

31 May 2006

Ms. Suzanne Q. Bielstein
Director of Major Projects and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
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director@fasb.org



Re: Exposure Draft on the Proposed Statement of Financial Accounting Standard "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R)"

#### Dear Ms. Bielstein:

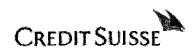
Credit Suisse Group ("CSG") appreciates the opportunity to express our views on the Financial Accounting Standard Board's ("FASB") Exposure Draft on the Proposed Statement of Financial Accounting Standards: "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R)" (the "Document") as posted to the FASB's website. CSG's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("US GAAP").

### Scope

We support the Board's objective to improve the accounting and financial statement presentation for defined benefit pensions and other postretirement plans. We also understand that this exposure draft is Phase 1 of the changes to the accounting framework for Pensions as a whole, and appreciate the Board's efforts to develop a standard that provides increased transparency, however, we have some concerns over some of the proposed changes.

### Effective Date and Transition

While we understand the Board's general view that changes in accounting principles should be applied on a full retrospective basis for all periods presented in a set of financial statements, we believe that imposing such a requirement for this proposed standard would prove to be overly cumbersome to restate prior periods for certain organizations and adds little value to the reader of the financial statement.



We have read from this exposure draft that two of the overriding principles that the FASB would like to introduce relating to pension accounting in Phase 1 include:

- a) recognizing the funded status of a defined benefit plan in the financial statements rather than as note disclosures and
- b) change the measurement date of the Projected Benefit Obligation ("PBO") and plan assets.

In an effort to reflect these two overriding principles, these changes could be achieved by applying limited retrospective transitional guidance. While it may appear that retrospective restatement would be easy to apply given that most of the necessary information is already included in the footnotes, we are concerned that in some circumstances defined benefit plans may have been altered or frozen over the reporting periods presented, or the plans may be part of discontinued operations in a prior period. We do not believe restating prior periods for plans which fall into these categories would provide much useful information to the reader of a set of financial statements. Also, it is currently unclear how these prior period changes would be viewed from a regulatory perspective such that an entity could have capital shortages in prior periods. There are also added complexities to booking a deferred tax asset that is realizable from prior periods and there is difficulty in a company's ability to assess the ongoing need for a deferred tax asset valuation allowance in any subsequent period based on hindsight.

Because of SOX and the potential desire to change plan benefits or funding, and just as a matter of course, the FASB should not issue a standard without at least six months between issuance and effective date. We recommend that the FASB allow limited retrospective transition guidance, which would require companies to apply the provisions of the proposed standard for fiscal years **beginning** after December 31, 2006. This would alleviate the complexity of two transition dates as currently drafted in the proposed standard.

### Change in Measurement Date

The proposed standard includes a requirement to use a measurement date as of the date of the financial statements (i.e., fiscal year end). Under the existing requirements, measurement of plan assets and liabilities can be made at a date not more than three months prior to the fiscal year end. The existing standard notes that the measurement under the Projected Benefit Obligation (PBO) is an estimate. There are many assumptions used to calculate the PBO, which include assumptions for health care trends, mortality and retirement. Most data is currently projected to the measurement date with implied assumptions. Therefore the focus on a specified measurement date may not provide a significant amount of additional accuracy given there are many estimates and projections applied in the measurement of the PBO. Also, a requirement to use a measurement date as of fiscal year end could provide timing difficulties for



many companies regarding the collection of asset information. Some investments are not traded in public markets and time may be needed to properly value and audit such investments, for example investments in private equity companies. Thus, in some cases, the use of an early measurement date provides an entity with sufficient time to collect accurate asset information, including audit reports for the underlying investments.

# Balance Sheet Recognition of Funded Status

The proposed standard will require companies to recognize on balance sheet the over or under funded status of their defined benefit postretirement plans. The proposed standard measures the funded status based upon the PBO versus the plan assets value. CSG would like to better understand why the PBO should be used to measure the funded status rather than the Accumulated Benefit Obligation (ABO). The ABO seems to better represent the definition of a liability under Concept Statement 6. While the use of the PBO may be appropriate for use as the determinate of net periodic pension cost, we believe its use is inappropriate to measure a balance sheet liability. FASB Concept Statement 6 states that the characteristics of a liability include that "the duty or responsibility obligates a particular entity, leaving it little or no discretion to avoid the future sacrifice" and "the transaction or other event obligating the entity has already happened." The PBO does not seem to satisfy this criteria. The plan sponsor has a great deal of discretion over both the level of future compensation levels and whether plan benefits will continue to be based on future compensation levels. Additionally, the value of future compensation is not recorded as a liability on the balance sheet. On this basis, it seems inappropriate to use the PBO measurement to book a liability on balance sheet. The ABO is based on compensation and services performed as of the measurement date. We understand that Phase 2 of the Pensions project will focus on measurement basis, we encourage the FASB to consider views which include the use of the measurement basis of ABO as this would appear to be a better reflection of a companies current obligation.

## Current versus Non-current classification of funded status of plans

The proposed standard requires that a company disclose the funded status of the plans, the amounts not recognized in the statement of financial position, and the amounts recognized in the employer's statement of financial position, including showing separately the current or non-current assets or liabilities recognized. It is not very clear in the proposed disclosure requirements how this breakdown between current versus non-current would take place. For liabilities, it could be interpreted that current liabilities are those which will be funded in the next year. It is not clear how this distinction would be made for assets. We would ask the Board to consider providing further clarification on this disclosure if they deem this a necessary requirement. CSG is a financial institution and doesn't present a classified balance sheet, however, we



use such financial statements in our business and need to understand how the current versus non-current is defined.

#### Conclusion

Overall, we are supportive of the Board's efforts and we agree that the current accounting and disclosure requirements could be improved. However, we believe the proposed standard could be improved and hope the Board will give careful consideration to our comments above. If you have any questions or would like any additional information on the comments we have provided, please do not hesitate to contact Eric Smith on 212-538-5984, Todd Runyan on +41 44 334 80 63 or Rhoda Dhar on 212-538-1972.

Sincerely,

Rudolf Bless Managing Director Chief Accounting Officer Rhoda Dhar Director Accounting Policy and Assurance