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Summary of the November Meeting of the Emerging Issues Task Force

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This *EITF Snapshot* summarizes the November 17, 2016, meeting of the Emerging Issues Task Force (EITF or "Task Force"). Initial Task Force consensuses ("consensuses-for-exposure") are exposed for public comment upon ratification by the Financial Accounting Standards Board (FASB). After the comment period, the Task Force considers comments received and redeliberates the issues at a scheduled meeting to reach a final consensus. Those final consensuses are then provided to the FASB for final ratification and, ultimately, issuance as an Accounting Standards Update (ASU).

The FASB plans to consider the EITF's November 2016 consensuses for ratification at its November 30, 2016, meeting. After that date, the official EITF minutes, including the results of the FASB's ratification process, will be posted to the Deloitte Accounting Research Tool (DART) and to the FASB's Web site (note that the official EITF minutes may contain details that differ from those in this publication). EITF Issue summaries (released before the meeting and used to frame the discussion) are also available on those sites.

Issue 16-B, "Employee Benefit Plan Master Trust Reporting"

Status: Final consensus.

Affects: Employee benefit plans that hold investments in master trusts.

Background: Many employee benefit plans hold investments in master trusts. Master trusts hold assets for multiple plans of either a single employer or group of employers under common control. A plan's interest in a master trust may be through an undivided interest (a proportionate interest in the net assets of the master trust) or a divided interest (a specific ownership interest in individual investments of the master trust). Because plan interests in master trusts are becoming more common, additional presentation and disclosure guidance on interests in such trusts is needed.

In July 2016, the FASB issued a proposed ASU based on the consensus-for-exposure that the EITF reached on five subissues at its June 2016 meeting. For a summary of this consensus-for-exposure, see Deloitte's June 2016 *EITF Snapshot*.

Summary: At this meeting, the Task Force discussed the comment letters received on the proposed ASU, reaffirming its consensus-for-exposure related to the following three subissues (while making minor revisions to those subissues when applicable): (1) presentation within the plan's financial statements of its interest in a master trust as a single line item, (2) disclosure of the master trust's other assets and liabilities and the balances related to the plan, and (3) elimination of required disclosures for Section 401(h) accounts that are already provided by the associated defined benefit plan.

The Task Force also affirmed its decision that for a plan's divided interest in a master trust, the master trust's investments should be disclosed by general type as well as by the dollar amount of the plan's interest in each type. However, the Task Force changed its previous decision on disclosures for plans with undivided interests. Under the proposed ASU, a plan with an undivided interest would be required to disclose, by general type of investment, the master trust's investments but not the dollar amount of the plan's interest. On the basis of feedback noting this inconsistency, the Task Force decided to require a plan that holds either a divided or undivided interest in a master trust to disclose, by general type of investment, the dollar amount of its interest in the master trust.

The Task Force decided not to address disclosures regarding the master trust's underlying investments (e.g., disclosures required by ASC 820[1] and ASC 815); thus, the Task Force did not affirm its previous consensus-for-exposure that further disclosures were not required. Plans with interests in master trusts may continue to refer to the AICPA Audit and Accounting Guide[2] on employee benefit plans and TIS Section 6931.11[3] for current practice related to such disclosures.

For a summary of the EITF's tentative decisions on the primary subissues, see the appendix.

Effective Date and Transition: For all employee benefit plans, the guidance related to the final consensus will be effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. A reporting entity will apply the guidance retrospectively to all periods presented.

Next Steps: FASB ratification is expected at the Board's November 30, 2016, meeting, after which a final ASU will be issued.

[1] For titles of *FASB Accounting Standards Codification* (ASC) references, see Deloitte's "Titles of Topics and Subtopics in the FASB Accounting Standards Codification."

[2] AICPA Audit and Accounting Guide, *Employee Benefit Plans*.

[3] AICPA Technical Practice Aids, TIS Section 6931.11, "Fair Value Measurement Disclosures for Master Trusts."

Administrative Matters

At this meeting, the SEC staff observer made an announcement that the staff is conforming the guidance on tax benefits resulting from investments in affordable housing projects (SEC staff observer comment codified in ASC 323-740-S99-2) to the guidance in ASU 2014-01.[4] As a result, the amended guidance will state:

> It has been observed that the decision to apply the proportional amortization method of accounting is an accounting policy decision to be applied consistently to all investments in qualified affordable housing projects that meet the conditions in paragraph 323-740-25-1 rather than a decision to be applied to individual investments that qualify for use of the proportional amortization method. The SEC staff believes that it would be inappropriate to extend the proportional amortization method of accounting to situations analogous to those described in paragraph 323-740-05-3.

The primary effect of this announcement is to change the reference in the SEC staff observer comment from the "effective yield method" to the "proportional amortization method," which is consistent with ASU 2014-01. This change is not expected to affect practice for entities that have adopted ASU 2014-01.

The next EITF decision-making meeting is tentatively scheduled for March 16, 2017. At that meeting, the EITF is expected to discuss the comments received on Issue 16-C.[5]

[4] FASB Accounting Standards Update No. 2014-01, *Accounting for Investments in Qualified Affordable Housing Projects* — a consensus of the FASB Emerging Issues Task Force.

[5] EITF Issue No. 16-C, "Determining the Customer of the Operation Services in a Service Concession Arrangement."

Appendix — Summary of Tentative Decisions About Issue 16-B

Master Trust Issue	Consensus-for-Exposure	Final Consensus
Presentation of master trust balances and activity on the face of the plan's financial statement	When an employee benefit plan has investments in a master trust, the plan must present its interest and the change in its interest as single line items in the plan financial statements.	Affirmed the consensus-for-exposure.
Disclosure for plans with interests in master trusts	A plan with divided interests in master trusts would be required to disclose both the master trust investment balances by general type of asset and the individual plan's interest in those balances. A plan with undivided interests would be required to disclose the master trust investment balances by general type and only the plan's total interest in the investments.	Revised the previous decision to require that all plans with interests in master trusts (both divided and undivided) disclose both the total master trust investment balances by general type of asset and the individual plan's interest in those balances.
Disclosure of the master trust's other assets and liabilities	A plan would disclose other assets and liabilities of the master trust and those related to the individual plan.	Affirmed the consensus-for-exposure.
Section 401(h) account investment disclosures	The requirement to disclose Section 401(h) account assets in a health and welfare plan when they are already included in the notes of the associated defined benefit plan would be eliminated; instead, health and welfare plans would be required to provide the name of the defined benefit plan in whose financial statements the disclosures are provided.	Affirmed the consensus-for-exposure.

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