Notice for Recipients of This Proposed FASB Staff Position

This proposed FASB Staff Position (FSP) would amend FASB Statement No. 132 (revised 2003), *Employers' Disclosures about Pensions and Other Postretirement Benefits*, so as to improve a public and nonpublic employer's disclosures about postretirement benefit plan assets. Additionally, this proposed FSP includes a technical amendment to Statement 132(R) that would require a nonpublic entity to disclose net periodic benefit cost.

Disclosures about Plan Assets

The proposed amendments to improve disclosures about plan assets include:

1. A principle for disclosing the fair value of categories of plan assets based on the types of assets held in the plan
2. Categories of plan assets that, if significant, should be disclosed
3. Disclosures about the nature and amount of concentrations of risk arising within or across categories of plan assets
4. Disclosures about fair value measurements, similar to those required by FASB Statement No. 157, *Fair Value Measurements*.

Effective Date and Transition

The disclosures about plan assets required by this proposed FSP would be applied on a prospective basis for fiscal years ending after December 15, 2008. Earlier application of the provisions of this proposed FSP would not be permitted. The technical amendment to Statement 132(R) (see paragraph B1(c)) would be effective upon issuance of the final FSP.

Request for Comment

The Board invites individuals and organizations to send written comments on all matters in this proposed FSP. Respondents need not comment on all of the issues presented and are encouraged to comment on additional issues as well. Comments are requested from those who agree with the provisions of this proposed FSP as well as from those who do not. Comments are most helpful if they identify the issues to which they relate and clearly explain the reasons for the positions taken. Those who disagree with provisions of this proposed FSP are asked to describe their suggested alternatives, supported by specific reasoning.

The Board requests that constituents provide comments on the following:

1. Is the principle of disclosing categories by type of plan asset understandable?
2. Are the asset categories that must be disclosed, if significant, representative of the types of assets held in postretirement benefit plans? Should any other categories be added?
3. Is the requirement to disclose concentrations of risk arising within or across categories of plan assets from a lack of diversification understandable, and is this information useful? Would another disclosure principle be better?
4. Would the disclosures about fair value measurements of plan assets provide decision-useful information?
5. Would any of the required disclosures impose excessive incremental costs? If so, please describe the nature and extent of the additional costs.
6. Is the time needed to compile the information required to support annual reporting disclosures sufficient given the proposed effective date for fiscal years ending after December 15, 2008? If not, please describe the nature and extent of the effort required and the time needed.

Responses must be received in writing by May 2, 2008. Interested parties should submit their comments by email to director@fasb.org, File Reference: Proposed FSP FAS 132(R)-a. Those without email may send their comments to "Russell G. Golden, Director of Technical Application and Implementation Activities, FASB, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116, File Reference: Proposed FSP FAS 132(R)-a." Responses should not be sent by fax.

All comments received by the FASB are considered public information. Those comments will be posted to the FASB website and included with other project materials as part of the project record.

Proposed FASB Staff Position

No. FAS 132(R)-a

Title: Employers' Disclosures about Postretirement Benefit Plan Assets

Comment Deadline: May 2, 2008

Objective

1. This FASB Staff Position (FSP) amends FASB Statement No. 132 (revised 2003), *Employers' Disclosures about Pensions and Other Postretirement Benefits,* to provide guidance on disclosing information about assets held in a defined benefit pension or other postretirement plan. That guidance addresses disclosures relating to:

   a. Categories of plan assets
   b. Concentrations of risk arising within or across categories of plan assets
   c. Fair value measurements of plan assets.

2. This FSP also includes a technical amendment to Statement 132(R) that requires a nonpublic entity to disclose net periodic benefit cost.

Background

3. At its August 2007 meeting, the Board directed the staff to research alternatives for improving the disclosures about plan assets in Statement 132(R) as part of the second phase of the project to comprehensively reconsider the accounting for postretirement benefits. The Board reached this conclusion based on users' concerns about the lack of transparency surrounding the types of assets held in postretirement benefit plans and potential concentrations of risk in plan asset portfolios.

