



# Benefit Plan Technical Update

January 2019

## Implications of the new lease standard for benefit plans

Employee benefit plans, most commonly multiemployer plans, may have operating assets that they lease, such as buildings, office equipment, and furniture and fixtures.

Currently, leases are classified as either capital or operating, with only capital leases recognized on the statement of net assets by the lessee. The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*, which will supersede the current lease accounting rules in ASC 840. When plans lease assets to use in plan operations, ASU 2016-02 will require the lessee (plan) to recognize a right-to-use asset and related lease liability for all leases. There is, however, a limited exception for short-term leases (those with a lease term of 12 months or less, including any renewal periods), in which, plans can make a policy election to not apply the recognition and measurement guidance for short-term leases. For leases not meeting the short-term lease criteria, the recorded value is generally based on the present value of the lease payments. The reporting of lease-related expenses will be generally consistent with the current guidance.

In some situations, a plan may own an asset (e.g., building) and lease it to others, making the plan the lessor. Many of the lessor accounting requirements in the ASU are consistent with the current lease accounting rules; however, trustees and plan sponsors should be aware of the new lease standard and the potential impact on the plan's financial statements.

The new lease standard will be effective for annual reporting periods **beginning after Dec. 15, 2019** (for nonpublic plans). For further guidance relating to accounting for leases, [click here](#).

## If you have any questions, please contact:

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