



The **WALT DISNEY** Company.



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LETTER OF COMMENT NO. 189

May 31, 2006

Technical Director – File Reference No. 1025-300
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

The Walt Disney Company appreciates the opportunity to comment on the Financial Accounting Standards Board's (Board) 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)*.

Although we understand the Board's desire to be responsive to the current criticisms of pension accounting which are being made in the public marketplace, there are certain specific aspects of the proposed statement with which we do not concur. Overall, we think the Board would be well served by delaying the proposed statement until the completion of the second phase of the pension project to ensure that phase one decisions do not unduly influence the debate in phase two. Moreover, we do not believe such a delay will adversely impact those financial statement users that are concerned about the "off balance sheet" portion of pension liabilities as we believe those users are capable of determining a relevant "adjustment" from the information already provided in the footnotes.

However, assuming that the Board desires to issue the decisions in two phases, we believe the following specific aspects of the proposed statement should be reconsidered:

The Measurement Date

We do not believe that requiring the measurement date for pension and other postretirement benefit plans to correspond with the year end balance sheet date will meaningfully improve the usefulness of financial statements and the related footnote disclosures. In fact, we believe that any benefit of this requirement will be significantly outweighed by the resulting inefficiencies in budget processes and increased pressure on the timeliness of financial reporting.

From a budgeting perspective, like most companies, we prepare a detailed operating budget several weeks before the beginning of the respective fiscal year. Pension and postretirement medical (PRM) costs are a significant component of our cost structure and, accordingly, receive considerable focus in the budgeting process. Using a June 30 measurement date (our fiscal year ends on the Saturday closest to September 30) enables us to finalize our pension and PRM valuations in August and to accurately reflect these costs in our final budget.

If we use a measurement date that coincides with our year end balance sheet date, we will have to estimate pension and PRM costs for our budget and then run the risk of having a significant forecast to budget variance locked in for the year as a result of a subsequent change in the discount rate as determined on a single date—effectively the first day of our fiscal year. Given that (1) pension and PRM expense is extremely sensitive to discount rate changes and (2) interest rates are changing on a daily basis, we do not believe there is an improvement in the quality of the valuation of a long term liability from using one relatively arbitrary point in time rate rather than one determined ninety days earlier.

From a financial reporting perspective, the preparation of the pension and PRM disclosures requires complex calculations that involve significant and coordinated efforts by the Company's human resource and accounting departments, our asset trustees and actuaries, and ultimately, review by our external auditors. The following are aspects of pension and PRM calculations that require significant time:

- 1. Discount Rate Determination:** We use yield curves to determine our discount rate assumption. These yield curves are usually not available until approximately ten business days following the measurement date and once the yield curves are derived, they must be matched with our plan-specific cash flows to determine the discount rate.
- 2. Actuarial Calculations:** Once the discount rate is finalized the actuary must apply it to the relevant cash flow streams for multiple plans. These calculations are complex and require time for preparation and review.
- 3. Asset Valuations:** Asset valuation information for non-marketable securities can take 30 days or more to obtain. The Board's proposal would necessitate these amounts be estimated to meet financial reporting deadlines.

In light of the continuing acceleration of reporting timelines required by Securities and Exchange Commission rules (we have to report our fiscal year 2007 financial statements in 60 days), we do not believe this is the time to effectively mandate a shorter timeframe to deal with a complex financial reporting area.

If the Board feels that it has to address the measurement date issue in phase one, we believe a better approach is to require disclosure of sensitivities related to the discount

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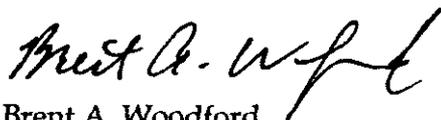
rate. Alternatively, the allowed window of time between the measurement date and balance sheet date could be reduced to 60 days.

Disclosure of Gain/Loss Amortization

While we agree that forward looking disclosure of periodic benefit cost may be useful, we do not believe that piecemeal disclosure of one component of periodic benefit cost (i.e. the portion of net actuarial gain or loss and prior service cost or credit that will be amortized as a component of net periodic benefit cost in the fiscal year following the most recent statement of financial position) will be useful. We believe that it would be *more useful to disclose total expected periodic benefit cost and/or each of the* components of net periodic benefit cost for the following year. Again, the requirement to move the measurement date will put pressure on reporting this disclosure.

We appreciate the Board's consideration of our comments in the upcoming re-deliberations of the proposed statement. Should you have any questions, I can be reached at (818) 560-5054.

Sincerely,



Brent A. Woodford
Senior Vice President, Planning and Control
The Walt Disney Company