



LETTER OF COMMENT NO. 36

VAN IWAARDEN

Retirement planning for employers

May 19, 2006

Director, Financial Accounting Standards Board
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Pension Accounting – Comments on March 31, 2006 Exposure Draft

On behalf of Van Iwaarden Associates, we thank you for the opportunity to comment on the FASB's recent pension accounting exposure draft.

We agree with the principles in the exposure draft, i.e. that an employer should:

- report the current economic status of a retirement plan in its balance sheet, and
- provide for complete recognition of events during the reporting period.

We are concerned because the exposure draft violates the first principle. The true economic status of a defined benefit pension plan depends on the accumulated benefit obligation (ABO), not the projected benefit obligation (PBO). The ABO is the value of benefits earned to the measurement date, while the PBO includes assumed future salary increases.

Our firm has a number of clients with pension plans that could be terminated today for 100 cents on the dollar, with no additional employer liability. The ABO is fully covered by the market value of the plan's assets. The proposed rules, by comparing current assets to the PBO, would consider these plans to be underfunded. This is at odds with economic reality.

We would urge the FASB to honor its stated principles, i.e. to report a plan's true economic status. This will not occur if the PBO is used as a liability measure, so the final statement should base balance sheet liabilities on the ABO.

Thank you for your consideration.

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