content amended and moved to paragraph 962-325-50-8A]**

**962-325-50-7** A plan shall disclose the following in the notes to financial statements for each period for which a statement of changes in net assets available for benefits is presented:

- a. ~~The total net change~~Net appreciation or depreciation in the fair value of investments of the master trust ~~and total investment income of the master~~

~~trust by type, for example, interest, and dividends, also shall be disclosed in the notes for each period for which a statement of changes in net assets available for benefits is presented. Net appreciation or depreciation includes realized gains and losses on investments that were both purchased and sold during the period as well as unrealized appreciation or depreciation of the investments held at year-end.~~

~~b. Investment income (exclusive of (a)).~~

~~**962-325-50-8** A plan also shall include in the~~The notes to financial statements ~~shall also include~~ both of the following:

- a. Description of the basis used to allocate ~~at~~both of the following:
  1. Net assets
  2. ~~Total~~Net investment income. See paragraph 962-325-50-7 for the components of total investment income.
  3. ~~Subparagraph superseded by Accounting Standards Update No. 2017-06. Gains and losses to participating plans.~~
- b. ~~For a plan with an undivided interest in the master trust (that is, when the plan has a proportionate, rather than a specific, interest in the master trust), its~~The plan's percentage interest in the master trust as of the date of each statement of net assets available for benefits presented.

~~**962-325-50-8A** In the notes to financial statements a plan shall include the investments of a master trust measured using fair value shall be~~ presented by general type of investment, such as the following, as of the date of each statement of net assets available for benefits presented:

- a. Registered investment companies (for example, mutual funds)
- ~~a-b.~~ Government securities
- c. Common-collective trusts
- d. Pooled separate accounts
- ~~b-e.~~ Short-term securities
- ~~e-f.~~ Corporate bonds
- ~~d-g.~~ Common stocks
- ~~e-h.~~ Mortgages
- ~~f-i.~~ Real estate
- ~~g-j.~~ Self-directed brokerage accounts (that is, an investment option that allows participants to select investments outside the plan's core options).

For the presentation of **fully benefit-responsive investment contracts**, which are measured at contract value, see paragraphs 962-325-35-5A and 962-325-50-3. **[Content amended as shown and moved from paragraph 962-325-50-6]**

~~**962-325-50-8B** A plan shall disclose the dollar amount of its interest in each general type of investment held by the master trust, consistent with the disclosure required by paragraph 962-325-50-8A. See paragraph 962-325-55-18 for an example of this disclosure.~~



**962-325-50-8C** A plan also shall disclose the master trust's other assets and liabilities and the dollar amount of the plan's interest in each of those other assets and liabilities. Examples of those balances include the following:

- a. Amounts due from brokers for securities sold
- b. Amounts due to brokers for securities purchased
- c. Receivables relating to derivatives
- d. Payables relating to derivatives
- e. Accrued interest and dividends
- f. Accrued expenses.

See paragraph 962-325-55-18 for an example of this disclosure.

8. Add paragraph 962-325-55-18 and its related heading, with a link to transition paragraph 962-10-65-4, as follows:

## **Implementation Guidance and Illustrations**

### **> Illustrations**

#### **>> Example 3: Illustrative Master Trust Disclosures**

**962-325-55-18** This Example illustrates the disclosures required by paragraphs 962-325-50-8A through 50-8C for the interest a plan has in each master trust. The plan's interest in the master trust, as presented on the statement of net assets available for benefits, is \$8,540,000 as of December 31, 20X2. In this Example, the plan has a divided interest in the master trust; however, those disclosures also are required for plans with undivided interests.