4. At its November 2007 meeting, the Board agreed to broaden the scope of that research to include disclosures relating to fair value measurements of plan assets based on its decision that the disclosures in FASB Statement No. 157, *Fair Value Measurements,* do not apply to fair value measurements of plan assets. The Board had two primary reasons for reaching this decision. First, in a statement of financial position, plan assets measured at fair value are aggregated with benefit liabilities, which are not measured at fair value. Therefore, the net amount presented on the face of the financial

statements is not measured at fair value. Second, the requirement in Statement 157 to disclose the realized and unrealized gains or losses recognized in earnings would be difficult to apply to measurements of plan assets due to the provisions of FASB Statements No. 87, *Employers' Accounting for Pensions*, and No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, which allow delayed recognition of gains and losses as components of net periodic benefit cost. The Board directed the staff to consider possible amendments to Statement 132(R) that would include disclosures similar to those required by Statement 157 that would be applicable to fair value measurements of plan assets.

All paragraphs in this FSP have equal authority.
Paragraphs in bold set out the main principles.

FASB Staff Position

Scope

5. **This FSP applies to an employer that is subject to the disclosure requirements of Statement 132(R).**

Disclosure of Categories of Plan Assets and Concentrations of Risk in Plan Assets

6. **An employer that sponsors one or more defined benefit pension plans or one or more defined benefit postretirement plans shall disclose separately the fair value of each major category of plan assets as of each annual reporting date for which a statement of financial position is presented. Asset categories shall be based on the types of assets held in the plan.** The following major categories, if significant, should be disclosed, with additional categories included as appropriate: cash and cash equivalents; equity securities; debt securities issued by national, state, and local governments; corporate debt securities; asset-backed securities; structured debt; derivatives (segregated by type of contract, for example, interest rate contracts, foreign exchange contracts,

equity contracts, commodity contracts, credit contracts, and other contracts); hedge funds; private equity funds; venture capital funds; and real estate. Any derivative or other contract whose fair value is negative, that is, in a liability position, should be disclosed separately by type.

7. **An employer shall disclose the nature and amount of a concentration of risk arising within or across categories of plan assets.** Concentrations of risk arise because an employer is exposed to risk of loss greater than it would have had if it mitigated its risk through diversification. Examples of concentrations of risk include, but are not limited to, significant investments in a single entity, industry, country, commodity, or investment fund.

Disclosures about Fair Value Measurements of Plan Assets

8. **An employer shall disclose information that enables users of its financial statements to assess the valuation techniques and inputs used to develop fair value measurements of plan assets at the annual reporting date. For recurring fair value measurements using significant unobservable inputs, an employer shall disclose the effect of the measurements on changes in plan assets for the period.**

9. To meet that objective, an employer shall disclose the following information for each annual period separately for each major category of plan assets:

a. The level within the fair value hierarchy in which the fair value measurements in their entirety fall,[1] segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3)
b. For fair value measurements of plan assets using significant unobservable inputs (Level 3), a reconciliation of the beginning and ending balances, separately presenting changes during the period attributable to the following:
    (1) Actual return on plan assets (as defined in Statements 87 and 106), separately identifying the amount related to assets still held at the reporting date and the amount related to assets sold during the period
    (2) Purchases, sales, and settlements (net)

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[1]The following guidance from paragraph 22 of Statement 157 is applicable:

> The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

(3) Transfers in and/or out of Level 3 (for example, transfers due to changes in the observability of significant inputs)

c. Information about the valuation technique(s) and inputs used to measure fair value and a discussion of changes in valuation techniques and inputs, if any, during the period.

Technical Amendment to Statement 132(R)

10. **A nonpublic entity shall disclose the net periodic benefit cost recognized for each annual period for which an annual statement of income is presented.**

Effective Date and Transition

11. The disclosures about plan assets required by this FSP shall be applied on a prospective basis for fiscal years ending after December 15, 2008. Earlier application of the provisions of this FSP is not permitted. The technical amendment to Statement 132(R) (see paragraph B1(c)) is effective upon issuance of this FSP.

The provisions of this FSP need not be applied to immaterial items.

Appendix A

BACKGROUND INFORMATION AND BASIS FOR CONCLUSIONS

Introduction

A1. This appendix summarizes considerations that Board members deemed significant in reaching the conclusions in this FSP. It includes reasons for accepting certain views and rejecting others.

Disclosure of Categories of Plan Assets and Concentrations of Risk in Plan Assets

A2. This FSP amends Statement 132(R) to require disclosure of categories of plan assets based on the types of assets held in a plan. It provides categories that, if significant, should be disclosed separately. Additionally, this FSP requires the disclosure of the nature and amount of a concentration of risk arising within or across categories of plan assets.

