

December 24, 2003

Director, TA&I-FSP
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

VIA e-mail

Dear TA & I Director:

RE: File Reference No. FSP FAS 106-a

Chicago Consulting Actuaries LLC (CCA) is pleased to submit our comments on the proposed FASB Staff Position "Accounting and Disclosure Requirements Related to Medicare Prescription Drug, Improvement and Modernization Act of 2003" (FSP FAS 106-a).

CCA performs actuarial valuations for the postretirement benefit programs of many publicly traded and privately held companies. We assist employers preparing relevant information for their financial statements. As actuaries, we also assist many companies in their due diligence analysis of employee benefit programs in merger and acquisition situations.

While we are not accountants, we do have extensive knowledge of postretirement benefit programs and the corresponding FASB standards, and thus feel qualified to offer commentary on the proposed FSP.

It is our belief that the users of financial statements would be better served if employers with retiree medical programs that offer drug benefits are allowed to reflect the financial impact of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) in their financial statements and disclosures. Thus, we recommend that the FASB rescind the proposed FSP.

We offer the following comments supporting our recommendation to rescind the proposed FSP:

- We worked with several companies over the past year, analyzing the impact of previously proposed versions of this legislation and the final Act. Measurement of the Act's impacts necessarily involves making assumptions about the future implications of the legislation on participant behavior and on health care costs

generally. However, such assumptions are hardly foreign in the context of FASB Statement 106 (FAS 106) actuarial measurements. FAS 106 requires qualified professionals to anticipate future experience for postretirement benefit plans. In our professional opinion, we have collected adequate information to properly reflect the Act's financial impact. As with other assumptions, those related to the Act would be monitored and refined as experience unfolds in future years.

- FSP FAS 106-a indicates concern about the comparability of results if employers value the effects of the Act. While some variability may occur due to differences in assumptions, failure to recognize significant cost savings caused by the Act will cause far greater comparability issues. The companies that benefit most from the Act will suffer substantially overstated liability and cost impacts, which distorts their comparison to other firms without such benefits.
- Significantly overstating liabilities will mislead investors and will cause them to make inaccurate assessments of the Act. In the worst case, investors will take it upon themselves to estimate the impact of the new law, even though they do not have the expertise or data to accurately measure its effects.

We believe that employers, employees and the users of financial statements are better served if companies are allowed to follow FASB Statement 106 and recognize the financial impact of the Act as enacted by Congress and signed by the President.

Thank you for consideration of our comments. We would be happy to discuss our position with you further, if desired. You can contact me at 214-492-2225 or tmiano@chicagoconsultingactuaries.com.

Sincerely,

Thomas Miano, FSA, MAAA
Principal