**[For ease of readability, the new illustration is not underlined.]**

	<b>Master Trust Balances</b>	<b>Plan's Interest in Master Trust Balances</b>
Mutual funds	\$ 13,560,000	\$ 6,816,800
Common stocks	2,245,000	1,638,200
U.S. government securities	575,000	-
Corporate bonds	327,500	-
Total investments at fair value	16,707,500	8,455,000
Plus:		
Due from broker for securities sold	225,000	100,000
Accrued interest and dividends	125,000	50,000
Less:		
Due to broker for securities purchased	(95,000)	(50,000)
Accrued expenses	(30,000)	(15,000)
Total	\$ 16,932,500	\$ 8,540,000

## Amendments to Subtopic 965-205

9. Add paragraph 965-205-45-11 and its related heading, with a link to transition paragraph 962-10-65-4, as follows:

### **Plan Accounting—Health and Welfare Benefit Plans— Presentation of Financial Statements**

#### **Other Presentation Matters**

##### **> Interests in Master Trusts**

**965-205-45-11** For each master trust in which a plan holds an interest, a plan shall present that interest and the change in that interest in separate line items in the statement of net assets available for benefits and in the statement of changes in net assets available for benefits, respectively. See Section 965-325-50 for master trust disclosures.

10. Add paragraph 965-205-50-5, with a link to transition paragraph 962-10-65-4, as follows:

#### **Disclosure**

## > 401(h) Accounts

965-205-50-5 A plan is not required to provide investment disclosures (for example, the disclosures required by Topic 815 on derivatives and hedging and Topic 820 on fair value measurement) for 401(h) account assets. A plan shall disclose the name of the defined benefit pension plan that allocated the funds to the health and welfare benefit plan and that provides the related investment disclosures.

## Amendments to Subtopic 965-325

11. Add paragraphs 965-325-50-5 through 50-9 and their related heading, with a link to transition paragraph 962-10-65-4, as follows:

### **Plan Accounting—Health and Welfare Benefit Plans—Investments—Other**

#### **Disclosure**

##### > Interests in Master Trusts

965-325-50-5 A plan shall disclose the following in the notes to financial statements for each period for which a statement of changes in net assets available for benefits is presented:

- a. Net appreciation or depreciation in the fair value of investments of the master trust. Net appreciation or depreciation includes realized gains and losses on investments that were both purchased and sold during the period as well as unrealized appreciation or depreciation of the investments held at year-end.
- b. Investment income (exclusive of (a)).

965-325-50-6 A plan also shall include in the notes to financial statements both of the following:

- a. Description of the basis used to allocate both of the following:
  1. Net assets
  2. Total investment income. See paragraph 965-325-50-5 for the components of total investment income.
- b. For a plan with an undivided interest in the master trust (that is, when the plan has a proportionate, rather than specific, interest in the master trust), its percentage interest in the master trust as of the date of each statement of net assets available for benefits presented.

**965-325-50-7** In the notes to financial statements a plan shall include the investments of a master trust measured using fair value presented by general type of investment, such as the following, as of the date of each statement of net assets available for benefits presented:

- a. Registered investment companies (for example, mutual funds)
- b. Government securities
- c. Common-collective trusts
- d. Pooled separate accounts
- e. Short-term securities
- f. Corporate bonds
- g. Common stocks
- h. Mortgages
- i. Real estate.

For the presentation of **fully benefit-responsive investment contracts**, which are measured at contract value, see paragraphs 965-325-35-8 and 965-325-50-2.

**965-325-50-8** A plan shall disclose the dollar amount of its interest in each general type of investment held by the master trust, consistent with the disclosure required by paragraph 965-325-50-7. See paragraph 962-325-55-18 for an example of this disclosure.

**965-325-50-9** A plan also shall disclose the master trust's other assets and liabilities and the dollar amount of the plan's interest in each of those other assets and liabilities. Examples of those balances include the following:

- a. Amounts due from brokers for securities sold
- b. Amounts due to brokers for securities purchased
- c. Receivables relating to derivatives
- d. Payables relating to derivatives
- e. Accrued interest and dividends
- f. Accrued expenses.

See paragraph 962-325-55-18 for an example of this disclosure.

