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May 31, 2006



LETTER OF COMMENT NO. 92

Ms. Sue Bielstein
Director, Major Projects and Technical Activities
Financial Accounting Standards Board
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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)

File Reference Number 1025-300

Dear Ms. Bielstein:

We appreciate the opportunity to comment on the Financial Accounting Standards Board's (FASB or the Board) above-referenced Exposure Draft (the Proposed Statement). Ernst & Young supports the Board's long-term objective of improving accounting and financial reporting for defined benefit pension and other postretirement benefit plans (collectively, the postretirement benefit plans). We generally agree that many of the Board's proposals included in the first phase of this effort result in improved financial reporting through increased transparency of the effect of the plans' funded status on the plan sponsor's financial statements. Accordingly, we believe that the Proposed Statement is a move in the right direction, one that will benefit investors and other users of financial statements. We support the Proposed Statement's elimination of the early measurement date alternative and the recognition of the funded status in the financial statements as these changes increase transparency and understandability of the plan sponsor's financial statements.

However, we have concerns over certain aspects of the proposal, including the proposed transition requirements and effective dates. In addition, we believe that clarifying guidance is needed on a number of issues in order to allow for consistent and accurate application of a final standard.

Finally, while we understand the Board's reasons for dividing this project into two phases, we encourage the Board to move quickly towards completion of phase two of the comprehensive project as we believe issues with postretirement benefit plan accounting that are not addressed in the Proposed Statement, including measurement and recognition issues, are significant and warrant attention in the near term.

The body of this letter includes our general comments and observations on the Proposed Statement. In Appendix A to this letter, we provide responses to the specific issues included in the Notice for Recipients.



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#### **General Comments and Observations**

#### Unrecognized Transition Amounts

The Proposed Statement would change the current accounting for unrecognized obligations or assets resulting from the initial application of FASB Statement No. 87, Employers' Accounting for Pensions (Statement 87), and FASB Statement No. 106, Employers' Accounting for Postretirement Benefits Other than Pensions (Statement 106) (collectively herein referred to as unrecognized transition amounts), by requiring recognition of the previously unrecognized transition amounts in retained earnings upon the adoption of a final standard. The Board concluded that unrecognized transition amounts represent the effect of implementing a change in accounting principle that if accounted for today would most likely be recognized as a cumulative effect of an accounting change in beginning retained earnings in the period of adoption. We acknowledge the Board's reasoning and agree that if Statements 87 and 106 were issued today, accounting for transition amounts would likely be handled differently. However, as a result of the significant amount of time that has elapsed since the initial application of Statements 87 and 106, we believe the remaining unrecognized transition amounts are relatively insignificant and therefore believe the proposed change will have minimal effects on the financial statements but will require what we believe will be a significant effort to make such a change.

In the deliberations that led to the issuance of Statement 106, the Board noted that the objective of recognizing the transition amounts in a manner consistent with that of prior service cost and credits was to attain a better recognition pattern of the related employee cost over the service period. In the Proposed Statement, the Board chose not to change the recognition of prior service costs and credits. Conceptually, we believe there is little difference between unrecognized transition amounts and unrecognized prior service costs and credits and, accordingly, we recommend that the accounting for these items remain consistent until such time as a full reconsideration of the postretirement benefit plan accounting model is undertaken. That is, we recommend that the fundamental income statement recognition model for unrecognized transition amounts and prior service costs and credits remain unchanged until the accounting for these items can be fully reconsidered in phase two of the Board's comprehensive project. We acknowledge that the accounting for both unrecognized transition amounts and prior service costs and credits may not be conceptually sound; however these models have been widely understood by the finance and investing communities for many years. Therefore, for practical reasons related to the historical consistency in the reporting of net periodic postretirement benefit cost, we do not support changing the accounting recognition model for unrecognized transition amounts at this time.

The scope of the Proposed Statement is focused on revising the statement of financial position to transparently reflect the funded status of an entity's postretirement benefit plans. However, eliminating amortization of unrecognized transition amounts also affects the measurement and recognition of net periodic postretirement benefit cost. Irrespective of our views and what we believe is the limited scope objective of phase one of this project, if the Board moves forward with



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the proposed change, we recommend that the change be applied prospectively as we believe the requirement to apply this provision on a retrospective basis is an unnecessary complication to the transition provisions of the Proposed Statement. As discussed further below, we also believe that elimination of the unrecognized transition amounts on a retrospective basis may have unintended consequences, associated with the accounting for settlements and curtailments, that have not been considered in the Board's deliberations that led to issuance of the Proposed Statement.