A3. Statement 132(R) requires that an employer disclose the percentage of the fair value of total plan assets for each major category of plan assets, indicating that major categories include, but are not limited to, equity securities, debt securities, real estate, and all other assets. Statement 132(R) encourages disclosure of additional asset categories and additional information about specific assets within a category if that information is expected to be useful in understanding both the risks associated with each asset category and the overall expected long-term rate of return on assets.

A4. Concerns expressed by users and the Board's own research indicate that many, if not most, employers solely provide the categories of equity, debt, real estate, and other investments when disclosing each major category's percentage of the fair value of total plan assets held. As a result, those broad categories of plan assets are not specific enough to determine the types of assets held as investments and the related concentrations of risk that may arise from a lack of diversification. Furthermore, for some employers, the value of plan assets is significant in relation to total assets in the statement of financial position. For those employers, changes in the value of plan assets can have a significant effect on comprehensive income, equity, and cash flows. Based on those concerns, the Board decided to provide additional guidance on disclosing categories of plan assets.

A5. The Board also discussed disclosures about concentrations of risk in plan assets because of the wide array of transactions and situations that could create the concentrations. The Board concluded that disclosure of concentrations of risk should relate to those that arise within and across the categories of assets disclosed, including concentrations of risk that may arise from different types of assets or investment vehicles that have the same underlying risk exposure. For example, investments in real estate can be made directly by the plan, through a real estate investment trust, or through a hedge fund that holds a significant position in real estate.

A6. Certain Board members advocated enhanced disclosures that commonly are used by investors when they assess a portfolio's risk and return profile. For example, the Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken. The Board decided not to explicitly require any specific measure, acknowledging that the accounting guidance should focus on providing a principle for disclosing categories of plan assets along with categories that should be provided at a minimum. In complying with this principle, an employer should determine the measures and descriptions that would be most useful in providing information about its investment strategies and expected long-term rate of return on plan assets.

Disclosures about Fair Value Measurements of Plan Assets

A7. Statement 157, issued September 2006, defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Statement 157 applies to accounting pronouncements that require or permit fair value measurements, including plan assets held in a pension or other postretirement benefit plan measured at fair value under Statements 87 and 106.

A8. While the Board determined that the disclosure requirements as written in Statement 157 do not apply to an employer's reporting of postretirement benefits, the Board decided that Statement 132(R) should be amended to include disclosures similar to those required by Statement 157 in order to provide useful information about the valuation techniques and inputs used for fair value measurements of plan assets. This would enable users to assess the relative reliability of those measurements.

A9. This FSP amends Statement 132(R) to include the disclosures required by Statement 157, modified to apply to fair value measurements of plan assets. Those include disclosure of :

a. The level within the fair value hierarchy in which fair value measurements in their entirety fall, as defined in Statement 157
b. A reconciliation of the beginning and ending balances of fair value of assets measured using significant unobservable inputs (Level 3)
c. Information about the valuation techniques and inputs used to measure fair value.

A10. The Board discussed the specific provision related to reconciling the beginning and ending balances of plan assets measured using Level 3 inputs (as defined in Statement 157). That provision in Statement 157 requires segregating within that reconciliation gains and losses recognized in earnings from those recognized in other comprehensive income. However, because of the provisions in Statements 87 and 106 that permit delayed recognition of gains and losses, the Board decided that the reconciliation should focus on gains and losses in Level 3 plan assets recognized in comprehensive income and not require disaggregation between changes in fair value that were recognized in earnings from those recognized in other comprehensive income. This would eliminate the difficulty of determining whether those gains or losses were included in net income or other comprehensive income for the period. Similar to the requirements of paragraph 32(d) of Statement 157, the total change in fair value for the period would be segregated between those related to assets still held at the end of the period and those sold during the period.

Technical Amendment Requiring Nonpublic Entities to Disclose Net Periodic Benefit Cost

A11. FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans,* eliminates the requirement to measure and recognize a minimum pension liability. Statements 87 and 132(R) were amended by Statement 158 to reflect this change. Accordingly, paragraph 8(h) of Statement 132(R) was deleted because of the reference to "minimum pension liability recognized." Paragraph 8(h) also included a requirement that a nonpublic entity disclose net periodic benefit costs for the period. However, that disclosure was not intended to be eliminated by Statement 158 and is still included in the illustrations in Appendix C of Statement 132(R). Therefore, this FSP amends Statement 132(R) to restore the requirement, explicitly stating that a nonpublic entity must continue to disclose net periodic benefit cost for the period.

