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Defined Contribution SERPs

LEE NUNN AND DAVE SUGAR

Lee Nunn, CPA, is a senior vice president in Aon Consulting Executive Benefits Practice. He may be reached at Lee_Nunn@aonhewitt.com.

Dave Sugar is a principal and senior executive compensation consultant in Aon Hewitt's Talent & Rewards practice in Lincolnshire, Illinois. He may be reached at dave.sugar@aonhewitt.com.

OVERVIEW

Generally Accepted Accounting Principles in the United States (US GAAP) provide little specific guidance on Supplemental Executive Retirement Plans (SERPs) where benefits are based on an account balance. Instead, US GAAP's pension plan guidance focuses on traditional defined benefit pension plans (both qualified and nonqualified). Absent any formal guidance, anecdotal evidence suggests that most employers account for account balance SERPs by recording a liability equal to the aggregate account balances. Such accounting treatment may not be appropriate for all nonqualified account balance plans. This article suggests that account balance SERPs are a type of defined benefit plan, because such arrangements do not meet the strict definition of a defined contribution plan and most arrangements that cover more than a single participant meet the definition of a plan. As a result, defined benefit accounting requires that the cost of a single stand-alone notional contribution (not part of a series of such contributions) should be spread over the vesting period, and the liability should reflect expected forfeitures and any above-market (or below market) interest crediting. Spreading the cost of a stand-alone notional contribution over the vesting period is consistent with the accounting for restricted stock units. Finally, converting a traditional defined benefit SERP to an account balance SERP poses additional issues under US GAAP.

Codification of US GAAP

The Financial Accounting Standards Board (FASB) codified US GAAP as of July 1, 2009. Accounting Standards Codification™

(Codification) supersedes all pre-Codification accounting standards[1] and eliminates the old hierarchy[2] of guidance. Although FASB did not intend to change US GAAP in the process of codifying US GAAP, FASB acknowledges that unintentional changes[3] may have occurred.

International Convergence

FASB and the International Accounting Standards Board (IASB) are working to converge US GAAP with International Financial Reporting Standards (IFRS). For publicly traded companies, the Securities and Exchange Commission (SEC) is the ultimate arbiter of accounting guidance.[4] The SEC recently reaffirmed[5] its support for a "single set of high quality globally accepted accounting standards" and its "recognition that IFRS is best positioned to be able to serve as that set of standards for the U.S. market." The SEC plans to make a decision regarding incorporating IFRS into the U.S. financial reporting system in 2011. In this context, we will comment on the accounting treatment for account balance SERPs under IFRS. It is reasonable to assume that additional guidance for account balance SERPs under US GAAP will consider any existing guidance under IFRS.

WHAT IS THE US GAAP GUIDANCE FOR NONQUALIFIED ACCOUNT BALANCE PLANS?

Not a Defined Contribution Plan

Even accountants tend to equate the term "account balance plan" with "defined contribution plan" or "defined contribution postretirement plan." Codification[6] defines the latter as:

> [a] plan that provides postretirement benefits in return for services rendered, provides an individual account for each plan participant, and specifies how contributions to the individual's account are to be determined rather than specifies the amount of benefits the individual is to receive. Under a defined contribution postretirement plan, the benefits a plan participant will receive depend solely on the amount contributed to the plan participant's account, the returns earned on investments of those contributions, and the forfeitures of other plan participants' benefits that may be allocated to that plan participant's account.

However, Codification also suggests[7] that only qualified plans are defined contribution plans (because only a qualified defined contribution plan is fully satisfied when the contribution is made). This is consistent

with the pre-Codification standard, SFAS 87, which buried the following statement in Appendix A: "The employer's present obligation under the terms of the plan is *fully satisfied* when the contribution for the period is made, provided that costs (defined contributions) are not being deferred and recognized in periods after the related service period of the individual to whose account the contributions are to be made." (Emphasis added.) SFAS 87's formal discussion of defined contribution plans[8] is more ambiguous than its Appendix in its definition of a defined contribution plans in the context of nonqualified arrangements.

