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From: William Robinson [mailto:ROBINWJ@shands.ufl.edu]  
Sent: Friday, May 26, 2006 10:07 AM  
To: Director - FASB  
Cc: Gary.Howell@mercer.com; Steve Fette; Jeffrey Jones  
Subject: FASB Comment - File Reference No. 1025-300

May 25, 2006

Technical Director \* File Reference No. 1025-300  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116  
Subject:  
Proposed Statement of Financial Accounting Standards -- Employers'  
Accounting for Defined Benefit Pension and Other Postretirement Plans

I am the Chief Financial Officer of Shands Teaching Hospital and Clinics, Inc and Subsidiaries (d/b/a Shands HealthCare), a not-for-profit multi-hospital health care system in central and northeast Florida, with annual revenues of \$1.4 billion and 11,000 employees. Shands sponsors a qualified pension plan and two other postretirement benefit (OPRB) plans covering the majority of our employees.

As a preparer and user of financial statements, I understand the need for transparent accounting and reporting. Our management team supports FASB's efforts to improve the value and relevance of financial information reported to the users of financial statements by revisiting SFAS Nos. 87 and 106. However, we have significant concerns about the proposed statement of financial accounting standards, Employers' Accounting for Defined Benefit Pension and Other Postretirement Benefit Plans, which would amend SFAS Nos. 87, 88, 106, and 132(R). Our specific concerns pertain to (1) the pension liability measure, (2) the measurement date and (3) the cost of implementation.

#### 1. Pension liability measure

The projected benefit obligation (PBO) \* the present value of a hypothetical benefit determined by dividing projected retirement benefits (including assumed pay increases between the valuation date and the assumed retirement date) by benefit accrual service to the assumed retirement date \* is not a measure of the "market value" of plan liabilities. Rather, it is merely another SFAS No. 87 smoothing mechanism designed to produce a more level pattern of net periodic cost over participants' careers. The PBO includes amounts related to future salary increases that are not yet liabilities of the company as defined in Concept Statement 6. Requiring balance sheet recognition of the PBO contradicts the underlying conceptual framework of GAAP accounting and artificially increases plan sponsors' liabilities. It will discourage the continuation of defined benefit plans \* a result that cannot be undone if the Board decides in Phase 2 that the accumulated benefit obligation (ABO) \* or some other measure \* is the correct measure for balance sheet recognition .

The ABO \* the present value of benefits earned by our current and former employees as of the measurement date \* is the appropriate

market-value measure of pension liabilities. Use of the ABO to determine balance sheet recognition is a logical extension of the current SFAS No. 87 additional minimum liability rules. It would also improve comparability among companies. Using ABO, my company's balance sheet liability for a 40-year-old employee who has earned a given amount of accrued benefit would be the same as any other company's balance sheet liability for a 40-year-old employee with the same accrued benefit \* a logical and consistent result. But by using PBO, different companies' balance sheet liabilities for identical participants with identical accrued benefits will vary according to whether the pension plan is frozen, cash balance, flat dollar, career pay, or final pay \* a result that defies logic.

For these reasons, the ABO, not the PBO, should be used to determine any required balance sheet recognition.

## 2. Measurement date

Pension and OPRB assets and liabilities are significantly different from other types of assets and liabilities reported in our financial statements and require additional lead time to measure accurately. Most other financial statement items are merely summaries of activity during the year. But pension and OPRB reporting and disclosures require gathering new information and subjecting it to extensive calculations, analysis, and review. In particular, we are concerned about the time required to select our liability discount rate, collect and analyze retiree medical claims experience, complete our critically important budgeting process, and consolidate all of the different elements in our financial statements.

Discount rate. We use a high-quality matching bond portfolio to determine the appropriate discount rate. But the universe of appropriate bonds as of the measurement date generally is not available until one to two weeks after the measurement date. It must then be matched against projected cash flows to determine the appropriate discount rate, a process that requires a few business days. After we determine the final discount rate, the actuary needs another two weeks to determine all the required plan liabilities, reconcile the funded status, and prepare the balance sheet entries and footnote disclosures. If a fiscal year-end measurement date must be used, liabilities won't be available until four to five weeks after fiscal year-end, which leaves insufficient time to complete our financial statements in a timely manner. To cope with a year-end measurement date requirement, we would need to either (i) adopt a less accurate discount-rate selection method (for example, using a bond yield index) or (ii) before fiscal year-end, perform multiple liability measurements using a range of discount rates \* at substantial additional cost \* and then select which measure to use after the appropriate discount rate is determined. Either approach is inferior to the current early measurement date option and would not improve reported financial results.

Other compromises. Our OPRB plan administrator does not provide claims information until 4 weeks after the measurement date. If forced to use a fiscal year-end measurement date, we will have to determine our starting claims cost using payments as of an earlier date plus estimated claims through fiscal year-end \* a process which, once again, offers no improvement over use of an earlier measurement date. Also, compressing the time frame for completion of our financial statements

by requiring use of a fiscal year-end measurement date would increase the likelihood that errors we now catch and correct will, in the future, make their way into our financial statements. Finally, a fiscal year-end measurement date requirement would severely compromise our ability to complete our critically important budgeting process in a timely manner.

We believe pension and OPRB assets and obligations are significantly different from other types of assets and liabilities recognized in our financial statements and require additional lead time to measure accurately. The use of a measurement date up to three months prior to fiscal year-end remains appropriate, and SFAS Nos. 87 and 106 should not be amended to require use of a fiscal year-end measurement date. Such a requirement represents false precision, and would not materially improve the accounting. It would force us to use estimation techniques rather than accurate values at the earlier disclosed measurement date, and it would increase the chance of material errors in our financial statements.

### 3. Implementation cost, effective dates, and transition

We disagree with the Board's conclusion that implementation costs will not be significant, as described under Issue 1 of the Notice for Recipients of This Exposure Draft. We estimate our costs to implement the proposed statement would be approximately \$100,000, arising from: § the proposal to require two separate measurements during the year of transition to the year-end measurement date seems unnecessary (This problem will, of course, be resolved if the Board simply retains the current early measurement date option.) § the likely need to renegotiate contractual arrangements that reference financial metrics affected by the proposed changes § the cost of recalculating and disclosing all of the historical results within our financial statements § additional costs associated with rushing to complete pension and OPRB calculations after the fiscal year-end, but before our financial statements are due.