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From: Bennett, Richard [mailto:Richard.Bennett@crozer.org]  
Sent: Tuesday, April 11, 2006 4:06 PM  
To: Director - FASB  
Subject: Pension exposure draft

I have read with great interest the exposure draft on Pension accounting. As a non-profit hospital system, we have a keen interest in the proposals made by the FASB. My questions are as follows;

1) Are non-profit entities that have tax-exempt debt outstanding that was issued through a municipal authority (ie local hospital authority) considered to be public entities? We carry this debt on our books but the conduit issuer is an authority.

2) On issue 3(b) you are seeking information on the types of contractual arrangements that non-profits may have that may include metrics that may be impacted by these changes. For us, this would include debt covenants but would also include similiar covenants in credit enhancement agreements like Letters of Credit securing variable rate debt as well as municipal bond insurance also related to the issuance of long term debt. These metrics include capitalization ratios such as the debt to equity ratio and Total assets to net assets ratio. Many of these covenants are cross-defaulted to equipment leasing and other related sources of financing. I am not aware of donor agreements that would have similiar covenants.

These arrangements would need to be re-negotiated . Unfortunately, as with most non-profits the cumulative net worth or net assets of our organizations are not comparable to other for-profit entities. This is due to having low margins and raising new capital through the issuance of debt (rather than a traditional capital sources like issuance of equity securities). Likewise donor funds are a source of new "capital" but are often generally treated as temporarily restricted and are not part of the Net Asset calculation for these covenants.

As to how these matters are currently dealt with, the parties in these arrangements are more focused on the cash-flow requirements of these plans than they are on the balance sheet presentation of actuarily determined long -term liabilities. However, it is very hard to educate and clarify for these parties the true economic impact on our organization of the minimum pension liability adjustments made these past two years. For those of us with June 30, 2005 year ends, we saw dramatic impacts on our net assets from 2004 to 2005 due to declines in bond yields at points in time. The true funding and economic position of our DB is not nearly as volatile as the accounting would lead you to beleive.

I would ask that you reconsider the effective date of these changes to give the non-profit community a chance to revise these arrangemnts. I believe we will have a much more difficult time due to our existing higher leverage in general than most for-profits.

I hope these comments have been helpful,

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