## Amendments to Subtopic 962-10

12. Add paragraph 962-10-65-4 and its related heading as follows:

### **Plan Accounting—Defined Contribution Pension Plans— Overall**

#### **Transition and Open Effective Date Information**

**> Transition Related to Accounting Standards Update No. 2017-06, Plan Accounting (Topics 960, 962, and 965): Employee Benefit Plan Master Trust Reporting**

**962-10-65-4** The following represents the transition and effective date information related to Accounting Standards Update No. 2017-06, *Plan Accounting (Topics 960, 962, and 965): Employee Benefit Plan Master Trust Reporting*:

- a. The pending content that links to this paragraph shall be effective for fiscal years beginning after December 15, 2018. Early adoption is permitted.
- b. An entity shall apply the pending content that links to this paragraph retrospectively to each period for which financial statements are presented.
- c. An entity shall provide the disclosures in paragraph 250-10-50-1(a) in the first annual period the entity adopts the pending content that links to this paragraph.

**Amendments to Status Sections**

13. Amend paragraph 960-30-00-1, by adding the following items to the table, as follows:

**960-30-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
960-30-45-11	Superseded	2017-06	02/27/2017
960-30-50-1 through 50-3	Superseded	2017-06	02/27/2017

14. Amend paragraph 960-205-00-1, by adding the following item to the table, as follows:

**960-205-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
960-205-45-7	Added	2017-06	02/27/2017

15. Amend paragraph 960-325-00-1, by adding the following item to the table, as follows:

**960-325-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
960-325-50-7 through 50-11	Added	2017-06	02/27/2017

16. Amend paragraph 962-10-00-1, by adding the following item to the table, as follows:

**962-10-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
962-10-65-4	Added	2017-06	02/27/2017

17. Amend paragraph 962-205-00-1, by adding the following item to the table, as follows:

**962-205-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
962-205-45-10	Added	2017-06	02/27/2017

18. Amend paragraph 962-325-00-1, by adding the following items to the table, as follows:

**962-325-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
962-325-50-6	Superseded	2017-06	02/27/2017
962-325-50-7	Amended	2017-06	02/27/2017
962-325-50-8	Amended	2017-06	02/27/2017
962-325-50-8A through 50-8C	Added	2017-06	02/27/2017
962-325-55-18	Added	2017-06	02/27/2017

19. Amend paragraph 965-205-00-1, by adding the following items to the table, as follows:

**965-205-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
965-205-45-11	Added	2017-06	02/27/2017
965-205-50-5	Added	2017-06	02/27/2017

20. Amend paragraph 965-325-00-1, by adding the following item to the table, as follows:

**965-325-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
965-325-50-5 through 50-9	Added	2017-06	02/27/2017

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

# Background Information and Basis for Conclusions

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## Introduction

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

## Background Information

BC2. Many employee benefit plans hold investments in master trusts. A master trust is a trust for which a regulated financial institution (bank, trust company, or similar financial institution that is regulated, supervised, and subject to periodic examination by a state or federal agency) serves as a trustee or custodian and in which assets of more than one plan sponsored by a single employer or by a group of employers under common control are held. The regulated financial institution may or may not have discretionary control over the assets.

BC3. Current disclosure guidance about an employee benefit plan's interest in a master trust in Topics 960 and 962 includes requirements for a plan to disclose the following items: the fair value of investments held by the master trust by general type of investment; the net change in the fair value of investments of the master trust; the total investment income of the master trust by type; a description of the basis used to allocate net assets, net investment income or loss, and gains or losses to participating plans; and the plan's percentage interest in the master trust.

BC4. Each plan's interest in the net assets of the master trust may be divided or undivided. A plan has an undivided interest in a master trust when the plan holds a proportionate interest in the net assets of the master trust but has no specific interest in any of the individual balances of the master trust. All other interests in a master trust are considered to be divided.

BC5. Historically, most benefit plans were defined benefit plans in which the sponsor promised to pay a specific benefit that was determined by specific factors (for example, age, years of service, and compensation). Under those defined benefit plans, the plan's investments were typically directed by the sponsor (otherwise known as nonparticipant-directed investments). When a master trust was used to hold those investments, the plans typically held an undivided interest in that master trust. However, employee benefit plans have evolved. The majority



of plans are now defined contribution plans that involve more participant-directed investments (that is, the participant can elect specific investments based on options that the plan provides). Today, it is not uncommon for plans to have divided interests in master trusts. The sum of the individual participant-directed investments in a master trust establishes the plan's divided interest in each general type of investment held by the master trust.

