



May 24, 2006



LETTER OF COMMENT NO. 49

Ms. Suzanne Q. Bielstein
Director – Major Projects and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
Norwalk, Ct 06856-5116

File Reference No. 1025-300
Exposure Draft - Employers' Accounting for Defined Benefit Pension and Other Post Retirement Plans, an amendment of FASB Stmts. No. 87, 88, 106 and 132(R)

Dear Ms. Bielstein,

Schering-Plough appreciates the opportunity to comment on the exposure draft "Employers' Accounting for Defined Benefit Pension and Other Post Retirement Plans, an amendment of FASB Stmts. No. 87, 88, 106 and 132(R) (the "ED").

We support the FASB's efforts to improve the financial reporting of defined benefit pension plans and other post-retirement benefit obligations. At present, the accounting in this area is overly complex and lacks transparency because the amounts currently recorded on the balance sheet are not meaningful. As a result, significant liabilities for pension and other post-retirement obligations are not presently included on the balance sheet, although they can be found in the financial statement footnotes. The ED addresses the issue of transparency and balance sheet recognition by requiring the funded status of defined benefit plans to be recorded on the balance sheet.

The ED does not, however, address the issue of complexity in defined benefit plan accounting nor does it meaningfully converge the accounting with International Financial Reporting Standards. We recognize that this is the result of the limited-scope nature of this project. We encourage the FASB in Phase II of this project to work with the IASB to achieve a converged, principles-based solution to defined benefit pension/postretirement plan accounting that will take a step forward in reducing complexity and improving the usefulness of financial reporting information.

Our detailed comments to the issues in the ED are attached to this letter. We would be pleased to discuss any questions or comments on this letter with the FASB members or staff. Please do not hesitate to contact me at (908) 298-7320 at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "James C. D'Arecca". The signature is written in a cursive style with a large initial "J" and "C".

JAMES C. D'ARECCA
Executive Director & Assistant Controller
Accounting Governance
Schering-Plough Corporation

Schering-Plough
Exposure Draft Responses

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: 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? Why or why not?

We agree that the implementation of this proposed Statement would not require information (other than that related to income tax effects) that is not already available. We agree with the Board's view that the necessary information is currently included in the financial statement footnotes. For our company, we do not expect the costs to implement the proposed standard to be significant. However, for companies that may have debt covenants that are affected or for companies that will require detailed assessments of the income tax accounting consequences, the costs may be much more significant, especially for SEC registrants that are required to provide 5 years of selected financial data or for companies that voluntarily present 10 year summary financial information.

The Employer's Measurement Date

Issue 2: 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?

We do not believe there are unique implementation issues associated with the requirement to measure plan assets and benefit obligations as compared to other assets and liabilities that are measured as of the date of the employer's balance sheet. In this regard, we agree with the Board's view that it is preferable to measure the plan assets and benefit obligations as of the balance sheet date in order to reduce complexity and for purposes of consistency with the other balance sheet amounts which are required to be measured as of the balance sheet date.

Effective Dates and Transition - Recognition of the Overfunded or Underfunded Status

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?

We believe the Board should provide an impracticability exemption related to the assessment of the realizability of deferred tax assets. Evaluation of the realizability of deferred tax assets is often a complicated endeavor which requires the use of judgment. It may not be possible to determine whether or not a valuation allowance was necessary in prior periods, particularly if the assessment of realizability was based upon an assessment of future taxable income. Moreover, this exercise needs to be performed by jurisdiction and, according to our interpretation of the ED, if we cannot assess the realizability of a deferred tax asset in only one of the many jurisdictions in which we have defined benefit pension plans, then application of the ED would be considered impracticable since the ED does not permit the recognition of the funded status on a piecemeal basis. The application of the ED to situations where there are several tax jurisdictions should be clarified in the final standard.

Measurement Date

Issue 4: 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?

We believe that a one year delay in the provision to require public companies to measure plan assets and benefit obligations as of the balance sheet date is appropriate. In this regard, we primarily rely on the work of our actuaries to provide the necessary information for recognition and disclosure purposes. We suggest that the FASB engage in a dialogue with the actuarial firms in order to ensure that they will be able to (i) handle the increased workload while being able to meet companies' accelerated financial reporting deadlines and (ii) allow companies enough time to evaluate their Sarbanes-Oxley 404 controls over this aspect of financial reporting.

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