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LETTER OF COMMENT NO. 75

Technical Director
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CN 06856-5116

May 30, 2006

File Reference No. 1025-300

Dear Director:

I appreciate the opportunity to comment on the Board's Exposure Draft entitled Employers' Accounting for Defined Benefit Pension Plans and Other Postretirement Plans.

My initial thought is that these proposed changes add nothing to the information available to users of financial statements currently but I recognize that the continuing direction from the SEC has led to this action. It is also noteworthy that the Board has felt it necessary in this instance to comment on the "Potential Economic Consequences of Recognition of the Funded Status indicating awareness of the potential changes in behavior that this new proposal will generate.

However, I do want to comment specifically on the Board's proposal to recognize a liability for the difference between the projected benefit obligation and the value of plan assets. It is difficult to see how the concept statement definition of a liability can be stretched or massaged enough to reflect possible future salary increases. The definition of a liability includes the requirement "as a result of past transactions or events" I see no way to conclude that possible future salary increases can be the result of past transactions or events. One could argue that such increases are probable future sacrifices of economic benefits but to say such increases "arise from present obligations" gets pretty iffy.

Rather than describing the many problems with reflecting future costs in a liability, let me include here the comments made on this subject when Statement 87 was issued:

> "an employer cannot have a present obligation for pension benefits related to salary increases that are contingent upon future events- future inflation, future promotions, future improved productivity. He believes that the decision to grant

increases in wages and salaries, whatever the reason, is an event that has directly related consequences, including increases in social security taxes and pension costs, as well as the wages and salaries themselves. Accounting should recognize all of those directly related costs at the time the event occurs- when wages and salaries are increased because inflation has reduced the purchasing power of the dollars being paid, when wages and salaries are increased because the more valuable services recognized by promotion are being received, when wages and salaries are increased because the benefits of improved productivity are being realized. Anticipating the effects of those future events on pension cost in accounting for the current period before dollars have lost their purchasing power and before the more valuable services related to promotion and productivity have been received is no more appropriate than anticipating the future higher wages and salaries themselves in accounting for the current period."

Robert T. Sprouse
FASB Board Member

Note particularly the last sentence of Mr. Sprouse's comment that anticipating the future effects of possible salary increases on pension costs is no more appropriate than anticipating the higher wages themselves in accounting for the current period.

I appreciate the opportunity to comment on this subject.

Yours truly,

Frank C. Minter