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Ms. Suzanne Bielstein  
Technical Director  
Financial Accounting Standards Board  
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LETTER OF COMMENT NO. 48

File Reference 1025-300

Ms. Bielstein,

I appreciate the opportunity to comment on the Board's proposed Standard, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. I support the Board's proposal and commend the Board for approaching the problems with pension accounting in a pragmatic fashion with its two-part approach. Particularly commendable is the timetable and scope the first phase of the project. The first phase doesn't resolve all of the issues surrounding pension accounting, but it greatly improves the utility of financial statements for investors and analysts, while requiring little incremental effort on the part of preparers.

The following are my comments on the specific questions asked in the document.

*Issue 1: The Board concluded that the costs of implementing the proposed requirement to recognize the overfunded or underfunded status of a defined benefit postretirement plan in the employer's statement of financial position would not be significant. That is because the amounts that would be recognized are presently required to be disclosed in notes to financial statements, and, therefore, new information or new computations, other than those related to income tax effects, would not be required. Do you agree that implementation of this proposed Statement would not require information (other than that related to income tax effects) that is not already available, and, therefore, the costs of implementation would not be significant?*

As I stated above, I believe that this proposed standard would not require much incremental effort or cost beyond what is already required of financial statement preparers.

I have heard concerns that the evaluation of deferred tax assets resulting from moving a net benefit obligation to the balance sheet would cause implementation difficulties, due to required forecasting of future income that would absorb the tax assets. I am not convinced that this would always be the case; many firms that would find themselves adding deferred tax assets because of this proposal probably *already* carry deferred tax assets. Presumably, they should have already done their forecasting of future income to evaluate the deferred tax assets recognized. The presence of the incremental deferred tax assets related to benefits shouldn't change their forecasts, only their estimates of utilization. Therefore, these companies shouldn't encounter an excessive amount of effort required to evaluate new tax assets.

*Issue 2: Unless a plan is sponsored by a subsidiary that is consolidated using a fiscal period that differs from the parent's, this proposed Statement would require that plan assets and benefit obligations be measured as of the date of the employer's statement of financial position. This proposed Statement would eliminate the provisions in Statements 87 and 106 that permit measurement as of a date that is not more than three months earlier than the date of the employer's statement of financial position.*

*Are there any specific implementation issues associated with this requirement that differ significantly from the issues*

*that apply to other assets and liabilities that are recognized as of the date of the statement of financial position?*

There are no other assets or liabilities I can recall being displayed in the balance sheet that may be routinely prepared as of a different time period as the rest of the assets and liabilities, with the exception of those belonging to subsidiaries using a different fiscal year from the parent company. There's no reason that these should be treated any differently than the other balance sheet items; in fact, these are likely to be quite large at some firms making it even more important to present them on the same basis as the rest of the assets and liabilities.

I realize that there are closing and audit efficiencies to be gained by having the three-month exemption but that's not an effective rationale for permitting a mismatch. A three-month gap doesn't improve the presentation of a firm's balance sheet.

*Issue 3(a): Should the Board provide an impracticability exemption related to the assessment of the realizability of deferred tax assets? Why or why not? Are there other reasons that retrospective application might be impracticable that the Board should be aware of?*

I support an impracticability exemption for the assessment of the realizability of deferred tax assets. I believe such assessments would not be likely to be completed objectively; hindsight would be too common and it would inevitably taint the presentation.

*Issue 4: This proposed Statement would require a public entity that currently measures plan assets and benefit obligations as of a date other than the date of its statement of financial position to implement the change in measurement date as of the beginning of the fiscal year beginning after December 15, 2006. If that entity enters into a transaction that results in a settlement or experiences an event that causes a curtailment in the last quarter of the fiscal year ending after December 15, 2006, the gain or loss would be recognized in earnings in that quarter. Net periodic benefit cost in the year in which the measurement date is changed would be based on measurements as of the beginning of that year.*

*Are there any specific impediments to implementation that would make the proposed effective date impracticable for a public entity? How would a delay in implementation to fiscal years ending after December 15, 2007, alleviate those impediments?*

There are no particular impediments that I envision from the proposed implementation method. The proposed method would not change the calculation of any curtailment/settlement gains or losses occurring in the last quarter before implementation; it would merely be fully recognized at once. I don't see this as an incremental informational demand upon the preparer community, and it would not be particularly hard to convey to the investing community.

I would not support any further delay in implementation.

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There is one other suggestion I'd like to make, concerning the implementation examples.

There are no examples having a fact pattern with a company that has a minimum pension liability. The proposed accounting does away with the concept of a minimum liability - a major improvement - but my concern is that it is not explicitly shown in the examples. Some practitioners might not realize that the minimum liability balances are eliminated by this proposal, and need to be reversed upon implementation.

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That concludes my comments on the proposal. If you have any questions or need further amplification, please do not hesitate to call me.

Sincerely,

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