International Accounting Standard 19, *Employee Benefits*, (IAS 19) is the current source of accounting for retirement income plans under IFRS. Like Codification, IAS 19 suggests that nonqualified plans do not meet the definition of defined contribution plans.[9] However, IASB issued an exposure draft of proposed amendments to IAS 19 in April 2010. The exposure draft points out that contribution-based promises, as described the IASB discussion paper, *Preliminary Views on Amendments to IAS 19*, are not addressed. IASB may decide to issue future guidance on contribution-based promises, and such guidance may affect accounting for account balance SERPs under IFRS.

Not a Collection of Individual Arrangements

Before Codification, many accountants looked to a combination of pre-Codification standards[10] for guidance on individual deferred compensation arrangements, but that guidance pertained only to individual arrangements, not plans. Codification[11] suggests that the definition of "plan" is exceedingly broad. Furthermore, the documentation required by IRC § 409A reduces much of the remaining doubt about whether arrangements are plans by standardizing most (if not all) of the details of the arrangements. Standardization of benefit provisions across participants implies that a plan exists. An arrangement for a single individual is probably an individual arrangement, particularly when the provisions of the arrangement have been tailored to that individual and would apply to no future participants. On a practical level, the accounting for individual arrangements suggests that certain aspects of plan accounting (such as amortization of prior service cost and delayed recognition of gains and losses) would not apply.

Defined Benefit Plan

If nonqualified account balance arrangements are neither defined contribution plans nor individual deferred compensation arrangements, they are probably a form of defined benefit plan (by process of elimination). The Master Glossary of Codification indicates a defined benefit plan is a plan that "provides participants with a determinable

benefit based on a formula provided for in the plan." Arguably, the final benefit payable from an account plan is "determinable" by reference to a formula under the plan. (For example, the annual benefit equals the account balance at the time of payment divided by the number of installment payments remaining at the time of payment.)

Elective Deferrals

For nonqualified elective deferral arrangements that credit market earnings, few accountants dispute the appropriate accounting entries: Record the account balances as a liability. The result is that an executive's election to defer compensation results in no change to benefit expense. Current compensation expense becomes deferred compensation expense—dollar for dollar. Current tax savings become deferred tax savings. Of course, interest crediting on the deferred compensation does create incremental benefit expense.

Because defined benefit pension plans require certain disclosures, even a nonqualified elective deferral arrangement would require such disclosure if the arrangement is treated as a defined benefit plan. Disclosure would include a reconciliation[12] of the beginning and ending balances of the benefit obligation (for public entities only) and a projection of benefits paid by year[13] for each of the next five years and the aggregate for the five years thereafter.

SERPs (Nonelective Arrangements)

Nonelective arrangements, such as account balance SERPs, do create accounting issues, especially when plans feature long vesting schedules. Such arrangements raise two issues: One, when is the benefit earned, and two, what is the probability of payment? While traditional defined benefit plans explicitly attribute benefit cost to years of service,[14] most account balance plans do not. The lack of a specific benefit formula that defines a benefit in terms of years of service raises questions about when the benefit is earned. For example, suppose an employer makes a notional contribution of $100,000 and vests the participant after 10 years. Is the benefit cost attributable to the year of the contribution, or is it earned over the vesting period? As we discuss in the next section (titled "Attribution"[15]), the answer may depend on whether the notional contribution is a stand-alone award or part of a series of contributions.

The other issue raised by account balance SERPs with long vesting schedules is the probability of payment. As long as the benefit remains unvested the possibility of forfeiture exists, and the longer the vesting period, the higher the probability of forfeiture. Because nonqualified plans generally do not allocate forfeitures among remaining

participants, notional contributions do not necessarily result in an ultimate expense. Failing to anticipate forfeitures requires a reversal of the expense as the forfeitures occur. In contrast, a contribution to a 401(k) plan is nonrecoverable, regardless of whether the employer allocates forfeitures to remaining participants or whether the employer uses forfeitures to reduce future contributions.

The most common form of nonelective defined benefit account balance plan is a cash balance plan, but nonqualified account balance plans rarely meet FASB's definition of a cash balance plan. Codification[16] states that cash balance plans feature a "defined principal-crediting rate a percentage of *salary*" and a "defined, noncontingent interest-crediting rate that entitles participants to future interest credits at a stated, *fixed* rate until retirement." (Emphasis added.) Most nonqualified account balance plans do not fit this description. Either the contributions aren't a uniform percentage of salary (only), or the interest rate is not fixed. The most common "interest" crediting mechanism is denominating the accounts as units of actual funds, regardless of whether the employer owns those funds.

