



Richard J. Martin  
Executive Vice President,  
Finance & Administration  
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**Via E-mail**

Technical Director  
Financial Accounting Standards Board  
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LETTER OF COMMENT NO. 98A

Re: Comments in Response to July 12, 2006 Meeting on Proposed Statement of Financial Accounting Standards – “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)”

In support of and consistent with the FASB’s deliberations on July 12, 2006, in which the Board determined that (1) The PBO is the appropriate measure of the balance sheet obligation for pension plans, and (2) the basic approach of measuring the annual net benefit cost reported in earnings would not change, we propose one additional change to the exposure draft relative to determining the rate used to discount the benefit obligation.

Given the Board’s direction in considering future salary increases to be a component of both annual net benefit cost and the liability for the benefit obligation, it appears the Board conceptually supports measuring such liability assuming companies are on a going concern basis, as opposed to a “settlement basis” (using an ABO measurement), which presumes that going concern is a consideration. We believe that calculating a discount rate based on returns earned from securities that would be purchased if a plan were to be terminated or settled is inconsistent with the going concern concept.

Accordingly, we propose that the Board consider moving from a “settlement basis” approach in its guidance for determining the rate used to discount the benefit obligation. Rather than discount the benefit obligation using a rate developed based on a hypothetical portfolio of high quality debt instruments (a settlement approach), we encourage the FASB to consider an alternative discount rate, consistent with the going concern concept of the PBO, that more closely matches the expected return on a plan sponsor’s assets. Such an alternative would take into consideration that a plan sponsor intends to meet its current and future benefit obligations using returns generated by invested assets that are expected to grow at a rate commensurate with the underlying assets. This approach assumes a plan sponsor to be a going concern, since continued earnings from the plan’s assets would ultimately pay benefit obligations as they arise. A plan sponsor could accordingly use demonstrated earnings results for its

invested assets, perhaps an average of 1, 3, 5, 10-year and since-inception earnings rates in order to determine the discount rate. This method also provides historical evidence to support the determination of a discount rate.

In our instance, the rate used to discount the liability is projected to be 6.50% at June 30, 2006 (5.50% at June 30, 2005), while our actual rate of return on plan assets over the past ten years averaged 9.8%. Unless we have made a decision to terminate or settle our plan, it would be more reasonable to use the historical long-term rate of return on the asset classes that are used to fund the related obligations.

If you have any questions concerning the foregoing, please do not hesitate to contact me directly at (323) 264-5200 (ext. 4281).

Very truly yours,

A handwritten signature in black ink, appearing to read "Richard J. Martin". The signature is fluid and cursive, with a long horizontal stroke at the end.

Richard J. Martin,  
Executive Vice President,  
Finance & Administration,  
and Chief Financial Officer