# Required Retrospective Application

As drafted, the Proposed Statement requires entities to recognize the funded status of defined benefit postretirement plans in their statements of financial position and eliminate amortization of unrecognized transition amounts on a retrospective basis. Generally, we believe that required retrospective application adds unnecessary complexity to the implementation provisions of the Proposed Statement. Further, we believe retrospective application provides limited benefit to users of financial statements, particularly in light of the cost and effort required to comply with retrospective application. Even if retrospective application is required, we believe that the retrospectively adjusted financial statements of plan sponsors will not be comparable for the next several years. Some of the items leading to the lack of comparability include the prospective elimination of the early measurement date option, the delayed effective date for the elimination of the early measurement date option, and the impracticability exemption for the inability to assess the realizability of incremental deferred tax assets resulting from application of the Proposed Statement. Further, in retrospectively applying its provisions, the Proposed Statement also permits entities to ignore the capitalization of net periodic postretirement benefit cost into inventory or other capitalized assets that will most likely be capitalized in accounting for postretirement plans prospectively. As a result of these "exceptions" we believe that retrospective application will not lead to the immediate comparability one would typically expect to achieve with retrospective application.

In the Proposed Statement, the Board agreed to eliminate any unrecognized transition amounts on a retrospective basis. Because unrecognized transition amounts are considered in the accounting for both curtailments and settlements, we believe requiring retrospective application of this proposed change may affect amounts previously recognized for curtailments or settlements that occurred in prior periods. Furthermore, with respect to curtailments, retrospective elimination of unrecognized transition amounts could also have the effect of changing a previously recognized curtailment gain into a curtailment loss (or vice versa). Because paragraph 14 of FASB Statement 88, Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits (Statement 88), has different recognition criteria for curtailment gains and curtailment losses, we believe requiring retrospective application has the potential to also change the periods in which curtailment gains or losses were previously recognized.

We believe these issues are unintended consequences of retrospective application, however, they provide added complexity to the already complicated transition provisions included in the Proposed



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Statement. Accordingly, we strongly recommend that retrospective application not be required in a final standard, but rather only included as an optional transition method.

## Impracticability Exemption to Retrospective Application

If the Board continues to support required retrospective application, we believe additional guidance should be provided to assist companies in assessing whether they are subject to the impracticability exemption provided in the Proposed Statement. Entities that have been in a net deferred tax liability position in prior periods may have relied on the reversal of deferred tax liabilities in future periods to support the recognized deferred tax assets. As such, entities in this situation often have not prepared contemporaneous forecasts of future income sufficient to assess the realizability of the incremental deferred tax asset recorded in accordance with the Exposure Draft. For example, an entity may only prepare a 3 year forecast as part of its normal budgeting process whereas a significantly longer projection would be required to sustain the incremental deferred tax asset. In this case, would the entity be subject to the impracticability exemption or would the entity be able to go back and extend its projection in a manner it would have done at that time? In addition, there may be instances where the historical projections have been shown to be overly optimistic. For example, a Company's five year projection as of December 31, 2004 may show a continuing trend of profits but what actually occurred through December 31, 2006 was a series of losses due to a gradual decline in the business. While some may argue these are Statement 154 implementation issues rather than, issues associated with the Proposed Statement, it seems that in electing retrospective application the Board should consider these implementation issues and provide useful guidance to constituents.

# Deferred Tax Asset Valuation Allowances

As mentioned above, many entities may find themselves recognizing significant deferred tax assets upon adoption of a final standard. Further, many of these same entities will be required to record a valuation allowance against these assets upon initial recognition. While the Proposed Statement does not address this point, we believe the accounting for the valuation allowance would be recognized as a component of other comprehensive income, consistent with the current accounting for valuation allowances recognized on deferred tax assets for minimum pension liabilities. Due to the prohibition on "backwards-tracing" in Statement 109, a change in an initial valuation allowance on deferred tax assets resulting from a change in judgment about the realizability of those assets would be recognized in the income statement even though the tax benefit and the effect of the initial valuation allowance would have been recognized in other comprehensive income. We also believe a subsequent decision to recognize a valuation allowance due to a change in judgment regarding realizability would be required to be recognized in the income statement (as compared to backwards traced to other comprehensive income). Because of the prohibition on backwards-tracing, "dangling" debits or credits will exist in other comprehensive income in circumstances where valuation allowances are subsequently reversed or recognized on deferred tax assets that have been recognized in other comprehensive income and no guidance exists regarding when to dispose of

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such credit or debit (e.g., wait until the related pension plan is eliminated, all plans are eliminated, the plan is fully funded).

