



Letter of Comment No: 23  
File Reference: 1025-300

May 11, 2006

Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CN 06856-5116

Re: File Reference No. 1025-300

Dear Sir/Madam:

The Accounting Principles Committee of the Illinois CPA Society (Committee) appreciates the opportunity to provide our perspective on the Exposure Draft of a Proposed Statement, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)*. The organization and operating procedures of the Committee are reflected in the attached Appendix A to this letter. These recommendations and comments represent the position of the Illinois CPA Society rather than any members of the Committee or of the organizations with which the members are associated.

Our comments are as follows:

**Costs of Implementing the Proposed Statement's Requirement to Recognize a Plan's Overfunded or Underfunded Status in the Employer's Statement of Financial Position**

Issue 1 – We agree that the information is already available but believe there are potentially hidden costs principally related to the requirement that all companies use an end of reporting year measurement date. Several of our committee members expressed concern that the actuarial community will experience difficulty absorbing the workload required of the change particularly in this first year. Notably, the accelerated SEC reporting deadlines coupled with the requirement that those companies using other than year end as a measurement date have a second valuation done during the first quarter seems likely to cause a significant change to actuaries' current business loads. We encourage the Board to specifically seek input on this matter from major actuarial firms.

**Employer's Measurement Date**

Issue 2 – See the comments above with respect to input from actuarial firms and our continuing concern over adoption time frames.

## **Effective Dates and Transition – Recognition of the Overfunded or Underfunded Status**

Issue 3(a) – We believe that the availability of information in this instance should lead to few instances where retrospective application is impractical. Some Committee members questioned the necessity to retrospectively adjust income statements for the amortization of the various transition amounts in those instances where such amounts are immaterial. We agree with the Board's conclusions with respect to the impracticability exemption related to the assessment of realizability of deferred tax assets.

Issue 3(b) – We encourage the Board to specifically seek comments from the lending, investing and academic communities, other regulatory bodies and the business media/press to understand the potential impact this proposed standard may have on our capital markets. While we acknowledge that this information has been disclosed for many years, academic research indicates that the recording of these obligations on the statement of financial position could have an impact on stock prices.

### **Measurement Date**

Issue 4 – Please see our comments above with respect to timing of actuarial valuations. We believe the objectives of the Board could be equally met if companies were given the flexibility to implement the change of measurement date at any time during the first year after adoption of the standard with application retroactive to the first quarter of the year. Additionally, the Board should consider specifically providing for the change in measurement date to be implemented upon initial adoption should that prove practical for some reporting entities.

Some committee members pointed out that certain plans have investment assets that are not routinely valued at a date coincident with the plan year end and that some plans could have fiscal years different from the plan sponsor. Some plans hold real estate and other assets that may not have readily observable market values and may not be routinely valued at dates that coincide with the plan sponsor's measurement date. Paragraph B39 of the proposed standard states that "measurements for *most* plan assets should not be prepared as of an earlier date and projected forward" (emphasis added). Presumably some measurements could be done as of an earlier date. The Board should consider providing examples of assets for which a valuation could be done at an earlier date and projected forward to the measurement date. Additionally, the Board should consider permitting those assets to be individually valued at a date other than the measurement date in the same way that subsidiaries with year ends different from the parent company can be consolidated without adjustment.

### **Not-for-Profit Organizations and Other Entities that do not Report Other Comprehensive Income**

Issue 5 – We agree that the proposed standard provides sufficient guidance for not-for-profit entities.

## **Additional Matters**

We have the following additional comments on other matters:

We encourage the Board to move rapidly to Phase II of this project. Matters such as the selection of discount rates, assumed rates of return and even the potential for consolidation of benefit plans as "variable interest entities" will be areas of significant debate once the net benefit obligation is recorded on the statement of financial position.

The Committee continues to question the wisdom of instituting changes over short periods of time during a period where there is increased scrutiny of the profession and concern over the quality of financial reporting. Actions taken over short time frames are inherently more likely to result in errors and subsequent restatements for their correction resulting in "costs" to the reputations of those involved.

If the standard is not finalized by September, 2006, as anticipated, we encourage the Board to consider delaying the effective date one year, with early adoption permitted.

Sincerely,

A handwritten signature in black ink, appearing to read "James L. Fuehrmeyer, Jr.", written in a cursive style.

James L. Fuehrmeyer, Jr., Chair  
Accounting Principles Committee

**APPENDIX A**  
**ILLINOIS CPA SOCIETY**  
**ACCOUNTING PRINCIPLES COMMITTEE**  
**ORGANIZATION AND OPERATING PROCEDURES**  
**2005- 2006**

The Accounting Principles Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from industry, education, government and public accounting. These members have Committee service ranging from newly appointed to more than 20 years. The Committee is an appointed senior technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of accounting standards. The Committee's comments reflect solely the views of the Committee, and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to study and discuss fully exposure documents proposing additions to or revisions of accounting standards. The Subcommittee ordinarily develops a proposed response that is considered, discussed and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times, includes a minority viewpoint.

Current members of the Committee and their business affiliations are as follows:

**Public Accounting Firms:**

**Large (National Firms):**

Matthew L. Brenner, CPA  
James L. Fuehrmeyer, Jr., CPA  
Brian L. Heckler, CPA  
John A. Hepp, CPA  
Alvin W. Herbert, Jr., CPA  
Steven C. Johnson, CPA  
Kirsten M. Lescher, CPA  
Matthew G. Mitzen, CPA  
Frank C. Nardi, CPA  
Mark K. Scoles, CPA  
Reva B. Steinberg, CPA  
John M. Stomper, CPA  
Joan Waggoner, CPA

PricewaterhouseCoopers LLP  
Deloitte & Touche LLP  
KPMG LLP  
Grant Thornton LLP  
Retired/Clifton Gunderson LLP  
McGladrey & Pullen LLP  
Plante & Moran, PLLC  
RSM McGladrey Inc.  
Virchow Krause & Company, LLP  
Grant Thornton LLP  
BDO Seidman LLP  
Deloitte & Touche LLP  
Blackman Kallick Bartelstein LLP

**Medium (more than 40 employees):**

Marvin A. Gordon, CPA  
Ronald R. Knakmuhs, CPA  
Laurence A. Sophian, CPA

Baygood & Rose Chartered  
Miller, Cooper & Co. Ltd.  
Ostrow, Reisin, Berk & Abrams, Ltd.

**Small (less than 40 employees)**

Walter J. Jagiello, CPA  
Kathleen A. Musial, CPA  
Roger L. Reitz, CPA

Walter J. Jagiello, CPA  
Benham, Ichen & Knox LLP  
Cray, Kaiser Ltd., CPAs

**Industry:**

Peter J. Bensen, CPA  
Melinda S. Henbest, CPA  
James B. Lindsey, CPA  
Annette M. O'Connor, CPA  
John H. Wolter, CPA

McDonald's Corporation  
The Boeing Co.  
TTX Company  
RR Donnelley Logistics  
Retired/Natural Gas Pipeline Company of America

**Educators:**

David L. Senteney, CPA  
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Ohio University  
University of Illinois at Chicago

**Staff Representative:**

Paul E. Pierson, CPA

Illinois CPA Society