BC6. Some stakeholders said that the evolution of employee benefit plans has resulted in a need to clarify and improve some of the GAAP requirements relating to master trusts.

BC7. At its June 10, 2016 meeting, the Task Force reached a consensus-for-exposure to clarify and improve some of the GAAP requirements relating to master trusts. The Board subsequently ratified the consensus-for-exposure on June 29, 2016, and on July 28, 2016, issued proposed Accounting Standards Update, *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965)—Employee Benefit Plan Master Trust Reporting*, for public comment, with a comment period that ended on September 26, 2016. The Board received 11 comment letters on the proposed Update. The staff also performed outreach with (a) practitioners, (b) an industry organization representing several trust companies whose clients are plan sponsors, and (c) a regulatory user.

BC8. The Task Force considered feedback received on the proposed Update at its November 17, 2016 meeting, and reached a consensus. The Board subsequently ratified the consensus, resulting in issuance of this Update.

## Scope

BC9. The Task Force reached a consensus that the amendments in this Update should apply to reporting entities within the scope of Topic 960, 962, or 965.

## Presentation

BC10. The current presentation guidance in Topic 960 relating to master trusts is not consistently provided within each of the plan accounting Topics. Topic 960 requires that defined benefit pension plans present investments in a master trust in a single line item in the statement of net assets available for benefits. However, similar guidance is not included in Topic 962 or 965 for defined contribution pension plans and health and welfare benefit plans, respectively, and no guidance is included in any of the Topics on how to present changes in a plan's interest in the master trust in the plan's statement of changes in net assets available for benefits.

BC11. In addition, based on outreach, the Task Force understands that there is diversity in practice in the presentation of other master trust balances and activity

within the plan's financial statements (for example, amounts due from brokers for securities sold, amounts due to brokers for securities purchased, accrued interest and dividends, and accrued expenses).

BC12. The Task Force reached a consensus that all plans should present separately their interest in each of the master trusts in which they hold investments and the change in their interest in each of those master trusts as separate line items in the statement of net assets available for benefits and the statement of changes in net assets available for benefits, respectively. The Task Force concluded that this presentation appropriately reflects the plan's interest in the legal structure that is the master trust. That is, the presentation retains a crucial distinction between an interest in the master trust and all other plan activity and balances (such as the investments the plan holds directly). Furthermore, while there is some diversity in practice, the Task Force understands that the majority of plans currently follow a single-line presentation for purposes of reflecting a plan's interest in a master trust, and the amendments in this Update would not result in a change in that practice. The Task Force also notes that this presentation was supported by the majority of stakeholders during outreach and is more consistent with regulatory reporting.

BC13. In reaching their conclusion, Task Force members expressed the view that the plan's asset is its interest in each master trust and therefore agreed that interest is what should be presented in the statement of net assets available for benefits. Furthermore, some Task Force members noted that separately presenting the plan's interest in the master trust's assets and liabilities in the plan's statement of net assets available for benefits would be presenting items that are not the assets and liabilities of the plan but those of another unconsolidated entity.

## Disclosure

BC14. The Task Force reached a consensus that all plans (that is, both plans with a divided interest and plans with an undivided interest) should disclose the dollar amount of the plan's interest in each general type of investment held by the master trust, which supplements the existing requirement to disclose the master trust's balances in each general type of investment. The Task Force did not intend for the examples of general types of investments included within this Update to be considered a prescriptive, all-inclusive list of categories that a plan may utilize.

BC15. The Task Force understands that because more of today's plans have divided interests due to participant-directed investments, the current requirement to disclose the plan's total percentage interest in the master trust may not appropriately reflect the dollar amount of the plan's interest in each general type of investment that is held by the master trust. As such, most stakeholders indicated, and the Task Force ultimately agreed, that the current disclosure could be misleading for plans with a divided interest.

