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# FASB Amends Guidance on Disclosures Related to Defined Benefit Plans

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## Background

On August 28, 2018, the FASB issued [ASU 2018-14](#),<sup>1</sup> which amends ASC 715<sup>2</sup> to add, remove, and clarify disclosure requirements related to defined benefit pension and other postretirement plans. The ASU's changes related to disclosures are part of the FASB's disclosure framework project, which the Board launched in 2014 to improve the effectiveness of disclosures in notes to financial statements.

ASU 2018-14 is based on a [proposed ASU](#) issued on January 26, 2016, and discussed in Deloitte's January 28, 2016, [Heads Up](#). Key provisions of the final ASU are summarized below.

<sup>1</sup> FASB Accounting Standards Update (ASU) No. 2018-14, *Compensation — Retirement Benefits — Defined Benefit Plans — General (Topic 715-20): Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans*.

<sup>2</sup> For titles of FASB Accounting Standards Codification (ASC) references, see Deloitte's "[Titles of Topics and Subtopics in the FASB Accounting Standards Codification](#)."

## Key Provisions of ASU 2018-14

### Addition and Removal of Disclosure Requirements

ASU 2018-14 adds requirements for an entity to disclose the following:

- The weighted-average interest crediting rates used in the entity's cash balance pension plans and other similar plans.
- A narrative description of the reasons for significant gains and losses affecting the benefit obligation for the period.
- An explanation of any other significant changes in the benefit obligation or plan assets that are not otherwise apparent in the other disclosures required by ASC 715.

Further, the ASU removes guidance that currently requires the following disclosures:

- The amounts in accumulated other comprehensive income expected to be recognized as part of net periodic benefit cost over the next year.
- Information about plan assets to be returned to the entity, including amounts and expected timing.
- Transactions resulting from the June 2001 amendments to the Japanese Welfare Pension Insurance Law.
- Information about (1) benefits covered by related-party insurance and annuity contracts and (2) significant transactions between the plan and related parties. (Entities separately need to provide the related-party disclosures required under ASC 850.)
- For nonpublic entities with Level 3 plan assets in the fair value hierarchy measured on a recurring basis, a reconciliation of the opening balances to the closing balances. (However, those entities would still need to disclose transfers of plan assets into and out of Level 3 and any purchases of Level 3 assets by the plan.)
- For public entities, the effects of a one-percentage-point change on the assumed health care costs and the effect of this change in rates on service cost, interest cost, and the benefit obligation for postretirement health care benefits.

### Clarification of Disclosure Requirements

ASU 2018-14 also clarifies the guidance in ASC 715-20-50-3 on defined benefit plans to require disclosure of (1) the projected benefit obligation (PBO) and fair value of plan assets for pension plans with PBOs in excess of plan assets (the same disclosure with reference to the accumulated postretirement benefit obligation rather than the PBO is required for other postretirement benefit plans) and (2) the accumulated benefit obligation (ABO) and fair value of plan assets for pension plans with ABOs in excess of plan assets.

### Effective Date

For public business entities, ASU 2018-14 is effective for fiscal years ending after December 15, 2020. For all other entities, the ASU is effective for fiscal years ending after December 15, 2021. Early adoption is permitted. The effective date is expressed as "fiscal years ending after" because the ASU does not amend the interim disclosure requirements of ASC 715-20.

### Transition

In issuing ASU 2018-14, the FASB affirmed its proposed transition guidance by requiring entities to apply the ASU's amendments on a retrospective basis.

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