

Letter of Comment No: 14
File Reference: FSPFAS106B
Date Received: 04-13-04

April 12, 2004

Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
File Reference No. FAS 106-b
Via email

**Invitation to Comment on Exposure Draft
Proposed FASB Staff Position**

“Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003”

We appreciate the opportunity to respond to the Exposure Draft of Proposed FASB Staff Position “Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003” (ED). We rank among the largest providers of telecommunications services in the United States and the world. We provide communications services and products in the United States and have investments in more than 25 countries. We are a Fortune 40 company, employing approximately 169,000 people as of December 31, 2003, and had approximately \$35 billion in pension and postretirement assets at December 31, 2003.

We concur with the conclusion in the exposure draft that paragraphs 35 and 40 of FAS 106 are applicable to accounting for the Act. Further, we agree that the proper way to account for the tax effect of the subsidy is that it should have no effect on any plan-related temporary differences accounted for under FAS 109. We believe the timing and extent of disclosures required by the ED are appropriate and similar to the degree of disclosure we provided in our annual report to shareowners when we did not elect the deferral provisions of FSP 106-a.

We are concerned, however, with the treatment of plan amendments in paragraph 16 of the ED. To suggest that different treatment should be afforded a plan amendment depending on whether it increases or decreases the APBO is to set a dangerous precedent. Accounting should seek to address the nature of an item and be consistent in its treatment, regardless of the outcome. Accounting should be driven by the economics of a fact pattern, not by the form and structure. We would recommend either this split be eliminated and all plan amendments are treated the same, regardless of impact, or the two items being netted together in paragraph 16 should be split apart with the amendment receiving amendment treatment and the subsidy being treated as actuarial gain or loss regardless of the different amortization periods.

The ED concludes that the subsidy should be treated as an actuarial gain or loss. While we still believe that the preferable treatment is as a plan amendment since it essentially represents a legislative change in the substantive plan, we concur that actuarial gain or loss is an acceptable alternative.

We appreciate the opportunity to comment on projects undertaken by the Financial Accounting Standards Board. If you would like to further discuss any of our comments, please do not hesitate to contact either Andrew Libera, Executive Director – External Reporting and Accounting Policy at (210) 351-3043 (al7444@txmail.sbc.com) or myself at (210) 351-3900 (js0093@txmail.sbc.com).

Yours very truly,

John J. Stephens
Vice President and Controller