BC16. While the amendments in the proposed Update would have required the disclosure of the dollar amount of the plan's interest in each general type of investment held by the master trust for only plans with a divided interest in the master trust, this Update requires that same disclosure for all plans. This is because some stakeholders noted an inconsistency in the proposed amendments whereby plans with an undivided interest would not be required to disclose the dollar amount of the plan's interest in each general type of investment held by the master trust but would be required to disclose the dollar amount of the plan's interest in the master trust's other assets and liabilities as discussed in paragraph BC17 below. The Task Force ultimately decided to require that all plans disclose the dollar amount of the plan's interest in each general type of investment held by the master trust because the disclosure would improve transparency for users by providing greater insight about the types of investments held by the plan and the associated dollar amount of the plan's interest held in those investments. The Task Force understands that the cost of providing this disclosure would not be burdensome because much of the work of identifying the dollar amount of the plan's interest in each general type of investment held by the master trust is currently done for purposes of having the plan's interest in the master trust audited. While some stakeholders questioned whether the disclosure would be necessary for plans with an undivided interest, the Task Force noted that there is no conceptual basis for plans with an undivided interest to disclose the dollar amount of their interest in the master trust's other assets and liabilities but not disclose the dollar amount of their interest in the general type of investments held by the master trust. In addition, the Task Force notes that not distinguishing between plans with a divided interest and plans with an undivided interest is consistent with the regulatory reporting requirements.

BC17. The Task Force also reached a consensus to require that all plans (that is, plans with a divided interest and plans with an undivided interest) disclose the master trust's other assets and liabilities, as well as the dollar amount of the plan's interest in each of those other assets and liabilities. The Task Force understands that the current disclosure requirements do not provide insight into all of the balances in the master trust's statement of net assets, which make up the plan's interest in the master trust. That is, the current disclosures focus only on the investments. As such, the Task Force decided that the master trust's other assets and liabilities and the dollar amount of the plan's interest in each of those other assets and liabilities also should be disclosed for all plans. The Task Force understands that the information is useful at the master trust level, provides information about the legal structure that is the master trust, and facilitates the regulator's ability to reconcile the disclosure with the master trust's Form 5500 regulatory filing under the Employee Retirement Income Security Act of 1974 (ERISA). The Task Force also concluded that the dollar amount of the plan's interest in each of the master trust's other assets and liabilities is useful because it helps a user better understand the amounts included in the plan's interest in the master trust that is presented in the plan's statement of net assets available for benefits. Lastly, this Update does not provide prescriptive guidance on how the

other assets and liabilities should be disaggregated; instead, the amendments in this Update provide examples of other assets and liabilities that may be included, which allows plans to use judgment and provide the disclosure based on their specific facts and circumstances.

BC18. The Task Force decided not to require that plans disclose the master trust's statement of net assets available for benefits and the statement of changes in net assets available for benefits. The Task Force concluded that much of the same information will be provided through other amendments in this Update, which will be less costly and will provide more targeted information to users. As such, the Task Force did not believe the benefits would justify the costs.

BC19. The Task Force also decided not to specify in situations in which financial statements were being prepared for the master trust, rather than for a specific plan, whether master trust financial statements should follow investment company or employee benefit plan guidance—or some combination of the two. The Task Force noted that while it agreed that the simplifications provided for employee benefit plans during the Board's simplification initiative in 2015 (including presentation of fully-benefit-responsive investment contracts at contract value, and providing investment disclosures by general type of investment as opposed to nature, characteristics, and risks) should be considered for master trusts, it did not believe that issue was within the scope of this project.

BC20. Although GAAP does not currently require disclosures for the underlying investments held by a master trust (for example, disclosures in Topics 815 and 820), the Task Force understands that the majority of plans provide these disclosures on the basis of nonauthoritative guidance. This nonauthoritative guidance includes (a) AICPA Technical Practice Aid TIS Section 6931.11, *Fair Value Measurement Disclosures for Master Trusts*, and (b) the AICPA Audit and Accounting Guide, *Employee Benefit Plans*. While some Task Force members said that explicit GAAP requirements should be provided, other Task Force members said that there was no need for standard setting in this area. Ultimately, the Task Force decided not to address this issue, noting that it does not appear to be a significant current practice issue for which standard setting is warranted and there is no intent to change current practice.

