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LETTER OF COMMENT NO. 55

Technical Director – File Reference No. 1025-300
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116
director@fasb.org

Re: FASB Exposure Draft – Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – Phase I

Dear Technical Director:

On behalf of BNSF Railway Company (BNSF), I would like to applaud the Board on its efforts to improve transparency and existing reporting for pension and other postemployment benefit (OPEB) accounting. BNSF recognizes the many improvements the Board's reconsideration of pension and OPEB accounting may provide; however, we are concerned about the requirement that the assets and obligations be measured as of the date of the employer's statement of financial position.

Current guidance per FAS 87 allows the use of a measurement date up to three months in advance of the date of the financial statements. With the Securities and Exchange Commission's (SEC) and financial statement users' desire to file timely financial statements, BNSF is concerned that requiring the use of a fiscal year-end measurement date would not provide sufficient additional benefit to justify the risks involved in amending this particular reporting requirement for the following reasons:

1. *Fiscal year-end calculations of various assumptions and of the valuation do not improve the estimates' values*. Estimating the discount rate, the health-care cost trend rate and various other assumptions as of the financial statement date versus three months prior does not add a significant amount of value as both represent estimates of what is anticipated over the long-term. Using the financial statement date valuation would provide a more recent calculation; however, this is still a calculation that is inherently an estimate. In addition, we do not believe that changing the timing of the valuation by three months will materially affect the results of operations or usefulness of the financial statements. Therefore, delaying the valuation by three months does not significantly improve the reliability or the accuracy of the valuation. This being said, with the SEC's and users' desire for earlier filing, the cost of delaying the availability of the financial statements for the various users does not appear to be worth the perceived benefits of more current estimates.

2. *Fiscal year-end calculations will place substantial time constraint on asset managers, healthcare administrators, and actuaries.* All companies with a fiscal year end of December 31 will require asset valuations, retiree health and welfare information and actuarial valuations at exactly the same time, which will cause a huge influx of requests at once for each of the responsible parties. The increased volume of requests at December 31 for each of these parties will likely further hinder each actuary's ability to perform the valuation in a timely manner.

3. *Asset valuation availability.* Plan trustees must obtain asset valuations from various entities, which, historically, have taken several weeks to obtain. These include plan assets that are not publically traded, which traditionally have a greater turn-around time for valuations than publically traded investments. The delay in asset valuation timing would cause a time constraint on Management's review of the assets and the actuary's preparation of the obligation valuation. This could possibly delay the filing of the financial statements with the SEC.

4. *Retiree medical estimates.* Measuring retiree medical expenses per FAS 106 is a time-consuming process. The Company's actuary must first obtain data from healthcare providers who cannot provide information until claims are filed, which then have to be processed by the healthcare provider. As a part of this process, the Company and the Company's actuaries use estimates of the data expected to be received based on trends. Thus, moving the measurement date would not eliminate the need for estimates, but, rather, would limit the analysis that could be performed to assess the propriety of those estimates.

5. *Discount rate calculation.* For many companies, the determination of an appropriate discount rate is a time-intensive task due to several factors. First, in light of the recent emphasis placed on the calculation of the discount rate, many companies have begun utilizing detailed bond portfolios to determine their discount rates. These portfolios are not available until after the measurement date. Next, the Company uses that information along with projected benefit payments to calculate a discount rate. This estimate is then subject to Management's review and approval. Only then is the discount rate available for use in the valuation prepared by the Company's actuary.

   Due to the extensive calculation and review process, the suggested change of measuring the discount rate at the date of the financial statements would compress the review time for Management. With a compressed review cycle comes an increase in the likelihood of an error, as well as a potential delay in availability of the financial statements. Using a measurement date three months prior to the financial statement date would provide time for a more thorough review of the discount rate.

In conclusion, based on the reasons given above, BNSF considers the greatest benefit for the financial statement users to be continued allowance of a measurement date of up to three months prior to the financial statement date, with an evaluation and disclosure of any known material trends in the discount rate, assets, and retiree medical valuations made when necessary, as is currently required.

Thank you for the opportunity to comment on this very important issue. If you have any questions on BNSF's comments, please feel free to contact me at (817) 352-4940.

Sincerely,

Paul W. Bischler, CPA
Controller
BNSF Railway Company