Effective Date and Transition

A12. The Board considered several factors in reaching its conclusion that this FSP should be applied prospectively. Because Statement 157 was applied prospectively, the Board concluded that the disclosures about fair value measurements of plan assets in this FSP should be applied consistent with the transition method in Statement 157. Therefore, the disclosures in this FSP need not be applied for financial statements for periods presented prior to initial application of the fair value provisions of this FSP. The Board also discussed retrospective application of the provisions related to disclosures about categories of plan assets and concentrations of risk, but it concluded that the provisions also should be applied prospectively to reduce data collection issues and the complexity associated with requiring different transition methods.

A13. The Board determined that the effective date of the technical amendment requiring that a nonpublic entity disclose the amount of net periodic benefit cost should be effective immediately upon issuance of a final FSP. This was based on Board members' expectations that most nonpublic entities will provide the disclosure because it has been required since the issuance of Statement 132 in 1998. The Board discussed whether an impracticability exemption should be provided in the case of a nonpublic employer that excluded the disclosure but had already finalized its financial statements at the time the final FSP was issued. The Board agreed that it might be too costly and disruptive for a nonpublic entity to reinsert the amount of net periodic benefit cost if it finalizes its financial statements prior to issuance of the FSP. However, the Board concluded that a specific reference to impracticability was unnecessary.

Appendix B

AMENDMENTS TO STATEMENT 132(R)

B1. Statement 132(R) is amended as follows: [Added text is underlined and deleted text is ~~struck out~~.]

a. Paragraph 5(d):

Information about plan assets:

(1) The fair value of~~For~~ each major category of plan assets as of each date for which a statement of financial position is presented. Asset categories shall be based on the types of assets held in the plan. The following major categories, if significant, should be disclosed, with additional categories included as appropriate:~~, which shall include, but is not limited to,~~ cash and cash equivalents; **equity securities;**~~,~~ **debt securities** issued by national, state, and local governments; corporate debt securities; asset-backed securities; structured debt; derivatives on a gross basis (segregated by type of contract, for example, interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, credit contracts, and other contracts); hedge funds; private equity funds; venture capital funds; and real estate~~, and all other assets, the percentage of the fair value of total plan assets held as of the measurement date used for each statement of financial position presented~~. Information about the nature and amount of a concentration of risk arising within or across categories of plan assets shall be disclosed. Concentrations of risk arise because an employer is exposed to risk of loss greater than it would have had if it mitigated its risk through diversification. Examples of concentrations of risk include, but are not limited to, significant investments in a single entity, industry, country, commodity, or investment fund.

(2) A narrative description of investment policies and strategies, including target allocation percentages or range of percentages considering the ~~for each~~ major categories~~category~~ of plan assets disclosed pursuant to (1) above,~~presented on a weighted-average basis~~ as of the ~~measurement date(s) of the~~ latest statement of financial position presented (on a weighted-average basis for employers with more than one plan), ~~if applicable,~~ and other factors that are pertinent to an understanding of the policies or strategies such as investment goals, risk management practices, permitted and prohibited investments including the use of derivatives, diversification, and the relationship between plan assets and benefit obligations.

(3) A narrative description of the basis used to determine the overall expected long-term rate-of-return-on-assets assumption, such as the general approach used, the extent to which the overall rate-of-return-on-assets assumption was based on historical returns, the extent to which adjustments were made to those historical returns in order to reflect expectations of future returns, and how those adjustments were determined. The description should consider the major categories of assets described in (1) above, as appropriate.

(4) Information that enables users of its financial statements to assess the valuation techniques and inputs used to develop fair value measurements of plan assets at the reporting date. To meet that objective, the employer shall disclose the following information for each major category of plan assets disclosed pursuant to (1) above for each annual period:

(a) The level within the fair value hierarchy in which the fair value measurements in their entirety fall,[6a] segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3)

(b) For fair value measurements of plan assets using significant unobservable inputs (Level 3), a reconciliation of the beginning and ending balances, separately presenting changes during the period attributable to the following:

i. Actual return on plan assets (as defined in Statements 87 and 106), separately identifying the amount related to assets still held at the reporting date and the amount related to assets sold during the period

ii. Purchases, sales, and settlements (net)

iii. Transfers in and/or out of Level 3 (for example, transfers due to changes in the observability of significant inputs)

