

Stable Value Accounting Standard Update

The Financial Accounting Standards Board recently issued Accounting Standards Update 2015-12, which will simplify the financial reporting related to your stable value fund. Under this new standard, employee benefit plans are no longer required to measure the fully benefit responsive investment contracts in your account at fair value.

Why did FASB make this change?

As part of a larger simplification effort, FASB simplified stable value reporting by affirming contract value as the relevant measure for fully benefit responsive investment contracts (FBRIC).

Contract value is the amount participants typically receive when they initiate permitted transactions. Consequently, the requirement to also report the fair value measurement of these contracts, with an adjustment from fair value to contract value, was removed.

How will the notes to the financial statements reflect this change?

In summary, FASB added a table showing the total contract value by type of FBRIC and removed the average yield analysis and the discussion of the crediting rate mechanics.

What if my plan holds a stable value pooled fund?

This is considered an indirect investment in FBRICs, which should be measured at fair value. However, the NAV of the pooled fund is measured at contract value, and it can be used to approximate the fair value as a practical expedient (refer to ASU 2015-07). Further, investments measured at the NAV practical expedient are excluded from the ASC 820 fair value hierarchy measurements.

When is the new standard effective?

The ASU is effective for fiscal years beginning after December 15, 2015, but earlier adoption is permitted.

How can I get more information?

We are happy to answer any questions or provide an example set of financial statements. Please contact GalliardSVAudit@Galliard.com for further information.