Attribution

If defined benefit accounting guidance applies, Codification[17] states that the benefit expense should be attributed over the vesting period if the plan's benefit formula does not specify how a particular benefit relates to the services rendered. This is usually the case with nonqualified account balance plans. Specifically, the liability should reflect the ratio of completed years of service to the years that will have been completed when the benefit is first fully vested. Note that only benefits included in vested benefits (e.g., not contingent on death or disability) should be attributed over the vesting period. Ancillary benefits paid only on death or disability should be attributed over expected service.

The problem with attributing notional contributions over the vesting period is that combining this process with annual contributions backloads the benefit expense. Compare two 55 year old executives whose entire $1 million lump sum benefit at age 65 is contingent on continuous service until that date (cliff vesting). Assume no interest crediting, discounting, or forfeitures. Executive A receives a notional contribution of $1 million that the employer spreads over the 10 year service period. Executive B receives annual notional contributions of $100,000 that accumulate to the same $1 million balance as that earned by executive A. If the employer spreads the cost of each $100,000 over period between the date of the notional contribution and the vesting date, each contribution has a progressively shorter attribution period (i.e., ten years, nine years, eight years, etc.). The expense for Executive B

is backloaded compared to the expense for Executive A, meaning that a disproportionate benefit expense is recognized in the later years of Executive B's service period.

Consider the following four scenarios of an annual benefit expense for an ultimate benefit of $1,628,895 10 years from now. The entire benefit at age 65 is contingent on continuous service until that date (cliff vesting). Balances due to the executive earn 5% annual compound interest. Scenarios A and B reflect a single notional contribution of $1,000,000. Scenarios C and D reflect an annual notional contribution of $123,388. The present value at 5% of the annual contributions equals the single contribution of $1,000,000. Scenarios A and C reflect the account balance as a liability and the change in the liability as the annual expense. Scenarios B and D spread the contribution (or contributions) over the vesting period (or remaining vesting period in the case of annual contributions). The vested amount in all scenarios is zero until the end of the 10 year period.

Scenario A implies that the entire notional contribution is earned at the time of the contribution. A company that wants to accelerate benefit expense (maybe to offset a windfall a gain in the year of the contribution) may find this approach attractive. Auditors may resist such accelerated expense recognition. A plan document that specifically

Four Scenarios of Annual Benefit Expense

Age	*Scenario A $1,000,000 Single Contribution Traditional Accounting*	*Scenario B $1,000,000 Single Contribution with Attribution*	*Scenario C $123,338 Annual Contribution Traditional Accounting*	*Scenario D $123,338 Annual Contribution with Attribution*
55	1,050,000	105,000	129,505	12,950
56	52,500	115,500	135,980	28,635
57	55,125	126,788	142,779	47,654
58	57,881	138,915	149,918	70,816
59	60,775	151,938	157,414	99,259
60	63,814	165,917	165,284	134,685
61	67,005	180,913	173,549	179,882
62	70,355	196,994	182,226	240,053
63	73,873	214,231	191,337	327,376
64	77,566	232,699	200,904	487,584
Total	**1,628,895**	**1,628,895**	**1,628,895**	**1,628,895**

* 5% interest crediting on balance

attributes the benefit to the year in which the notional contribution is made may help the company plead its case with the auditors. See Codification paragraph 715-30-35-36. This may be an example of where the rules based approach of US GAAP conflicts with the principles based approach of International Financial Reporting Standards (IFRS).[18]

Scenario B implies that the notional contribution is earned over the entire vesting period.[19] The liability equals the account balance times a ratio. The numerator is the years of service from the date of the contribution to the current date. The denominator is the years of service from the date of the contribution to the vesting date. The result is a fairly level accrual pattern.

Scenario C implies that annual contributions are earned in the year of the contribution. This is identical to the approach used for elective deferrals. The liability equals the account balance. The result is an accrual pattern that is even more level than Scenario B—reflecting the fact that more of the ultimate benefit is attributable to the higher notional contributions (and less to interest credited on those contributions).

