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Technical Director

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Proposed Accounting Standards Update

Employee Benefit Plan Master Trust Reporting

The Accounting Principles and Assurance Services Committee (the “Committee”) of the California Society of Certified Public Accountants (“CalCPA”) respectfully submits its comments on the referenced proposal. The Committee is the senior technical committee of CalCPA. CalCPA has approximately 43,500 members. The Committee consists of 55 members, of whom 45 percent are from local or regional CPA firms, 32 percent are from large multi-office CPA firms, 12 percent are sole practitioners in public practice, 6 percent are in academia and 5 percent are in international CPA firms. Members of the Committee are with CPA firms serving a large number of public and nonpublic business entities, as well as many non-business entities such as not-for-profits, pension plans and governmental organizations.

Below are the Committee’s responses to the questions posed in the document:

Question 1: Should a plan’s interest in a master trust and the change in its interest in the master trust be presented in single line items in the plan’s statement of net assets available for benefits and in the statement of changes in net assets available for benefits, respectively? Why or why not?

The Committee agrees that the presentation of a plan’s interest and changes in that interest as single line items in the plan’s financial statements is appropriate based on the conclusion that the plan’s investment is in the master trust and not the individual investments held by the trust. However, the Committee notes that there does not appear to be a current exemption from Topic 810 for plan accounting and a different conclusion could be reached by applying the provisions of Topic 810 to the plan financial statements. Accordingly, the FASB may wish to include an exemption from Topic 810 for plan accounting.

Question 2: Should a plan with a divided interest in a master trust be required to disclose the dollar amount of its interest in each general type of investment held by the master trust as well as the total investments held by the master trust, presented by general type? Why or why not?

The Committee agrees with the proposed disclosure. This disclosure would appear to be necessary due to the proliferation of participant-directed accounts.

Question 3: Should a plan be required to disclose a master trust's other assets and liabilities (for example, amounts due from brokers for securities sold, amounts due to brokers for securities purchased, accrued interest and dividends, and other accrued expenses) and the dollar amount of the plan's interest in each of those assets and liabilities? Why or why not?

The Committee agrees with the proposed disclosure. Current requirements are limited to interests in investments and these other accounts could be material to certain master trusts and the plan's interest in the trust.

Question 4: Should a health and welfare benefit plan not be required to include the 401(h) account investment disclosures? If so, should the health and welfare benefit plan be required to disclose the name of the defined benefit pension plan in which those 401(h) account investments are legally held? Why or why not?

The proposed ASU concludes that since the information is available in the separate 401(h) statements they need not be repeated here, but that the reader should be directed to those statements by disclosing the name. The Committee agrees with this approach.

Question 5: The Task Force decided not to require plans to provide other disclosures (for example, those required by Topics 815 and 820) for the underlying investments held by a master trust. Do you agree that such disclosures should not be required for the underlying investments held by the master trust? Why or why not?

The proposed ASU conclusion is consistent with the notion that the investment is an interest in the master trust and not interests in the separate investments. However, the Committee notes that the valuation of the master trust investment is dependent upon the valuation of the underlying investments held in the trust and that information regarding the methods of determining fair value of those investments held in the trust are as critical to understanding the value of the trust as they are to understanding the value of the individual investments. Accordingly, the Committee believes that some disclosure of the methods used to determine fair value of the underlying investments is appropriate.

Question 6: Should plans be required to provide the Topic 820 disclosures for a plan's interest in the master trust (that is, consistent with the single line item that is presented in the statement of net assets available for benefits)? For example, should a plan be required to disclose the fair value hierarchy level of its interest in the master trust and if its interest in the master trust is classified as Level 3, then also the relevant Level 3 disclosures? Why or why not?

As discussed in the answer to Question 5, the Committee believes that some disclosure is required, even if not as extensive as required by Topic 820.

Question 7: Are there other disclosures that should be required in the plan's financial statements related to the plan's interest in the master trust or related to the master trust's activity?

Except for the discussion above in answer to Questions 5 and 6, the Committee is not aware of other disclosures that should be required.

Question 8: Are there other current master trust disclosure requirements that should be amended or no longer be required? Why or why not?

The Committee does not believe there are other amendments that should be or are no longer required.

Question 9: What costs do you anticipate would be incurred if the proposed amendments were implemented?

The Committee concludes that the proposed amendments are unlikely to require significant additional costs.

Question 10: Should the proposed amendments be applied retrospectively? Why or why not?

The Committee concludes that retrospective treatment should be required.

Question 11: How much time would be needed to implement the proposed amendments? Should early adoption be permitted?

As with costs, the Committee does not believe that significant time would be required. The Committee concludes that early adoption should be permitted since the ASU is considered an improvement to existing standards.

We thank you for the opportunity to comment on this matter. We would be glad to discuss our opinions with you further should you have any questions or require additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "A.J. Major III". The signature is written in a cursive style with a large initial "A" and a stylized "J" and "M".

A.J. Major III
Chair
Accounting Principles and Assurance Services Committee
California Society of Certified Public Accountants