

# FASB FLASH REPORT

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## FASB Amends the Disclosure Requirements for Defined Benefit Plans

The FASB issued ASU 2018-14<sup>1</sup> to improve the effectiveness of disclosures for defined benefit plans under ASC 715-20<sup>2</sup>. The ASU applies to employers that sponsor defined benefit pension or other postretirement plans. The ASU is available [here](#), and is effective for public business entities for fiscal years ending after December 15, 2020, and for all other entities, the effective date is fiscal years ending after December 15, 2021. Early adoption is permitted.

### BACKGROUND

The FASB issued ASU 2018-14 as part of its disclosure framework project, which has an objective and primary focus to improve the effectiveness of disclosures in the notes to financial statements. As part of the project, during August 2018, the Board also issued a Concepts Statement,<sup>3</sup> which the FASB used as a basis for amending the disclosure requirements for Subtopic 715-20.

<sup>1</sup> *Compensation—Retirement Benefits—Defined Benefit Plans—General (Topic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*

<sup>2</sup> FASB Accounting Standards Codification (ASC) Subtopic 715-20, *Compensation—Retirement Benefits—Defined Benefit Plans—General* (Subtopic 715-20)

<sup>3</sup> [Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements](#)

## MAIN PROVISIONS

ASU 2018-14 amends the disclosure requirements applicable to all employers that sponsor defined benefit pension or other postretirement plans by removing and adding certain disclosures.

### The following disclosure requirements were removed from Subtopic 715-20:

1. Amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year.
2. Amount and timing of any plan assets expected to be returned to the employer.
3. The disclosures related to the June 2001 amendments to the Japanese Welfare Pension Insurance Law.
4. 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.
5. For nonpublic 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. However, nonpublic entities will now be required to disclose separately the amounts of purchases and any transfers into or out of Level 3 of the fair value hierarchy.
6. For public entities, the effects of a one-percentage-point change in the assumed health care cost trend rates on the aggregate of the service and interest cost components of net periodic postretirement health care benefit costs and the accumulated postretirement benefit obligation for health care benefits.

### The following disclosure requirements are added to Subtopic 715-20:

1. The weighted-average interest crediting rates for cash balance plans and other plans with promised interest crediting rates.
2. An explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period.

### ASU 2018-14 also clarifies the disclosure requirements in paragraph 715-20-50-3.

For entities with multiple plans that provide aggregated disclosures, the following information for defined benefit pension plans should be disclosed:

1. The projected benefit obligation (PBO) and fair value of plan assets for plans with PBOs in excess of plan assets.
2. The accumulated benefit obligation (ABO) and fair value of plan assets for plans with ABOs in excess of plan assets.

## EFFECTIVE DATE AND TRANSITION REQUIREMENTS

The amendments in this ASU 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. Early adoption is permitted for all entities.

Upon adoption, an entity should apply the amendments in this ASU on a retrospective basis to all periods presented.

## CONTACT

**ADAM BROWN** / National Assurance Managing Partner  
214-665-0673 / [abrown@bdo.com](mailto:abrown@bdo.com)

**JIN KOO** / National Assurance Partner  
214-243-2941 / [jkoo@bdo.com](mailto:jkoo@bdo.com)

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