Changes to Defined Benefit Plan Disclosures

As part of its multiyear disclosure framework project, the Financial Accounting Standards Board (FASB) recently finalized updates to annual disclosure requirements for employers that sponsor defined benefit pension or other postretirement benefit plans. Accounting Standards Update (ASU) 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, adds two new disclosures but removes seven disclosures. There are no changes to interim reporting requirements.

Disclosures Removed

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

Disclosures Added

- The weighted-average interest crediting rate for cash balance plans and other plans with a promised interest crediting rate. In recent years, cash balance plans have significantly increased. Under these plans, an employee’s benefit is defined in terms of a hypothetical account balance that grows with principal and interest credits. The interest crediting rate is based on the plan formula, which usually may provide for a fixed rate or variable rate based on a market instrument or index level and may be constrained by a floor or ceiling. Because the interest crediting rate typically is a significant assumption affecting the benefit obligation and net benefit cost in a cash balance plan, FASB concluded enhanced disclosure is warranted
- A narrative description of the reasons for significant gains and losses affecting the benefit obligation for the period. Currently, entities must disclose the gain or loss component of net benefit cost and the net gain or loss recognized in other comprehensive income; however, there is no specific requirement to disclose the reasons for significant gains and losses. Gains and losses can result from a change in the value of either the benefit obligation or the plan assets resulting from experience different from that assumed

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\(^1\) Nonpublic entities include private companies, nonpublic employee benefit plans and not-for-profit organizations.
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\textit{i.e.}, the difference between expected and actual return on plan assets, or from a change in an actuarial assumption, \textit{i.e.}, changes in discount or mortality rates

Disclosures Clarified

The disclosures required by Accounting Standards Codification 715 should be aggregated for all of an employer’s defined benefit pension plans and other defined benefit postretirement plans unless disaggregating in groups is considered to provide useful information or is otherwise required. If aggregate disclosures are presented, an employer shall disclose—as of the date of each statement of financial position presented—both of the following:

- The projected benefit obligation (PBO) and fair value of plan assets for pension plans with PBOs in excess of plan assets and the accumulated benefit obligation (ABO) and fair value of plan assets for pension plans with ABOs in excess of plan assets
- The accumulated postretirement benefit obligation (APBO) and fair value of plan assets for other postretirement plans with APBOs in excess of plan assets

Transition

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

Effective Date & Early Adoption

These amendments are effective for fiscal years ending after December 15, 2020, for public business entities and for fiscal years ending after December 15, 2021, for all other entities. The effective date is expressed as “fiscal years ending after” since there are no changes to the interim disclosure requirements.

Early adoption is permitted for all entities.

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