BC21. Some stakeholders recommended that a plan be required to disclose whether its interest in a master trust is divided or undivided. However, the Task Force understands that this information is typically included as part of the disclosure requirement to provide a description of the basis used to allocate net assets and total investment income, which is in paragraphs 960-325-50-8, 962-325-50-8, and 965-325-50-6 of this Update. As such, the Task Force noted that when complying with the guidance in those paragraphs, the structure of the plan (that is, divided or undivided) is an important consideration to disclose.

BC22. Lastly, the Task Force reached a consensus that a health and welfare benefit plan is not required to provide investment disclosures (for example, the disclosures required by Topics 815 and 820) for 401(h) account assets because

those disclosures are provided within the defined benefit pension plan financial statements. The Task Force understands that the defined benefit pension plan legally owns the 401(h) account assets. Therefore, the health and welfare benefit plan's interest is that of a receivable from the defined benefit pension plan, not an investment. Furthermore, the Task Force notes that including the investment disclosures in the defined benefit pension plan financial statements more closely aligns with regulatory reporting requirements. As such, the Task Force sees no need to require the same investment disclosures within multiple financial statements; however, the Task Force also reached a consensus to require disclosure of the defined benefit pension plan name within the health and welfare benefit plan's financial statements so that all users can access the disclosure information relating to the 401(h) account assets, if desired.

## Effective Date and Transition

BC23. The Task Force reached a consensus that the amendments in this Update should be applied retrospectively to each period for which financial statements are presented beginning in a reporting entity's fiscal year of adoption. The Task Force concluded that it is appropriate for the disclosures to be consistent in all periods presented within a reporting entity's financial statements because it will allow for greater comparability.

BC24. The Task Force decided that the amendments in this Update should be effective for fiscal years beginning after December 15, 2018, because that effective date will provide all affected plans with sufficient time to comply with the amendments. Early adoption is permitted.

BC25. The Task Force considered whether the disclosures related to changes in accounting principle in paragraphs 250-10-50-1 through 50-3 should apply to the amendments. Many of the disclosure requirements are not applicable to employee benefit plans because plan financial statements generally do not contain any of the items referred to in those paragraphs, such as per-share amounts or retained earnings. As such, the Task Force concluded that a reporting entity should be required to disclose only the nature of and reason for the change in accounting principle (that is, the requirements of paragraph 250-10-50-1(a)).

## Benefits and Costs

BC26. The primary objective of employee benefit plan financial reporting is to provide financial information that is useful in assessing a plan's present and future ability to pay benefits as they become due. However, the benefits of providing information for that purpose should justify the related costs. The users of plan financial statements include the U.S. Department of Labor, the U.S. Department of the Treasury (specifically, the Internal Revenue Service), the Pension Benefit Guaranty Corporation, plan sponsors, trustees, and plan participants. The users

of financial information benefit from improvements in financial reporting, while the costs to implement new guidance are borne primarily by current plan sponsors and plan participants. The Task Force'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.

BC27. The Task Force does not anticipate that entities will incur significant costs as a result of applying the amendments in this Update because the amendments do not require additional information to be compiled. That is, the information needed to compile the disclosures should already be available for purposes of complying with current regulatory reporting requirements. Furthermore, the Task Force understands that the disclosures will provide more transparent information to users about the plan's interest in the master trust. Ultimately the Task Force believes that the benefits of requiring the additional disclosures justify the related costs.

## Amendments to the XBRL Taxonomy

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The amendments to the *FASB Accounting Standards Codification*<sup>®</sup> 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 2018 Taxonomy, are available for public comment through [ASU Taxonomy Changes](#) provided at [www.fasb.org](http://www.fasb.org), and finalized as part of the annual release process.