

AN ALERT FROM THE BDO NATIONAL ASSURANCE PRACTICE

BDO FLASH REPORT

FASB



SUBJECT

FASB UPDATES PRESENTATION OF EMPLOYEE BENEFIT PLAN INTEREST IN A MASTER TRUST

SUMMARY

The FASB recently issued ASU 2017-06¹ to clarify the presentation and disclosure requirements for an employee benefit plan's interest in a master trust. The ASU is available [here](#), and becomes effective for plan years beginning after December 15, 2018.

DETAILS

Background

A master trust is a trust for which a regulated financial institution² serves as a trustee or custodian and in which assets of more than one employee benefit plan (EBP) sponsored by a single employer or by a group of employers under common control are held. Historically, stakeholders found EBP disclosures about master trust investments to be of limited value.

Main Provisions

ASU 2017-06 applies to EBPs within the scope of Topics 960,³ 962,⁴ or 965.⁵ The amendments require a plan to present its interest in the master trust and the change in its interest in that master trust as single line items in the statement of net assets available for benefits and the statement of changes in net assets available for benefits, respectively.

CONTACT:

BETH GARNER
National Practice Leader,
Employee Benefit Plan Audits
(404) 979-7143
bgarner@bdo.com

DARLENE BAYARDO
National Assurance Director
(714) 913-2619
dbayardo@bdo.com

¹ Employee Benefit Plan Master Trust Reporting

² A regulated financial institution is a bank, trust company, or similar financial institution that is regulated, supervised, and subject to periodic examination by a state or federal agency

³ Plan Accounting—Defined Benefit Pension Plans

⁴ Plan Accounting—Defined Contribution Pension Plans

⁵ Plan Accounting—Health and Welfare Benefit Plans

In addition, the amendments update and align the disclosure requirements for an interest in a master trust across Topics 960, 962, and 965. Under the ASU:

- ▶ An EBP with an undivided (proportionate) interest in a master trust will continue to disclose its percentage interest in the master trust.
- ▶ An EBP with a divided interest in a master trust will disclose the dollar amount of its interest in specific investments held by the master trust, rather than its percentage interest in the master trust itself.
- ▶ An EBP will also disclose a master trust's other asset and liability balances and the dollar amount of the plan's interest in each of those balances.
- ▶ Health and welfare plans' investment disclosures for 401(h) account assets have been eliminated. Instead, the plan financials will disclose the name of the defined benefit pension plan which includes such investment disclosures.

The ASU includes an example of a plan with a divided interest in a master trust. Several other disclosure requirements have also been streamlined in the final amendments.

EFFECTIVE DATE AND TRANSITION

The amendments in ASU 2017-06 are effective for fiscal years beginning after December 15, 2018, and should be applied retrospectively. Early adoption is permitted.

BDO is the brand name for BDO USA, LLP, a U.S. professional services firm providing assurance, tax, advisory and consulting services to a wide range of publicly traded and privately held companies. For more than 100 years, BDO has provided quality service through the active involvement of experienced and committed professionals. The firm serves clients through more than 60 offices and over 500 independent alliance firm locations nationwide. As an independent Member Firm of BDO International Limited, BDO serves multi-national clients through a global network of 67,700 people working out of 1,400 offices across 158 countries.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms. For more information please visit: www.bdo.com.

Material discussed is meant to provide general information and should not be acted on without professional advice tailored to your firm's individual needs.

© 2017 BDO USA, LLP. All rights reserved.