(c) Information about the valuation technique(s) and inputs used to measure fair value and a discussion of changes in valuation techniques and inputs, if any, during the period.~~Disclosure of additional asset categories and additional information about specific assets within a category is encouraged if that information is expected to be useful in understanding the risks associated with each asset category and the overall expected long-term rate of return on assets.~~

[6a]The following guidance from paragraph 22 of Statement 157 is applicable:

The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

b. Paragraph 8(c):

Information about plan assets:

(1) The fair value of~~For~~ each major category of plan assets as of each date for which a statement of financial position is presented. Asset categories shall be based on the types of assets held in the plan. The following major categories, if significant, should be disclosed with additional categories included as appropriate:~~which shall include, but is not limited to,~~ cash and cash equivalents; equity securities;~~,~~ debt securities~~,~~ issued by national, state, and local governments; corporate debt securities; asset-backed securities; structured debt; derivatives on a gross basis (segregated by type of contract, for example, interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, credit contracts, and other contracts); hedge funds; private equity funds; venture capital funds; and real estate~~, and all other assets, the percentage of the fair value of total plan assets held as of the measurement date used for each statement of financial position presented~~. Information about the nature and amount of a concentration of risk arising within or across categories of plan assets shall be disclosed. Concentrations of risk arise because an employer is exposed to risk of loss greater than it would have had if it mitigated its risk through diversification. Examples of concentrations of risk include, but are not limited to, significant investments in a single entity, industry, country, commodity, or investment fund.

(2) A narrative description of investment policies and strategies, including target allocation percentages or range of percentages considering the~~for each~~ major categories~~category~~ of plan assets disclosed pursuant to (1) above, ~~presented on a weighted-average basis~~ as of the ~~measurement date(s) of the~~ latest statement of financial position presented (on a weighted-average basis for employers with more than one plan), ~~if applicable,~~ and other factors that are pertinent to an understanding of the policies or strategies such as investment goals, risk management practices, permitted and prohibited investments including the use of derivatives, diversification, and the relationship between plan assets and benefit obligations.

(3) A narrative description of the basis used to determine the overall expected long-term rate-of-return-on-assets assumption, such as the general approach used, the extent to which the overall rate-of-return-on-assets assumption was based on historical returns, the extent to which adjustments were made to those historical returns in order to reflect expectations of future returns, and how those adjustments were determined. The description should consider the major categories of assets described in (1) above, as appropriate.

(4) Information that enables users of its financial statements to assess the valuation techniques and inputs used to develop fair value measurements of plan assets at the reporting date. To meet that objective, the employer shall disclose the following information for each major category of plan assets disclosed pursuant to (1) above for each annual period:

(a) The level within the fair value hierarchy in which the fair value measurements in their entirety fall,[6b] segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3)

(b) For fair value measurements of plan assets using significant unobservable inputs (Level 3), a reconciliation of the beginning and ending balances, separately presenting changes during the period attributable to the following:

i. Actual return on plan assets (as defined in Statements 87 and 106), separately identifying the amount related to assets still held at the reporting date and the amount related to assets sold during the period

ii. Purchases, sales, and settlements (net)

iii. Transfers in and/or out of Level 3 (for example, transfers due to changes in the observability of significant inputs)

(c) Information about the valuation technique(s) and inputs used to measure fair value and a discussion of changes in valuation techniques and inputs, if any, during the period.~~Disclosure of additional asset categories and additional information about specific assets within a category is encouraged if that information is expected to be useful in understanding the risks associated with each asset category and the overall expected long-term rate of return on assets.~~

[6b]See footnote 6a.

c. The following subparagraph is added to paragraph 8:

gg. The amount of net periodic benefit cost recognized.

d. Paragraph C2:

The following illustrates the fiscal 20X3 financial statement disclosures for an employer (Company A) with multiple defined benefit pension plans and other postretirement benefit plans (dollar amounts in millions). Narrative descriptions of the basis used to determine the overall expected long-term rate-of-return-on-assets assumption (paragraph 5(d)(3)) and investment policies and strategies for plan assets (paragraph 5(d)(2)), and disclosure of the valuation technique(s) and inputs used to measure the fair value of plan assets and a discussion of changes in valuation techniques and inputs (paragraph 5(d)(4)(c)), if any, are not included in this illustration. The~~These~~ narrative descriptions are meant to be entity-specific and should reflect an entity's basis for selecting the expected long-term rate-of-return-on-assets assumption and the most important investment policies and strategies. For purposes of this illustration, the disclosures required by paragraphs 5(d)(1) and 5(d)(4) are provided for only the fiscal year ending December 31, 20X3. However, those paragraphs indicate that the disclosures are required to be presented as of each date for which a statement of financial position is presented.

e. Paragraph C3:

[For ease of use, only the portions of this paragraph that have been affected by this FSP have been reproduced.]

