

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 2017-06<sup>1</sup> 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 institution<sup>2</sup> 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,<sup>3</sup> 962,<sup>4</sup> or 965.<sup>5</sup> 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.

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<sup>1</sup> Employee Benefit Plan Master Trust Reporting

<sup>2</sup> 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

<sup>3</sup> Plan Accounting—Defined Benefit Pension Plans

<sup>4</sup> Plan Accounting—Defined Contribution Pension Plans

<sup>5</sup> 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.

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