Scenario D implies that each notional annual contribution is earned over the remaining period until the date of vesting. In other words, the first contribution is spread over 10 years. The second contribution is spread over the remaining nine years. The third contribution is spread over the remaining seven years, etc. The liability equals the sum of each class year account balance times a ratio. The numerator is the years of service from the date of the contribution to the current date. The denominator is the years of service from the date of the contribution to the vesting date. The result is a significantly backloaded accrual pattern. Scenario D might appeal to the company that wants to defer the recognition of compensation expense.

How does a company decide which of the attribution approaches to use? The first step is determining whether a notional contribution is expected to be a stand-alone award or part of a series of such contributions. Determining that a notional contribution is a stand-alone award doesn't preclude future contributions. Likewise, determining that a notional contribution is part of an expected series of such contributions doesn't preclude the possibility that the employer will fail to make those contributions. Note that scenarios A and C are similar in that the benefit expense is attributed entirely to the year in which the contribution is made. Likewise, scenarios B and D are similar in that each contribution is spread over the remaining vesting period. The accounting results under scenarios A and D do not reflect the pattern in which benefits are earned, which is ratably over the 10 year period.

The benefit is earned equally in each of the 10 years, absent information to the contrary. When a contribution is a stand alone award, attribution of the benefit expense over the vesting period is appropriate. When a contribution is part a series of future contributions, attribution of each notional contribution over the remaining vesting period is less appropriate. Only a detailed review of the facts and circumstances will indicate the appropriate attribution method. See the later discussion of accounting for graded vesting of share based awards for an analogous issue.

Class-Year Vesting

Class-year vesting could have the effect of making each contribution a stand alone award for attribution purposes. Class-year vesting requires the employee to work a pre-determined number of years after each notional contribution in order to vest in the account balance attributable to that notional contribution. Although the number of years of service required for vesting may be uniform (e.g., three years), each notional contribution is earned over a separate time period. Although the class-year design might encourage attributing the cost of each notional contribution over its vesting period, the typically short vesting periods, the over-lapping of time periods, and overall lack of materiality may allow companies (and their auditors) to rationalize immediate recognition of each notional contribution.

Forfeitures

Likewise (if defined benefit accounting guidance applies), Codification[20] states that the projected benefit obligation assumes turnover. The accounting for most nonqualified account balance plans assumes zero turnover. Although this is often appropriate, it is not always so, especially when the nonqualified plan has been specially designed to reduce a history of high turnover.

Above-Market Rates

Regardless of whether a nonqualified account balance plan is an elective deferral arrangement or 100% employer money, the vested right to above-market interest should be reflected in the Projected Benefit Obligation[21] (PBO). Above-market interest crediting increases the actuarial present value of benefits. Above-market interest crediting can occur any time that income crediting to account balances is not tied to a predetermined investment (whether the company owns the investment or not). Fixed crediting rates in excess of the discount rates described in Codification[22] could be considered above-market. Hybrid rates (e.g., Moodys plus 2%) could be above-market. Crediting only positive

investment results (but ignoring losses on notional investments) could be above-market. Crediting any rate equal to an index or blended index, but with a specified floor, could be above-market.

A nonvested right to above-market interest crediting confuses service cost with interest cost. The difference between service cost and above-market interest when the participant has to work to earn it is meaningless.

Analogy with Individual Deferred Compensation Arrangements

Most nonqualified account balance plans are ambiguous about attributing specific benefits to specific years of service. In the rare case that a deferred compensation contract attributes expected future service to an individual year of service, the cost should be recognized in that year. If the years are in the future, the cost should be "accrued over that period of the employee's service in a rational and systematic manner."[23] A "rational and systematic manner" could include straight line amortization.

More typically, a deferred compensation contract attributes no specific benefits to particular years of service. Codification[24] requires accrual of the present value of all future benefits by the "full eligibility date."[25] When benefits are determined by compensation levels, the full eligibility date may be the expected retirement date. Vested benefits are attributed to the period ending on the vesting date regardless of attribution language in the deferred compensation contract. In other words, the present value of vested benefits is the *minimum* benefit liability.

