

Changes Proposed to Master Trust Accounting Standards

Under changes in accounting disclosures proposed by FASB, plans investing in master trusts would need to report more information in their statement of net assets available for plan benefits and in their statement of changes in net assets available for plan benefits.

Background

A master trust is a trust for which a regulated financial institution such as a bank serves as a trustee or custodian and which holds assets of more than one plan sponsored by a single employer or by a group of employers under common control. Current FASB guidance under ASC 960 (Defined Benefit Pension Plans) and 962 (Defined Contribution Pension Plans) requires the plan to disclose all of the following about their interest in a master trust:

- The fair value of investments held by the master trust by general type of investment
- The net change in the fair value of each significant type of investment of the master trust
- The total investment income of the master trust by type
- A description of the basis used to allocate net assets, net investment income or loss, and gains or losses to participating plans
- The plan's percentage interest in the master trust

This information is reported with other financial information disclosed on the plan's annual Form 5500 Return/Report.



Proposed Change to Accounting Standard

On July 28th FASB issued a [Proposed Accounting Standards Update](#) on these master trust disclosures. The proposed Update would conform the guidance for defined contribution plans and health and welfare plans with existing guidance for defined benefit plans to require that a plan's *interest* in a master trust, and any *change in interest* in the master trust, be presented in single line items in the statement of net assets available for plan benefits and in the statement of changes in net assets available for plan benefits.

In addition, the proposed Update would require each plan with an interest in the master trust to disclose both their percentage interest in the list of the general types of investments held by the master trust *and the dollar amount of the plan's interest in each of those general types of investments* if they own a specific rather than proportionate interest in the trust. This would also apply to the master trust's other asset and liability balances (for example, amounts due from brokers for securities sold, amounts due to brokers for securities purchased, accrued interest and dividends, and other accrued expenses).

One simplification is included. Investment disclosures for 401(h) account assets that are provided in the defined benefit pension plan financial statements would not be duplicated in the health and welfare benefit plan's financial statements. Proposed amendments to Topic 965 (Health and Welfare Benefit Plans) would require the health and welfare benefit plan to disclose the name of the defined benefit pension plan in which those investment disclosures are provided.

In Closing

Sponsors should review the reporting they receive from each master trust's trustee or custodian to make sure the necessary information will be available retrospectively for all periods presented in plan accounting disclosures. The comment deadline for the proposed updates is September 26, 2016.

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