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Technical Director  
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Proposed Accounting Standards Update Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20) *Changes to the Disclosure Requirements for Defined Benefit Plans*

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 proposals. The Committee is the senior technical committee of CalCPA. CalCPA has approximately 43,000 members. The Committee consists of 57 members, of whom 43 percent are from local or regional CPA firms, 30 percent are from large multi-office CPA firms, 13 percent are sole practitioners in public practice, 9 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.

**Question 1:** Would the proposed amendments result in more effective, decision-useful information about defined benefit pension and other postretirement plans? If not, please explain why. Would the proposed amendments result in the elimination of decision-useful information about defined benefit pension and other postretirement plans? If yes, please explain why.

The proposed amendments would generally result in more effective, decision-useful information about defined benefit pension and other postretirement plans and not result in the elimination of decision-useful information.

However, the disaggregation of disclosures between domestic and foreign plans can be problematic. The proposal states that “domestic” refers to the parent entity’s country, while “foreign” is outside the parent entity’s country. There are several questions:

- What is the parent entity’s country? Is it the country in which the parent is incorporated? The country in which it maintains its headquarters? The country in which it has the largest part of its operations? For some entities, the answer to each of these questions is different.
- Should consideration be given to non-U.S. based entities where disaggregation as proposed by the Board could be meaningless?

The Committee agrees with the Board’s objective as stated in paragraph BC27. However, we suggest that disaggregation be based on differences in the plans in various countries, including certain regulatory and funding requirements. This is particularly necessary for entities which might aggregate U.S. and some non-U.S. plans under the Board’s proposal. There may be other aggregations as well which will not meet the Board’s objectives in requiring the disaggregated disclosure.

**Question 2:** Are the proposed disclosure requirements operable and auditable? If not, which aspects pose operability or auditability issues and why?

The Committee believes the proposed disclosure requirements are operable and auditable.

**Question 3:** Would any of the proposed disclosures impose significant incremental costs? If so, please describe the nature and extent of the additional costs.

The Committee is concerned that the proposal to require nonpublic entities to disclose the effects of a one-percentage-point change in assumed health care cost trend rates could be unduly expensive for those entities, particularly smaller nonpublic entities, notwithstanding the Board's view stated in paragraph BC29. If this type of information is important to a user of the nonpublic entity's financial statements, it can be sought directly from the entity.

The Committee did not note any of the other proposed disclosures which would impose significant incremental costs.

**Question 4:** Are there any other disclosures that should be required by Subtopic 715-20 on the basis of the proposed Concepts Statement or for other reasons? Please explain why.

The Committee has no additional disclosures to propose.

**Question 5:** Are there any other disclosure requirements retained following the review of Subtopic 715-20 that should be removed on the basis of the proposed Concepts Statement or for other reasons? Please explain why.

The Committee did not note any disclosure requirements that should be removed.

**Question 6:** How much time would be needed to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by nonpublic entities be different from the amount of time needed by public entities? Should early adoption be permitted? If yes to either question, please explain why.

The Committee does not have a specific estimate of the time that would be needed to implement the proposed amendments, but does not believe it would be significant other than in the year of initial implementation.

Because the time required for implementation by nonpublic entities, which are more frequently smaller entities, would be disproportionately larger as compared to larger entities, the Committee recommends that they be given an additional year to implement the proposals.

Early adoption should be permitted. The proposals are only for disclosure, and if they are an improvement over existing requirements, the Committee sees no reason not to adopt them early.

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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 that reads "A.J. Major III". The signature is written in a cursive style with a large initial "A" and a stylized "J".

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