Codification[26] gives four examples of individual deferred compensation contracts and illustrates the attribution concepts discussed above.

When an individual deferred compensation contract allows diversification of employee balances beyond employer stock, the change in the fair value of the obligation should not be recorded in other comprehensive income, even if the changes in the fair value of the related assets are recorded through other comprehensive income.[27]

What are the practical differences between the guidance on accounting for individual deferred compensation arrangements and defined benefit plans? One, Topic 710 suggests no delayed recognition of gains and losses. In fact, Codification[28] specifically prohibits recognition of changes in the fair value of the benefit through other comprehensive income. Two, assumptions about death, disability, and forfeitures are specific to the individual and don't reflect averages for a census. So treating an arrangement as a collection of individual arrangements precludes the use of some smoothing mechanisms traditionally associated with defined benefit plans. This may not present a problem for many nonqualified account balance plans.

Analogy with Accounting for Share Based Awards

Because of the lack of explicit guidance for nonqualified account balance plans, an analogy might help. Consider the similarities between a nonqualified account balance retirement plan and restricted stock unit (RSU) paid in cash. Both benefit arrangements are account balance liabilities that are marked to market through net income. There are some differences between the benefit arrangements.

- Nonqualified account balance plans are denominated in notional fund values, whereas RSUs are denominated in hypothetical shares of employer stock.
- Nonqualified account balance plans typically vest depending on factors solely relating to age, service, or a combination, whereas RSUs may, in addition to these factors, vest depending on satisfaction of performance criteria, or stock market performance.
- Nonqualified account balance plans (particularly SERPs) usually schedule payouts at separation from service, whereas RSUs more commonly schedule payout at vesting (though settlement may be delayed for tax reasons).

None of these differences presents a compelling argument to record nonqualified account balance arrangements differently from RSUs paid in cash.

Accounting for RSUs Paid in Cash

RSUs (including RSUs paid in cash) are recognized as services are received.[29] The liability for RSUs paid in cash equals the fair value times the percentage of the requisite service that has been rendered as of the balance sheet date. Fair value of the award includes both the market value of the employer stock and the effect of estimated forfeitures by employees who do not complete the requisite service period.[30] The accounting for RSUs paid in cash is consistent with defined benefit treatment of nonqualified account balance plans: spread the expense over the vesting period and estimate forfeitures. The issue of above market crediting rates is not relevant to accounting for RSUs.

Graded Vesting

Accounting for RSUs raises another analogy with account balance SERPs—graded vesting awards. Codification[31] allows a company to

make a one-time policy decision to either treat a share-based payment with graded vesting as separate awards (with separate requisite service periods) or as a single award with straight line recognition.

Suppose an award of $18 vests ratably over a three year period, then straight line recognition would reflect a compensation expense of $6 for each year (assuming no growth). In other words, the liability is 1/3 of the account balance after one year, 2/3 after two years, and 3/3 after three years. Treating the arrangement as separate awards implies that the first $6 is earned over one year; the second $6 is earned over two years; and the third $6 is earned over the entire three year period. The math works out to $11 for year one, $5 for year two, and $2 for year three. In other words, the liability is 11/18 of the account balance after one year, 16/18 after two years, and 18/18 after three years.

Treating a single share based award with graded vesting as individual awards accelerates the benefit expense. Treating annual contributions to a nonqualified account balance plan as separate awards with separate attribution periods postpones the benefit expense (see discussion above). The real issue is whether a compensation arrangement (whether a share based award or a nonqualified account balance plan) is a single award or a series of separate awards. The issue is analogous to the decision of whether to treat a notional contribution as a single award or as part of a series, as discussed above. The answer affects the accounting.

Implications for Hedging

Both attribution and probability of payment affect the recognition of benefit expense. Because most companies choose to informally finance account balance SERPs,[32] companies should consider hedge effectiveness in this context. (Companies typically want to match *recognized* investment gains (or losses) against *recognized* benefit plan mark-to-market expense (or savings) as part of a hedging strategy.)