While the issue of how to account for these circumstances has existed with respect to recognizing additional minimum pension liabilities for many years, given the magnitude of deferred tax assets that may be recognized upon adoption of the Proposed Statement, we believe this issue will become more prevalent. We note that the FASB staff addressed the issue of accounting for a valuation allowance on deferred tax assets recognized on unrealized holding gains and losses on available-for-sale securities in its FASB Staff Implementation Guide to Statement 115, although guidance was not provided for the disposition of any dangling debit or credit. Accordingly, we recommend that the Board or the FASB staff specifically address the related income tax issues in the context of accounting for postretirement benefit plans either within the scope of the Proposed Statement or separately via an update to the FASB Staff Implementation Guides to Statement 87, 106 or 109.

#### Effective Date

As drafted, the Proposed Statement has multiple effective dates. Specifically, the Board has proposed requiring the provisions regarding recognition of a plan's funded status be effective in a different period than the provisions requiring the change in measurement date. We believe the use of multiple effective dates adds unnecessary complexity to the transition provisions and will result in confusion among financial statement users. For those entities that currently measure plan assets and obligations as of an interim date, we believe it will be difficult to explain to users of their financial statements why the adoption of a new accounting standard has an effect on the financial statements in two successive periods. Consistent with our earlier recommendation, we believe applying any final standard on a prospective basis will alleviate these concerns and provide for a more transparent transition.

Furthermore, while we understand the Board's desire to make swift improvement in the current financial reporting for postretirement benefit plans and we are supportive of such efforts, we have concerns about the proposal to require recognition of the funded status of plans in the employer's statement of financial position for fiscal years ended after December 15, 2006. Our concerns stem from the requirement to apply any new standard on a retrospective basis, considering the expected timing of issuance of a final standard. Because the "new" information that will be provided to financial statement users already is prominently disclosed in the financial statements under current standards, we believe allowing for additional time to work through the implementation requirements of a final standard would be prudent.

Accordingly, we recommend that the change in measurement date have the same effective date as the other provisions of the Proposed Statement, which we recommend as an adjustment to accumulated other comprehensive income and beginning retained earnings for fiscal years beginning after December 15, 2006. If the Board disagrees with prospective application, we believe the effective date for the Proposed Statement should be for fiscal years ending after December 15,



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2007 (a delay of one year from that proposed), as this will allow entities time to address the implementation issues associated with applying the Proposed Statement on a retrospective basis.

We also recommend that the effective date and transition provisions be the same for both public and nonpublic entities. Although later effective dates for nonpublic entities are appropriate for certain new standards, if the Board's assumptions about the costs of implementing the Proposed Statement prove to be accurate, we do not believe it would be prohibitive for nonpublic entities to adopt a final standard in the same timeframe as public entities.

# Definition of a Public Entity

Existing accounting literature does not consistently define public and nonpublic entities. In some standards, a nonpublic entity is defined, while in others, a public entity is defined. As a result of the Board's recent emphasis on defining a public entity, an entity may be required to apply "public company" requirements for one standard, but not for another. While outside the scope of the Proposed Statement, we believe the definitions of public and nonpublic entities should be made consistent throughout the accounting literature and encourage the Board to develop a common definition of a public and nonpublic entity that applies for all purposes.

Specifically related to the Proposed Statement, the lead-in to the definitions of a public and nonpublic entity in paragraph 14 is confusing as it relates to whether a not-for-profit organization is a public or nonpublic entity. Paragraph 14, in part, states the following:

"This Statement also has different effective dates for a public entity than for a nonpublic entity, *including not-for-profit organizations* [Emphasis Added], regarding the provisions related to measuring plan assets and benefit obligations as of the date of the employer's statement of financial position."

We believe some not-for-profit organizations appropriately meet the definition of a public entity in the Proposed Statement. However, the language emphasized above in paragraph 14 leads one to question whether the Board intended all not-for-profit organizations to be considered nonpublic entities under the Proposed Statement. We recommend that the Board clarify its position in a final standard and suggest clarifying by simply striking the italicized language above in paragraph 14.

#### Balance Sheet Classification

The Proposed Statement includes a provision to emphasize the present requirement to recognize postretirement benefit assets or liabilities as current or noncurrent in a classified statement of financial position. We agree that this is currently required in U.S. GAAP and therefore does not impose significant new requirements on financial statement preparers. However, in practice this requirement proves very difficult to apply consistently, and therefore, there is confusion in current



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practice with respect to how to determine the current and noncurrent portions of postretirement benefit assets and liabilities.

