



Finance Office

LETTER OF COMMENT NO. 200

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May 30, 2006

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

Re: Exposure Draft—Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132 (R)

Ladies and Gentlemen:

The Accounting Practices Committee of the United States Conference of Catholic Bishops (USCCB) is pleased to offer its comments on the above referenced document.

Our response is on behalf of 195 (Arch) dioceses and 634 religious institutes of the USCCB, Leadership Conference of Women Religious, and Conference of Major Superiors of Men. These organizations operate and sponsor thousands of religious, educational, charitable and other not-for-profit entities throughout the United States collectively known as the Catholic Church.

The USCCB Accounting Practices Committee consists of eleven members with an (Arch) diocesan affiliation, four members representing religious orders, and five advisors from certified public accounting firms.

At a recent meeting, the Committee spent considerable time discussing the aforementioned Exposure Draft, and is pleased to present to you our comments and questions.

Applicability to Multi-Employer Plans

Many of our member entities have Defined Benefit Pension plans in which they participate with other member entities that are all considered to be separate employers. Appendix C to the ED appears to indicate that you intend to propose no changes to the Provisions of SFAS # 87, paragraphs 67 through 70, regarding Multi-Employer plans. If this is the Board's intention, then this should be clearly stated in the ED. If not, the Board should clearly state how the ED will apply to Multi-Employer plans, including addressing measurement issues involving the liability of the individual employers.

Measurement Date

The ED stipulates that an employer that is a business entity is to measure defined benefit plan assets and obligations as of the date of the employer's statement of financial position. Paragraph # 52 of SFAS # 87 states: "Requiring that the pension measurement be as of a

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particular date is not intended to require that all procedures be performed after that date. As with other financial statement items requiring estimates, much of the information can be prepared as of an earlier date and projected forward to account for subsequent events (for example, employee service).

It is our understanding that the foregoing language is not being superseded or amended by the ED. We interpret this to allow the results of an actuarial valuation performed as of a date that is (up to) one year prior to the date of the employer's statement of financial position, to be used as the basis for measuring a defined benefit plan's obligations, provided that the information is projected forward to the statement date. We would appreciate it if you would confirm that our understanding of this matter is correct.

If our understanding is not correct, and you will now be requiring that the actuarial valuation be performed as of the date of the statement of financial position, we object to this provision of the ED as the imposition of an unnecessary, and many times impractical, financial administration burden.

Use of Projected Benefit Obligation to Measure Funded Status

The ED stipulates that an employer that is a business entity is to recognize in its statement of financial position the over-funded or under-funded status of a defined benefit pension plan. This status is to be measured as the difference between the fair value of plan assets and the projected benefit obligations. In paragraph B17 of the ED, you provide a discussion of whether the measurement of the obligations should be based on the accumulated or projected obligations.

Our Committee believes that this issue requires further study; specifically, whether it is proper to recognize a liability for obligations that are dependent upon many future events, such as employee compensation changes. We recognize that the Board intends to address issues raised on the measurement of such obligations in the second phase of this Project. However, we believe the measurement issues are significant to the ED, such that it would be prudent for the Board to address this issue, and other necessary measurement issues, before this ED is promulgated.

Measured Employer Liability versus Plan Obligations in the Event of Plan Termination

Defined benefit pension plans are usually governed by separate existence (Trust or other legal forms) documents that stipulate legal requirements to be followed in the event of plan termination. In the event of a termination of an under-funded plan, in many cases, the plan document does not require the employer to remedy the under-funded status of the plan. As such, if the ED requires an employer to report a liability for an under-funded situation that is not required to be remedied in the event of plan termination, we wonder if this liability truly meets the "definition" of a liability in accordance with generally accepted accounting principles?

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The Committee believes that the Board should fully consider this and other related legal and accounting issues in requiring statements of financial position to contain liabilities that may never have to be satisfied.

Effective Date

The ED states that the final statement will not be available until after September, 2006, and that it will be effective for fiscal years ending after December 15, 2006. Our Committee believes that the time period between the availability of the final statement and its effective date is far too short.

The Board clearly recognizes the complexity of issues that would result from this statement. In addition, many organizations require the services of independent experts in the administration of these plans, such as actuaries, legal services, consultants, investment managers and advisors, among others. Dealing with the complexity issues and marshalling the needed services of independent experts justify an effective date of no earlier than fiscal years beginning after December 15, 2006.

A further reason for postponing the effective date, particularly for academic institutions, is that some organizations may also be engaged in modifying their existing sabbatical programs as a result of EITF Issue 06-02, which could require the institutions to accrue such costs.

Thank you for your attention and consideration in these issues which are of concern to our Committee. If we can be of any further input or assistance, please do not hesitate to contact me.

Very truly yours,
Paul A. Werl/jo

Paul A. Ward, Jr., CPA, Chair of the Accounting Practices Committee of the

USCCB, in care of

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