Plan Assets

The fair values of Company A's pension plan assets ~~weighted-average asset allocations~~ at December 31, 20X3, ~~and 20X2,~~ by asset category are as follows:

	~~Plan Assets at December 31~~	
~~Asset Category~~	~~20X3~~	~~20X2~~
~~Equity securities~~	~~50%~~	~~48%~~
~~Debt securities~~	~~30~~	~~31~~
~~Real estate~~	~~10~~	~~12~~
~~Other~~	~~10~~	~~9~~
~~Total~~	~~100%~~	~~100%~~

Asset Category	Total	Fair Value Measurements at December 31, 20X3 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Diversified U.S. equity securities (a)	$ 700	$ 700		
Common stock of U.S. public utilities	300	300		
U.S. Treasury securities	100	100		
Diversified corporate bonds	47		$ 47	
Mortgage-backed securities	250		50	$ 200
Hedge funds (b)	400			400
U.S. real estate	100			100
Interest rate derivatives (c)	150		150	
Total	$ 2,047	$ 1,100	$ 247	$ 700

(a) This category includes equity investments of $100 in real estate investment trusts (REITs).
(b) This category includes investments in 20 hedge funds that use different strategies to exploit market opportunities. Collectively, the funds hold $100 in mortgage-backed securities.
(c) This category includes interest rate derivatives in an asset position.

Diversified U.S. equity securities include Company A common stock in the amount of $80 at December 31, 20X3.

Company A is exposed to a concentration of risk in its various types of investments in real estate. This includes $100 of equity investments in REITs, $250 of mortgage-backed securities, $100 in hedge fund holdings of mortgage-backed securities, and $100 in direct real estate investments. This represents approximately 27 percent of total plan assets.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
	Mortgage-Backed Securities	**Hedge Funds**	**Emerging Markets Hedge Fund**	**U.S. Real Estate**	**Total**
Beginning Balance at December 31, 20X2	$150	$190	$180	$ 15	$535
Actual return on plan assets:					
Relating to assets still held at the reporting date	(15)	10	5	5	5
Relating to assets sold during the period			5		5
Purchases, sales, and settlements	60		10	80	150
Transfers in and/or out of Level 3	5				5
Ending balance at December 31, 20X3	$200	$200	$200	$100	$700

(Entity specific narrative description of investment policies and strategies for plan assets, including weighted-average target asset allocations [if used as part of those policies and strategies] as described in paragraph 5(d)(2) would be included here.)

~~Equity securities include Company A common stock in the amounts of $80 million (4 percent of total plan assets) and $64 million (6 percent of total plan assets) at December 31, 20X3, and 20X2, respectively.~~

The fair values of Company A's other postretirement benefit plan assets ~~weighted-average asset allocations~~ at December 31, 20X3, ~~and 20X2,~~ by asset category are as follows:

	~~Plan Assets at December 31~~	
~~Asset Category~~	~~20X3~~	~~20X2~~
~~Equity securities~~	~~60%~~	~~52%~~
~~Debt securities~~	~~30~~	~~27~~
~~Real estate~~	~~5~~	~~13~~
~~Other~~	~~5~~	~~8~~
~~Total~~	~~100%~~	~~100%~~

Asset Category	Total	Fair Value Measurements at December 31, 20X3: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Diversified equity securities	$ 150	$ 150	—	—
U.S. Treasury securities	50	50	—	—
Diversified corporate bonds	103		$ 103	—
Total	$ 303	$ 200	$ 103	$ —

Diversified ~~E~~equity securities include Company A common stock in the amount~~s~~ of $12 ~~million and $8 million (4 percent of total plan assets)~~ at December 31, 20X3~~, and 20X2, respectively~~.

(Disclosure of the valuation technique(s) used to measure the fair value of plan assets and a discussion of changes in valuation techniques, if any, as described in paragraph 5(d)(4)(c) would be included here.)