



LETTER OF COMMENT NO. 109

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May 30, 2006

via Email to: _____
director@FASB.org

Director – Major Projects and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut 06856
Re: File Reference 1025-300

Ladies and Gentlemen:

Jacobs Engineering Group Inc. (the “Company”, “Jacobs”, “we” or “our”) sponsors approximately 10 defined benefit pension plans the activities of which have the potential to influence significantly our reported financial condition and results of operations. Most of these plans exist outside the United States. Accordingly, we were very interested in learning the details of the FASB’s proposed amendments to SFAS Nos. 87, 88 106 and 132R, and we offer the following comments for your consideration:

Issue: What are the specific implementation issues associated with the proposal to eliminate the “early measurement date” provisions of SFAS Nos. 87 and 106?

The process of measuring and reporting the assets and liabilities of our pension plans is significantly different than the processes followed for measuring and reporting the assets and liabilities appearing on our consolidated balance sheet. Our accounting systems record transactions and track information relating to the assets and liabilities we own. We do not own the assets and liabilities of our pension plans, and hence are dependent on outside parties (e.g., trustees, administrators, and fund managers) working jointly with the Company and the Company’s consulting actuaries to develop the required information.

This is particularly true of the liabilities of our pension plans. Although we possess the basic information about employee/participants, the actual liability is *developed* (we need to emphasize that the liability does not exist in a real-time state from any accounting system that either we or our plans’ administrators use; therefore, the liability must be calculated on an as-needed basis), by experts who must consider not only the effects of the actuarial assumptions (e.g., discount rate) that we provide but who must also consider, depending on the specific terms and conditions of the individual plans, other information relevant to the valuation process but which exists *outside* our books and records. For example, for some of our pension plans, our actuaries must consider the effects of other payments (e.g., social security and similar-type benefits) on the projected benefits of participants.

With respect to the assets of our pension plans, we advise you that the fair value of plan assets is not as readily available as the FASB assumes. The assets of our international pension plans are under the functional control of parties (e.g., insurance companies) whose information systems simply are not capable of reporting fair values as timely as one would think. On average, it takes approximately one month for our trustees to develop fair value information as of a specific date. As an “accelerated filer” (as defined in Rule 12b-2 of the Securities and Exchange Act of 1934), we need to remind the FASB that each year U.S. companies are required to finalize their accounts and file their financial statements sooner than the year before. There are certain practicalities that need to be considered when regulators, on the one hand, adopt regulations requiring companies to close their books and file financial information earlier, and rule-makers, on the other hand, adopt rules that prohibit these same companies from using reasonable estimates to prepare their financial statements.

We therefore encourage the FASB to continue to allow companies to use a measurement date not more than three months prior to their fiscal year-ends. This accommodation does not detract from the relevance and usefulness of the information, and in fact allows companies an appropriate amount of time to validate their raw data, confirm the appropriateness of their actuarial assumptions, and verify the accuracy of their calculations.

Issue: Given that one of FASB’s objectives is to require companies to reflect the funded status of pension plans on their balance sheets, how should the funded status be measured? Are there “contractual arrangements other than debt covenants” that may be impacted as a result of the change in accounting proposed by the Exposure Draft (“ED”)?

The ED proposes that the funded status of pension plans be measured using the plans’ projected benefit obligation (or “PBO”). We believe that basing the funded status of our pension plans on the PBO, which takes into consideration future salary increases of the participants, is problematic.

The FASB has defined “fair value” previously in SFAS No. 133 as, “The amount at which an asset (liability) could be bought (incurred) or sold (settled) in a current transaction between willing parties.” This definition is vetted in other accounting pronouncements. Concepts No. 6 for example defines liabilities as “probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events [emphasis added].”

Therefore, basing the funded status of our pension plans on their PBOs and requiring us to record the funded status on our balance sheet will overstate our liability with respect to our pension plans. The PBO reflects the effects of future salary increases at a point in time when the services relating to such future salary increases have not been received by the Company. Therefore, the accumulated benefit obligation, rather than the PBO, is the better measurement of a pension plan’s liability.

With respect to the second part of the issue (contractual arrangements that may be impacted by the change in accounting), we draw the FASB's attention to three potential "unintended consequences" of requiring companies to record the PBO-based funded status of pension plans on their balance sheets. The following examples are predicated on the IASB adopting conforming standards and rules as proposed in the ED:

1. *Inability to pay dividends* — Like many other companies, we have structured our overseas acquisitions in part to minimize the after-tax impact of *borrowing costs relating to debt incurred in connection with our acquisitions*. Inherent in our strategy is the ability to dividend cash out of the acquiree in order to pay-down debt. How will regulatory agencies outside the U.S. react to the sudden diminution in equity of companies within their jurisdictions? Will the payment of dividends continue to be allowed in circumstances where there has been no fundamental change to the overall economics of a pension plan, yet a change in accounting has caused an abrupt reduction in equity?
2. *Causing undue alarm by customers, creditors, and vendors* — It is our understanding businesses in certain foreign jurisdictions are required to give formal notice to customers, creditors and vendors when their stated equity falls below a minimum amount. How will third-parties react to such notices when the loss in equity is caused simply by the adoption of an accounting rule?
3. *Inability to post performance bonds and bank guarantees* — We believe that recording the PBO-based funded status on the balance sheets of our international subsidiaries may result in the inability of our overseas affiliates to post performance bonds and bank guarantees. At a minimum, we believe the cost of such bonds and guarantees will increase. Again, has the FASB properly considered this potential consequence?

Lastly, we wish to express our concern about this issue vis-à-vis the FASB having split this project into two phases. We understand that the FASB intends to undertake a comprehensive second-look at the measurement issue in Phase II of the project. However, we are concerned that if the FASB issues a standard today that requires companies to reflect the funded status of pension plans on their balance sheets using the PBO, the precedent will be set irrespective of the consequences, and the FASB may not have the appetite to change the measurement approach during Phase II.

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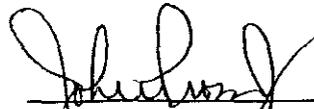
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We appreciate the opportunity to express our views and would be happy to discuss these issues with you at your convenience.

Very truly yours,

JACOBS ENGINEERING GROUP INC.

By:



John W. Prosser, Jr.
Executive Vice President
Finance and Administration