In a postretirement benefit plan, the confusion, in part, is due to the fact the funded status of the plan often has no effect on the determination of whether the plan sponsor has a current asset or a current liability to recognize in its statement of financial position. This situation is most clearly demonstrated in the example where a plan is overfunded (net asset will be recognized pursuant to the Proposed Statement); however, the plan sponsor is required to make a minimum contribution to the plan in its next operating cycle. In this case, would the entity recognize a current liability and an asset related to the overfunded status of the plan?

In applying the provisions of ARB 43 to postretirement benefit plans, we believe, one would look to whether the plan sponsor expects to realize cash from the plan within the next operating cycle (current asset) and whether the plan sponsor is expected to liquidate existing current assets or incur other current liabilities to satisfy an obligation of the plan in the next operating cycle (current liability) in determining the appropriate classification of the overfunded or underfunded status of a plan. As a result, an entity may view unfunded plans differently than funded plans in assessing balance sheet classification. For instance, in an unfunded retiree medical plan, the expected benefit payments in the next operating cycle may meet the definition of a current liability from the plan sponsor's perspective. In contrast, in a funded pension plan, the benefit payments to participants in the next operating cycle may bear no relation to the expected use of the plan sponsor's current assets at the balance sheet date and therefore would not meet the definition of a current liability.

We recommend that additional guidance be included in a final standard to provide entities with a framework to promote consistent balance sheet classification of postretirement benefit plan assets and liabilities. We also recommend that the Board provide examples in a final standard of current and noncurrent assets and liabilities associated with defined benefit postretirement benefit plans under various "real-life" scenarios. Further, given the existing definition of current assets, we believe there would be very few circumstances under which a plan sponsor would recognize a current asset related to its defined benefit plan. As such, we believe that point should be acknowledged in a final standard.

# Implementation Guidance

In the examples in Appendix A, for the purpose of simplicity the statement of financial position has been presented for one year. In general, we believe examples that are likely to be encountered in practice are more useful and more helpful in implementing a new standard. Accordingly, we recommend that the illustrations provide an example of disclosures that would be consistent with the requirements for a public entity (that is, comparative balance sheets and three years of income statements and statements of shareholders' equity). We believe including such examples would provide needed clarity regarding the complicated transition provisions of the Proposed Statement.

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As such, we believe that the current examples do not adequately illustrate a complete application of the Proposed Statement. For example, the statement of changes in stockholders' equity shows changes to the 2004 and 2005 capital section of the balance sheet, which implies changes to the statement of financial position as well, however, only the 2006 statement of financial position is presented. The examples should illustrate a "real-life" implementation scenario and thus should reflect changes to the 2005 and 2006 statements of financial position. Further, because the statement of financial position is only included for the final year presented, the statement of financial position in Example 1 and Example 2 reflect the exact same effects of adoption, even though Example 1 was applied to the earliest period presented, while in Example 2 such retrospective application was impracticable.

The Proposed Statement does not contain transition illustrations applying the Proposed Statement's provisions to a settlement or curtailment that occurred in a prior period (specifically, as previously discussed, illustrating the potential effects from eliminating amortization of unrecognized transition amounts) or how to apply the Proposed Statement to a balance sheet that has previously recognized an additional minimum liability resulting from an unfunded accumulated benefit obligation. Because those transactions represent situations that frequently will be encountered upon adoption, we believe it would be helpful for a final standard to include such illustrations.

We also believe it would be beneficial to include the examples released on May 2, 2006 for not-for-profit entities in the final standard, as well as an example of the application of the early measurement date for a not-for-profit entity.

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We would be pleased to discuss our comments with the Board members or the FASB staff at your convenience.

Very truly yours,

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# Attachment A - Comments on Specific Issues Included in the Notice for Recipients

Issue 1:

Costs of Implementing the Proposed Statement's Requirement to Recognize a Plan's Overfunded or Underfunded Status in the Employer's Statement of Financial Position

The Board concluded that the costs of implementing the proposed requirement to recognize the overfunded or underfunded status of a defined benefit postretirement plan in the employer's statement of financial position would not be significant. That is because the amounts that would be recognized are presently required to be disclosed in notes to financial statements, and, therefore, new information or new computations, other than those related to income tax effects, would not be required.