Accounting for Nonqualified Account Balance Plans—Summary

The combination of guidance from defined benefit plans and RSUs paid in cash suggests that accounting for nonqualified account balance plans should at least reflect:

- Above market interest (if any)
- Attribution of benefit expense over the vesting period
- Probability of forfeitures

A liability that reflects these factors is a defined benefit pension plan's Projected Benefit Obligation,[33] defined as "the actuarial present value as of a date of all benefits attributed by the pension benefit formula to employee service rendered before that date."

CONVERSION OF NQ DEFINED BENEFIT PLAN TO ACCOUNT BALANCE PLAN

Converting a traditional defined benefit SERP to an account balance SERP raises the most interesting pension accounting issues. Such a conversion is rarely a settlement[34] for accounting purposes. In order to be a settlement, the conversion would need to satisfy a 3-prong test: (1) be irrevocable; (2) relieve the employer of primary responsibility for the obligations; and (3) relieve the employer of significant risks related to the obligation. In fact, such a conversion may introduce new risks that require hedging, such as the daily mark-to-market of the benefit liability to reflect changes in notional fund values.

Conversion can be either a plan amendment[35] or plan curtailment,[36] although the two are interrelated. Plan amendments are retroactive changes to benefits. These changes can either increase or decrease benefits. A plan curtailment can occur when the conversion from defined benefit to account balance suspends the plan so that employees do not earn additional benefits for future services, even though future service counts toward vesting.[37] If the company expects to continue making notional contributions to the SERP, the conversion from defined benefit to account balance is a plan amendment.

Any change in the PBO as result of the plan amendment that converts the defined benefit to account balance constitutes prior service cost[38] (in the event of an increase in the PBO) or prior service credit[39] (in the event of a decrease in the PBO). The cost or credit is recorded as charge or credit to other comprehensive income on the date of the amendment.[40] Each new bucket of prior service cost is amortized on a straight-line basis through net income over the future service of active participants.[41] If all (or most) participants are inactive, the prior service cost is amortized on a straight line basis over the life expectancy of those participants.[42] In case of prior service credit, the reduction in the PBO reduces existing buckets of prior service credit, with any remaining prior service cost amortized (as savings) in the same manner as prior service costs.[43]

As stated earlier, a curtailment can occur if participants no longer earn additional benefits for future service (other than fulfilling vesting requirements). This would be the case when the company does not expect to make additional notional contributions. The resulting gain

or loss may (or may not) be immediately recognized in earnings. If the change in the PBO is a gain, the amount is recognized only to the extent it exceeds any existing loss already carried in Accumulated Other Comprehensive Income.[44] Any gain to be recognized immediately is recognized when the amendment is adopted (in the context of converting a defined benefit plan to an account balance plan). If the change in the PBO is a loss, the amount is recognized only to the extent it exceeds any existing gain. Any loss to be recognized immediately is recognized when the curtailment is probable and the effects can be estimated. Much of the guidance on curtailments involves the effects of reduced future service (e.g., closing a manufacturing plant). There is no reason to believe that converting a nonqualified defined benefit plan to an account balance plan would cause participants to terminate employment.

Converting a nonqualified defined benefit plan to an account balance plan may create an opportunity to switch from delayed recognition of gains and losses to immediate recognition. Gains and losses represent changes in the PBO as a result of changes in assumptions or experience that differs from assumptions.[45] Such changes in the PBO are usually recorded as Other Comprehensive Income[46] and subject to amortization when the total gain or loss exceeds 10%[47] of the PBO (in the case of nonqualified plans). A company may want to switch from such delayed recognition of gains and losses to immediate recognition of gains and losses through earnings. This makes sense when using a hedging technique in which gains and losses are required to flow through earnings (e.g., Corporate Owned Life Insurance). Immediate recognition of gains and losses is permitted if applied consistently, and applied to all gains and losses.[48] IASB's exposure draft of proposed amendments to IAS 19 in April 2010 proposes a requirement[49] that all gains and losses[50] flow through other comprehensive income, not net income.[51]

Companies that intend to switch from delayed recognition to immediate recognition should discuss with their auditors whether such a change is a change in accounting principle[52] that requires retrospective application or whether immediate recognition is necessitated[53] by the conversion to account balances.

