

**CC Industries, Inc.**

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Chicago, IL 60601  
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LETTER OF COMMENT NO. 203



CC Industries, Inc. is a Henry Crown Company

May 30, 2006

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

**Via Overnight Delivery**

Subject:

**Proposed Statement of Financial Accounting Standards Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans**

I am the Vice President, Finance of CC Industries, Inc. CC Industries sponsors two qualified and two non-qualified defined benefit pension plans and two other postretirement benefit (OPRB) plans covering approximately 8,000 participants.

As a preparer of financial statements, I understand the need for transparent accounting and reporting. Our management team supports FASB's efforts to improve the value and relevance of financial information reported to the users of financial statements by revisiting the decisions made 20 years ago in developing SFAS Nos. 87 and 106. However, we have significant concerns about the proposed statement of financial accounting standards, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Benefit Plans*, which would amend SFAS Nos. 87, 88, 106, and 132(R).

In our opinion, pension and other postretirement benefit (OPRB) plan assets and obligations are significantly different from other types of assets or liabilities recognized in our financial statements and require additional lead time to measure accurately. A measurement date up to three months prior to fiscal year-end remains appropriate. In contrast, a fiscal year-end measurement date would not materially improve the accounting. Instead, it would force us to use estimation techniques rather than accurate values as of an earlier measurement date, and it would increase the likelihood of reporting errors. Most other financial statement items are merely summaries of activity during the year. But pension and OPRB reporting and disclosures require gathering new information and subjecting it to extensive calculations, analysis, and review. The table below details the steps and current timing involved in preparing our year-end disclosures.

<b>Activity</b>	<b>Timing</b>
Prepare cash-flow projections for discount rate determination	By measurement date
Collect and review interest rates, yield curves, and liability durations and internally decide on discount rates	3 weeks after measurement date
Obtain auditor approval of discount rates selected; provide discount rates to actuary to use in computing benefit liabilities	4 weeks after measurement date
Collect asset information as of the measurement date for each plan	3 – 4 weeks after measurement date
Collect benefit liabilities and related information from actuary and review for reasonableness	5 weeks after measurement date
Determine fourth-quarter benefit payments from unfunded OPRB and nonqualified pension plans (this step would be eliminated by using a fiscal year-end measurement date)	5 weeks after fiscal year-end
Obtain final FAS 132 report with footnote information from actuary	8 – 9 weeks after fiscal year-end
Draft consolidated retirement plans footnote and circulate internally for review and approval	9 – 10 weeks after fiscal year-end

In particular, we are concerned about the time required to complete the following tasks:

- ***Select the discount rate for each plan.*** We use a yield curve to determine the appropriate discount rate for each plan. But the yield curve as of the measurement date generally is not available until one to two weeks after the measurement date. It must then be matched against projected cash flows to determine the appropriate discount rate, a process that requires a few business days. After we provide the discount rate to the actuary, the actuary needs additional time to determine all the required plan liabilities (including a trend-sensitivity demonstration for OPRB plans), reconcile the funded status, and prepare the balance sheet entries and footnote disclosures. If a fiscal year-end measurement date must be used, liabilities won't be available until four to five weeks after fiscal year-end. To cope with a year-end measurement date requirement, we would need to either (i) adopt a less accurate discount-rate selection method (for example, using a bond yield index) or (ii) before fiscal year-end, perform multiple liability measurements using a range of discount rates – at substantial additional cost – and then select which measure to use after the appropriate discount rate is determined.
- ***Obtain claims cost information for OPRB plans.*** Our OPRB plan administrator does not provide claims information until five weeks after the measurement date. If forced to use a fiscal year-end measurement date, we will have to determine our starting claims cost using payments as of an earlier date plus estimated claims through fiscal year-end – a process which, once again, offers no improvement over the use of an earlier measurement date.

We believe pension and OPRB assets and obligations are significantly different from other types of assets and liabilities recognized in our financial statements and require additional lead time to measure accurately. The use of a measurement date up to three months prior to fiscal year-end remains appropriate, and SFAS Nos. 87 and 106 should not be amended to require use of a fiscal year-end measurement date. Such a requirement would not materially improve the accounting. As a practical matter, it would force us to use estimation techniques rather than accurate values at the earlier disclosed measurement date.

We appreciate your consideration of these comments.

Sincerely,

A handwritten signature in black ink, appearing to read "John J. Sobota". The signature is fluid and cursive, with the first name "John" being the most prominent.

John J. Sobota  
Vice President, Finance  
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