

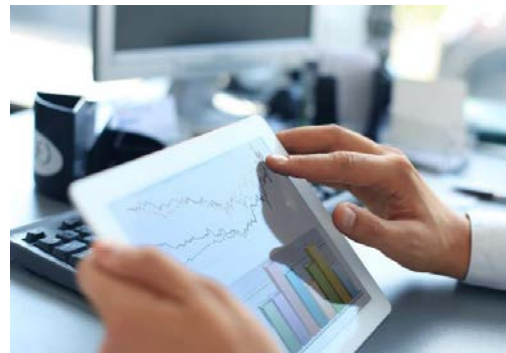
FASB Finalizes Changes to Master Trust Accounting Standards

Under changes in accounting disclosures adopted by FASB, plans investing in master trusts need to report more information in their statement of net assets available for plan benefits and in their statement of changes in net assets available for plan benefits.

Background

A master trust is one for which a regulated financial institution, such as a bank, serves as a trustee or custodian and which holds assets of more than one plan sponsored by a single employer or by a group of employers under common control. Current FASB guidance under ASC 960 (Defined Benefit Pension Plans) and 962 (Defined Contribution Pension Plans) requires the plan to disclose all of the following about their interest in a master trust:

- The fair value of investments held by the master trust by general type of investment
- The net change in the fair value of each significant type of investment 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
- The plan's percentage interest in the master trust



This information is reported with other financial information disclosed on the plan's annual Form 5500 Return/Report.

In August, 2016, FASB proposed an update to the accounting standards for master trusts that would conform the guidance for defined contribution plans and health and welfare plans with existing guidance for defined benefit plans as described in our [August 16, 2016 For Your Information](#).

Change to Accounting Standard Finalized

On February 27, FASB issued a [Final Accounting Standards Update](#) on these master trust disclosures. As proposed, the update conforms the guidance for defined contribution plans and health and welfare plans with existing guidance for defined benefit plans. A plan's interest in a master trust, and any change in interest in the master trust, must now be presented in a separate line item for each master trust in which a plan holds an interest in the statement of net assets available for plan benefits and in the statement of changes in net assets available for plan benefits.

In addition, for plans with divided interests (specific, rather than proportionate interests), the update removes the requirement to disclose their percentage interest in the list of the general types of investments held by the master trust. Instead, these plans are to disclose the dollar amount of their interest in each general type of investment. Plans with proportionate interests are to disclose both their percentage interest and the dollar amount of their interest. Dollar amount disclosure also applies to the master trust's other asset and liability balances (for example, amounts due from brokers for securities sold, amounts due to brokers for securities purchased, accrued interest and dividends, and other accrued expenses).

As had been proposed, one simplification is included. Investment disclosures for 401(h) account assets that are provided in the defined benefit pension plan financial statements are not duplicated in the health and welfare benefit plan's financial statements under the final update. Amendments to Topic 965 (Health and Welfare Benefit Plans) require the health and welfare benefit plan to disclose the name of the defined benefit pension plan in which those investment disclosures are provided.

Effective Date

The amendments are effective for fiscal years beginning after December 15, 2018, and must be applied retrospectively. Early adoption is permitted.

In Closing

Sponsors should review the reporting they receive from each master trust's trustee or custodian to make sure the necessary information will be available retrospectively for all periods presented in plan accounting disclosures.

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