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LETTER OF COMMENT NO. 41

May 23, 2006

Financial Accounting Standards Board Technical Director 401 Merritt 7 P. O. Box 5116 Norwalk, CT 06856-5116 Via email to director@fasb.org

Re:

Proposed Statement of Financial Accounting Standards – Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R) – File Reference No. 1025-300

I am writing to express my opinions regarding the above referenced Proposed Standard.

- I do not believe the Proposed Standard should be issued for the following reasons.
 - The Board has indicated that in the second phase of its project on defined benefit pension and other postretirement plans, the Board expects to comprehensively consider a variety of issues related to the accounting for pension and other postretirement benefits, such as (a) how the various elements that affect the cost of postretirement benefits are best recognized and displayed in either earnings or other comprehensive income, (b) how to measure an entity's benefit obligations, including whether more or different guidance should be provided about assumptions used in measuring benefit costs, and (c) whether postretirement benefit trusts should be consolidated by the plan sponsor. The outcome of this multi-year phase could result in changes from existing GAAP in the measurement and recognition of all postretirement benefit obligations and cost. Items which will likely be reconsidered in the second phase include (i) whether the projected benefit obligation of a defined benefit pension plan meets the definition of a liability under Concepts Statement No. 6 and (ii) whether a prepaid pension cost meets the definition of an asset under Concepts Statement No. 6. Therefore, it seems inappropriate to require balance sheet recognition of the funded status of postretirement benefit obligations (or assets) under existing measurement principles when those measurement principles could change in the second phase. While disclosure is never a substitute for good accounting, the existing disclosure requirements of FASB Statement No. 132(R) are adequate to provide sufficient information regarding the funded status of postretirement plans until the second phase of the Board's project has been completed.
 - Under current GAAP, the fair value of plan assets as of the reporting date only impacts a footnote disclosure (i.e. the funded status reconciliation). Any discrepancy between the amount disclosed as the fair value of plan assets and the actual fair value of plan

assets would only result in a change in the accumulated actuarial gain/loss that is disclosed in the funded status. If the funded status was required to be recognized on the balance sheet, then the amount of such fair value of plan assets becomes very critical in determining the appropriate funded status to be recognized. I believe that external auditors have in the past not performed extensive procedures with respect to the amount disclosed as the fair value of plan assets (primarily because such fair value does not impact any amount recognized in the financial statements). While many defined benefit pension plans are audited, the timing of those audits generally occurs several months after the issuance of the sponsor's audited financial statements. If the fair value of plan assets were now to become critical to the determination of amounts recognized in financial statements, I would expect the external auditors would be required to accelerate the timing of their procedures with respect to the audit of the benefit plan itself. Given that the auditing profession now appears to be very stretched in their resources, in part due to the requirements imposed on them regarding the audit of internal control over financial reporting, I am concerned that the auditing profession would not currently have sufficient resources to accomplish the audit of the benefit plan itself on an accelerated timetable.

- If the Board proceeds to issue the Proposed Standard, I would recommend the following changes.
 - Under existing GAAP, whenever the accumulated benefit obligation of a defined benefit pension plan exceeds the fair value of the plan assets, a liability is required to be recognized equal to such excess. Because several commentators have expressed strong reservation to using the projected benefit obligation of a defined benefit pension plan to measure the liability to be recognized under the Proposed Standard (because of concerns the projected benefit obligation does not meet the definition of a liability under Concepts Statement No. 6), I would revise the Proposed Standard and use the accumulated benefit obligation for purposes of determining the funded status of the postretirement plans which would be recognized in the balance sheet. Appropriate revisions to the disclosure requirements of FASB Statement No. 132(R) would be made to coincide with this change.
 - Plan sponsors should be allowed to continue to use a measurement date of plan assets that is within 90 days of the reporting date. Not all plan assets have daily quoted market prices, and it takes a considerable amount of time for plan trustees to determine the value of certain plan assets. For some plan sponsors, it is not reasonable to assume that a complete valuation of plan assets can be completed by the trustee, reviewed by management and then audited by the external auditors before the deadline for issuance of the sponsor's audited financial statements. Obligations related to postretirement plans are, by their very nature, long-term. Because settlement of such postretirement plan obligations will occur over a very long period of time, there is no meaningful difference between using a plan asset value as of the reporting date or as of a date within 90 days of such date for purposes of financial statement recognition. Given the time constraints in determining plan asset fair values, a permitted 90-day window is a reasonable accommodation.

- If the Board proceeds to require a measurement date that coincides with the
 reporting date, then to minimize the cost of transition, plan sponsors should not
 be required to perform two valuations within a 90-day period. Rather, plan
 sponsors should only be required to perform a valuation as of the adoption date
 (which would be the period-end reporting date), and use their previous valuation
 for purposes of recording periodic postretirement benefit cost for the intervening
 interval.
- To permit an appropriate amount of time to plan for the likely acceleration of the audit of the benefit plan itself (as discussed above), the required adoption date should be postponed for one year to fiscal years ending after December 15, 2007.
- Given that all components of net periodic postretirement plan benefit cost are required to be disclosed on an interim basis, I do not believe the proposed requirement to disclose the estimated portion of the net actuarial gain or loss and the prior service cost or credit in accumulated OCI that will be recognized as a component of net periodic cost over the next fiscal year is meaningful.

Thank you for your consideration of these comments and suggest	tions.
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Sincerely,

Greg Swalwell