SUMMARY

As account balance SERPs increase in popularity and size, more and more of these issues will be discussed by the companies that sponsor these plans and their auditors. Eventually, the need for additional guidance might prompt FASB to issue more formal guidance. In the meantime, companies and their auditors need to communicate about the issues raised in this article—namely attribution, expected forfeitures,

above-market interest, and conversions from traditional defined benefit plans. Every plan is different and companies should check with their auditors as to the interpretation of the Codification for the specifics of their own plans. No one likes unpleasant surprises.

NOTES

1. Such as Statement of Financial Accounting Standards (SFAS) No. 87, *Employer's Accounting for Pensions.*
2. *See* SFAS 162, *The Hierarchy of Generally Accepted Accounting Principles*, (as superseded by SFAS 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles*). For example, FASB Statements of Financial Accounting Standards were more authoritative than FASB Technical Bulletins.
3. Excerpt from FASB Accounting Standards Codification™, Notice to Constituents (v 3.0), About the Codification: "Codifying the vast amount of previous standards was a combination of art and science. As a means of ensuring that the codified content accurately represents standards as of July 1, 2009, the FASB instituted several levels of review and also used a monitoring system to track all activity. However, as discussed at a meeting of the FASB, combining disparate standards into a codified format introduces the possibility of unintentional changes."
4. SEC Regulation S-X.
5. SEC Release 33-9109.
6. Codification section 715-70-20.
7. Codification paragraph 715-70-05-2.
8. In paragraphs 104 through 107 of SFAS 87.
9. *See* IAS 19 paragraphs 25, 26, and 43.
10. *See* Accounting Principles Board Opinion No. 12, *Omnibus Opinion—1967,* and SFAS 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions.*
11. Paragraph 715-10-15-3.
12. Paragraph 715-20-50-1(a).
13. Paragraph 715-20-50-1(f) in the case of public entities and Paragraph 715-20-50-5(e) in the case of nonpublic entities.
14. For example, a traditional defined benefit plan might specify an annual retirement benefit of 2% times years of service times final earnings.
15. Attribution is "the process of assigning pension benefits or cost of periods of employee service" according to the glossary in Section 715-30-20.
16. Section 715-30-20 (glossary).
17. Paragraph 715-30-35-38.
18. FASB supports a single set of high-quality international accounting standards and is collaborating with the International Accounting Standards Board (IASB) to both improve US GAAP and eliminate the differences between US GAAP and IFRS. The timing of ultimate convergence of US GAAP and IFRS is unclear.
19. *See* the guidance on attribution in paragraph 715-30-35-38.

20. Paragraph 715-30-35-1A.
21. Section 715-30-20 (glossary).
22. Paragraphs 715-30-35-43 through 35-45.
23. Paragraph 710-10-25-9.
24. Paragraph 710-10-30-1.
25. Paragraph 715-60-20 (glossary).
26. Section 710-10-55.
27. Paragraph 710-10-45-2.
28. *Ibid.*
29. Paragraph 718-10-25-2.
30. *See* Codification paragraph 718-30-55-2 for an example that assumes expected annual forfeitures of 3% for 3 years.
31. Paragraph 718-10-35-8 *Also see* Requisite Service Period in paragraphs 718-10-30-25 and 26.
32. Especially plans that allow participants to control notional investment allocations.
33. Section 715-30-20 (glossary).
34. *Ibid*.
35. *Ibid.*
36. *Ibid.*
37. Paragraph 715-30-15-6.
38. Paragraph 715-30-35-10.
39. Paragraph 715-30-35-17.
40. Paragraph 715-30-35-11.
41. *Ibid.*
42. *Ibid.*
43. Paragraph 715-30-35-17.
44. Paragraph 715-30-35-93.
45. Paragraph 715-30-35-18.
46. Paragraph 715-30-35-21.
47. Paragraph 715-30-35-24.
48. Paragraph 715-30-35-20.
49. IASB Exposure Draft of Proposed Amendments to IAS 19, paragraph 61.
50. Gains and losses under US GAAP are called "remeasurements" under IFRS.
51. Net income under US GAAP is called "profit or loss" under IFRS.
52. Section 250-10-20 (glossary).
53. Paragraph 250-10-45-1.

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