Do you agree that implementation of this proposed Statement would not require information (other than that related to income tax effects) that is not already available, and, therefore, the costs of implementation would not be significant? Why or why not? (See paragraphs B20–B34 for the basis for the Board's conclusions.)

#### Response:

Generally, we agree that relative to the information that is required to be obtained under existing accounting standards, there will be limited incremental information required to implement the Proposed Statement. Therefore, generally, we would expect incremental costs associated with the implementation of the Proposed Statement to be limited. However, we believe that requiring employers to apply the Proposed Statement on a retrospective basis will result in incremental costs that may be significant in some cases.

Costs associated with implementing the Proposed Statement will result from direct out-of-pocket costs such as higher professional fees for actuaries, auditors and investment advisors; however, entities may also face higher costs as an indirect result of adopting the Proposed Statement in the form of potentially higher financing costs resulting from changes in a entity's statement of financial position or results of operations. Additionally, some entities may have to renegotiate key agreements in order to avoid violating covenants within those agreements, which could result in higher costs for those entities in the form of fees for implementing amendments, increased interest rates, increased legal costs or incremental collateral requirements. Some entities (especially those entities that are public and previously used an early measurement date) may experience increased costs as a result of resource constraints during peak financial statement close periods.



#### Issue 2:

# The Employer's Measurement Date

Unless a plan is sponsored by a subsidiary that is consolidated using a fiscal period that differs from the parent's, this proposed Statement would require that plan assets and benefit obligations be measured as of the date of the employer's statement of financial position. This proposed Statement would eliminate the provisions in Statements 87 and 106 that permit measurement as of a date that is not more than three months earlier than the date of the employer's statement of financial position.

Are there any specific implementation issues associated with this requirement that differ significantly from the issues that apply to other assets and liabilities that are recognized as of the date of the statement of financial position? (See paragraphs B36–B40 for the basis for the Board's conclusions.)

#### Response:

As noted previously, we do not believe the elimination of the measurement date option should have a different effective date than the other provisions of the Proposed Statement. The Proposed Statement encourages early application of the measurement date provisions; however we believe that few entities will early adopt the Proposed Statement, in part because the Proposed Statement does not provide guidance for executing such an early application. Specifically, if an entity were to early adopt the measurement date provisions, would it apply the change as of the beginning of the fiscal year of adoption, or would it apply the provisions as a voluntary change in accounting principle pursuant to Statement 154 (which would require retrospective application)? Or, was the Board only envisioning early adoption for those fiscal year ends that occur subsequent to the issuance of a final standard but prior to fiscal years beginning after December 15, 2006?

We do not believe the guidance for early application of the measurement date is clear and recommend that the Board provide specific guidance on early application if the Board is to encourage entities to early adopt. If the measurement date transition guidance remains as outlined in the Proposed Statement, we would encourage the Board to provide an example of the early application of the change in measurement date. Alternatively, early adoption could be limited to fiscal years beginning after the issuance of the final standard.

In addition, given the potential for different measurement dates being used in comparable financial statements, we recommend that the final standard continue to require disclosure of the measurement date for all plans until all periods are presented with the same measurement date, at which time the disclosure should no longer be required.



Issue 3:

Effective Dates and Transition

Issue 3(a):

Recognition of the Overfunded or Underfunded Status - Impracticability Exemption

The Board's goal is to issue a final Statement by September 2006. The proposed requirement to recognize the over or underfunded statuses of defined benefit postretirement plans would be effective for fiscal years ending after December 15, 2006. Retrospective application would be required unless it is deemed impracticable for the reason discussed below.

An entity would be exempt from retrospective application only if the entity determines that it is impracticable to assess the realizability of deferred tax assets that would be recognized in prior periods as a result of applying the proposed Statement.

Should the Board provide an impracticability exemption related to the assessment of the realizability of deferred tax assets? Why or why not? Are there other reasons that retrospective application might be impracticable that the Board should be aware of? (See paragraphs B61–B64 for the basis for the Board's conclusions.)

## Response:

As discussed in the body of our letter above, we do not agree with the requirement to apply the provisions related to recognition of the funded status in the Proposed Statement retrospectively. However, if the Board continues to require retrospective application, we strongly believe that the impracticability exception should be retained.

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Issue 3(b):

Recognition of the Overfunded or Underfunded Status - Impact on Contractual Arrangements

Some nonpublic entities (and possibly some public entities) may have contractual arrangements other than debt covenants that reference metrics based on financial statement amounts, such as book value, return-on-equity, and debt-to-equity. The calculations of those metrics are affected by most new accounting standards, including this proposed Statement.

