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## Postretirement Benefits Other Than Pensions

### SCOPE OF STATEMENT

1. This statement establishes statutory accounting principles for employers' accounting for postretirement benefits other than pensions.

### SUMMARY CONCLUSION

2. Postretirement benefits are all forms of benefits, other than retirement income, provided by an employer to retirees. Those benefits may be defined in terms of specified benefits that are provided to retirees as the need for those benefits arises, such as certain health care benefits, or they may be defined in terms of monetary amounts that become payable on the occurrence of a specified event, such as life insurance benefits or deferred compensation arrangements.

3. The principles contained herein shall apply to postretirement benefits other than pensions for all eligible and vested employees and vested former employees including their beneficiaries and covered dependents, pursuant to the terms of an employer's undertaking to provide those benefits. Any asset resulting from an overfunding of the plan shall be recorded as a nonadmitted asset.

4. An employer shall account for its postretirement benefits on an accrual basis. The postretirement benefit obligation for current retirees and fully eligible or vested employees at transition (initial adoption date) is measured by estimating the actuarial present value of benefits expected to be received at retirement using explicit assumptions. A health care cost trend rate assumption is used in the estimation. A health care cost trend rate is an assumption about the annual rate(s) of change in the cost of health care benefits currently provided by the postretirement benefit plan, due to factors other than changes in the composition of the plan population by age and dependency status, for each year from the measurement date until the end of the period in which benefits are expected to be paid. The health care cost trend rates implicitly consider estimates of health care inflation, changes in health care utilization or status of the plan participants.

5. Plan assets, if any, shall be segregated and restricted, and measured at fair value.

6. In each period, estimated postretirement benefits for newly eligible or vested employees shall be accrued at eligibility date ("estimated eligibility cost"). Interest cost on the postretirement benefit obligation at the beginning of the period shall be recognized during the period. Actuarial gains and losses (other than plan asset gains and losses) arising from differences between assumptions and actual experience upon subsequent remeasurement of the obligation may be recognized as a component of the net periodic postretirement benefit cost in the current period or amortized. The net actuarial gain or loss shall be included as a component of the net periodic postretirement benefit cost for a year, if, as of the beginning of the year, that unrecognized net gain or loss exceeds 10 percent of the greater of the postretirement benefit obligation or the fair value of plan assets. That gain or loss, if not recognized immediately, shall be amortized over the average life expectancy of the employer's fully vested and retiree group (pl)TJ-0.028( fair v )-5(e) trendh shalsumasset15y eligib

**Plan Amendments**

8. Plan amendments may include provisions that increase or reduce benefits to retirees and fully eligible employees. The cost of benefit improvements is the increase in the postretirement benefit obligation as a result of the plan amendment, measured

**Disclosures**

16. The following disclosures shall be made for postretirement defined benefit plans for which the reporting entity is directly liable (i.e., the plan resides directly in the reporting entity):

- a. A reconciliation of beginning and ending balances of the benefit obligation showing separately, if applicable, the effects during the period attributable to service cost, interest cost, contributions by plan participants, actuarial gains and losses, foreign currency exchange rate changes, benefits paid, plan amendments, business combinations, divestitures, curtailments, settlements, and special termination benefits;
- b. The amount of the postretirement obligation for nonvested employees as of the most recent actuarial valuation date;
- c. A reconciliation of beginning and ending balances of the fair value of plan assets showing separately, if applicable, the effects during the period attributable to actual return on plan assets, foreign currency exchange rate changes, contributions by the reporting entity, contributions by plan participants, benefits paid, business combinations, divestitures, and settlements;
- d. The funded status of the plans, the amounts not recognized in the statement of financial position, and the amounts recognized in the statement of financial position, including:
  - i. The amount of any unamortized prior service cost;
  - ii. The amount of any unrecognized net gain or loss (including asset gains and losses not yet reflected in market-related value);
  - iii. The amount of any remaining unamortized, unrecognized net obligation or net asset existing at the initial date of application, which is described in paragraph 22 of this statement;
  - iv. The net pension or other postretirement benefit prepaid assets or accrued liabilities; and
  - v. Any intangible asset;
- e. Information about plan assets:
  - i.



- n. If applicable, any alternative method used to amortize prior service amounts or unrecognized net gains and losses pursuant paragraphs 53 and 60 of *FASB Statement No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions* (FAS 106);
- o. If applicable, any substantive commitment, such as past practice or a history of regular benefit increases, used as the basis for accounting for the benefit obligation;
- p. If applicable, the cost of providing special or contractual termination benefits recognized during the period and a description of the nature of the event; and
- q. An explanation of any significant change in the benefit obligation or plan assets not otherwise apparent in the other disclosures required by this statement.

Amounts related to the reporting entity's results of operations shall be disclosed for each period for which an income statement is presented. Amounts related to the reporting entity's statement of financial position shall be disclosed as of the measurement date used for each balance sheet presented.

17. The reporting entity shall disclose the amount of cost recognized for defined contribution other postretirement benefit plans during the period separately from the amount of cost recognized for defined benefit plans. The disclosures shall include a description of the nature and effect of any significant changes during the period affecting comparability, such as a change in the rate of employer contributions, a business combination, or a divestiture.

- e. The disclosures relating to the initial date of application in paragraph 5 of FAS 132 and FAS 132R shall be the date of adoption for statutory purposes. The initial adoption date is described in paragraph 22 of this statement.
- f. The disclosures relating to other comprehensive income in paragraph 5 of FAS 132 and FAS 132R shall be made for income on a statutory basis.

21. This statement adopts *FASB Emerging Issues Task Force No. 93-3, Plan Assets under FASB Statement No. 106*.

### **Effective Date and Transition**

22. For most reporting entities, the transition or initial adoption date was January 1, 1993. For reporting entities whose plans are outside the United States and for defined benefits of employers with no more than 500 plan participants in the aggregate, the transition or initial adoption was January 1, 1995. At transition, an employer elects to recognize the unfunded postretirement benefit obligation immediately in statutory surplus or amortize it as a component of net periodic postretirement benefit cost over a period of up to twenty years.

23. This statement is effective for years beginning January 1, 2001. A change resulting from the adoption of this statement shall be accounted for as a change in accounting principle in accordance with *SSAP No. 3—Accounting Changes and Corrections of Errors*.

### **AUTHORITATIVE LITERATURE**

#### **Generally Accepted Accounting Principles**

- *FASB Statement No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions*
- *FASB Statement No. 132, Employers' Disclosure about Pensions and Other Postretirement Benefits*
- *FASB Emerging Issues Task Force No. 93-3, Plan Assets under FASB Statement No. 106*
- *Accounting Principles Board Opinion No. 12, Omnibus Opinion—1967, paragraphs 6-8*

#### **RELEVANT ISSUE PAPERS**

- *Issue Paper No. 14—Employers' Accounting for Postretirement Benefits Other Than Pensions*