



LETTER OF COMMENT NO. 107

May 30, 2006

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Subject: File Reference No. 1025-300

Hallmark Cards, Incorporated appreciates the opportunity to comment on the FASB's exposure draft regarding Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans. As a sponsor of both pension plans and postretirement plans which provide medical, dental and life insurance benefits Hallmark naturally is interested in this exposure. Hallmark supports the Board's intent to improve the accounting and reporting for pensions and other postretirement benefit plans. While we clearly support the board's intent and some of the suggested changes, we do have concerns about certain components of this exposure draft's suggested changes.

The proposal to have company's recognize the net underfunded or overfunded position of pension plans on the balance sheet is a desirable improvement. The current balance sheet approach does not accurately represent the net asset or liability of these plans. That being said, the use of PBO instead of ABO to represent a pension plan's current liability is troublesome.

Use of PBO instead of ABO

The PBO measurement includes assumed impact of potential future compensation increases and assumes certain levels of continued employment for plan participants. Companies do not guarantee future pay increases nor do they guarantee future employment. Plan participants also are not obligated to continue future employment. A PBO based liability measure includes components of future potential liabilities. The liability measure used to determine current balance sheet assets or liabilities should be based strictly on service and compensation that has been completed as of the balance sheet date. The PBO does not represent a pure measure of a company's current liability. As such, it is not an appropriate valuation methodology to use in recording a current liability.

Recently many companies have chosen to freeze their pension plans. If a company had recorded a pension liability based on PBO measures as this exposure draft suggests and subsequently froze the plan, it would result in a gain because the PBO overstates the current liability by including future based obligations. Freezing a pension plan should not by itself result in either a gain or loss if the liability is properly valued.



The ABO is a much better measure to value a liability that is going to be recorded on a company's balance sheet. It measures the pension liability by only including participant service and compensation through the date of the balance sheet. As such it is more consistent with the historical definition of a liability.

The current FAS 87 uses ABO to determine if an additional minimum liability needs to be recorded on the balance sheet if assets are less than the ABO. We feel changing from ABO to PBO measurement methodology for the reasons stated above is inappropriate.

Sincerely,

Mark Eckhart

Corporate Controller

Hallmark Cards, Incorporated