The Board is interested in gathering information for use in determining the time required to implement this proposed Statement by entities that have such arrangements other than debt covenants. That information includes (a) the types of contractual arrangements that would be affected and what changes to those arrangements, if any, would need to be considered, (b) how the economic status of postretirement plans that is presently included in note disclosures is currently considered in those arrangements, and (c) how the effects of the current requirement in Statement 87 to recognize a minimum pension liability previously were addressed for those contractual arrangements. (See paragraph B65 for the basis for the Board's conclusions.)

#### Response:

We believe the Proposed Statement could have significant effects on key financial ratios, covenants and other financial metrics applicable to both public and nonpublic entities, further strengthening our belief that the effective date should be the same for all organizations.

Arrangements that may need to be adjusted to accommodate the provisions of the Proposed Statement include share-based payment arrangements (especially those with performance conditions tied to returns on equity or other similar metrics), bonus plans, debt agreements, line of credit agreements, convertible debt instruments, capital and operating lease agreements, credit enhancement arrangements, municipal bond insurance, management contracts, government contracts requiring minimum net worth, and regulatory filings and compliance certifications (e.g., environmental self insurance certifications as required by various states and the Environmental Protection Agency). In addition, we are aware that some jurisdictions prohibit an entity from paying dividends to shareholders if the entity has negative shareholders' equity. Because implementing the proposed standard may result in some entities having negative shareholders' equity, we believe there may be implications to entities with preferred shareholders if an entity is prohibited from paying dividends on outstanding preferred shareholders on the entity's board of directors, among others.

#### Issue 4:

#### **Measurement Date**

This proposed Statement would require a public entity that currently measures plan assets and benefit obligations as of a date other than the date of its statement of financial position to implement the change in measurement date as of the beginning of the fiscal year beginning after December 15, 2006. If that entity enters into a transaction that results in a settlement or experiences an event that causes a curtailment in the last quarter of the fiscal year ending after December 15, 2006, the gain or loss would be recognized in earnings in that quarter. Net periodic benefit cost in the year in which the measurement date is changed would be based on measurements as of the beginning of that year.

Are there any specific impediments to implementation that would make the proposed effective date impracticable for a public entity? How would a delay in implementation to fiscal years ending after December 15, 2007, alleviate those impediments? (See paragraphs B66–B69 for the basis for the Board's conclusions.)

# Response:

As stated in the body of our letter, we agree conceptually that the measurements underlying disclosures should be as of the date of the financial statements, although we believe that could pose implementation difficulties in conjunction with the year-end financial statement close process in particular in the initial year of implementation. Accordingly, we recommend that the Board emphasize in a final standard the fact that paragraph 232 in the basis for conclusions of Statement 87 acknowledges that valuations can be performed as a earlier date than the balance sheet date, provided that adjustments are made to the valuation for relevant subsequent events occurring after that date. Employing such a method results in a valuation of the plan obligations and assets as of the date of the statement of financial position and we believe acknowledging this fact in a final standard would alleviate some of the implementation concerns expected to be encountered upon adoption.

As noted above, we believe there should be one effective date and transition method for all of the Proposed Statement's requirements. If one of the goals of the Proposed Statement is to improve comparability, the use of one effective date and transition method would facilitate the achievement of that goal.

While we recognize that early application of the change in measurement date is encouraged, we are not sure how an entity would early adopt such a change (see discussion under Issue 2).



As previously noted, if the final standard is not published with sufficient time to allow for entities, taking into consideration the lead time required to involve their actuaries and other advisors, to efficiently implement its requirements we recommend that the effective date be later than currently proposed.

#### Issue 5:

# Not-for-Profit Organizations and Other Entities That Do Not Report Other Comprehensive Income

This proposed Statement would apply to not-for-profit organizations and other entities that do not report other comprehensive income in accordance with the provisions of FASB Statement No. 130, Reporting Comprehensive Income, Paragraphs 7–13 of this proposed Statement provide guidance for reporting the actuarial gains and losses and the prior service costs and credits by those organizations and entities.

Do you agree that those standards provide appropriate guidance for such entities? If not, what additional guidance should be provided? (See paragraphs B53–B58 for the basis for the Board's conclusions.)

## Response:

We agree that the guidance included in the Proposed Statement is adequate for not-for-profit organizations to apply the provisions of the Proposed Statement.

As discussed above, we also believe that the inclusion of the not-for-profit examples issued under separate cover will help such an entity apply the provisions of the Proposed Statement.