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LETTER OF COMMENT NO.

154

May 31, 2006

Technical Director – File Reference 1025-300
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

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)”

We appreciate the opportunity to comment on the above-referenced proposed Statement of Financial Accounting Standards. BB&T Corporation and its subsidiaries offer full-service commercial and retail banking and additional financial services such as insurance, investments, retail brokerage, corporate finance, treasury services, international banking, leasing and trust. With over \$110 billion in assets, BB&T Corporation is the nation’s ninth largest financial holding company.

We support the Board in its efforts to enhance the financial reporting of pension and postretirement plan benefits and obligations to provide more complete and representationally faithful financial statements. However, as discussed more fully below, we have concerns with certain aspects of the proposal.

We note that the proposed statement purports to improve financial reporting by requiring a sponsor of a defined benefit plan “to report the current economic status (the over-funded or under-funded status) of the plan in its statement of financial position.” However, it is clear there is significant diversity of opinion on how to appropriately measure the plan’s obligations. We do not believe the projected benefit obligation embodies the characteristics of a liability as articulated in Concept Statement No. 6 nor does it meet the fair value definition in other related literature such as the proposed Fair Value Measurements Standard. We believe the accounting should be based upon the best estimate of the economic obligation as of the balance sheet date (e.g., the amount the obligation could currently be settled for). Because this fundamental issue is inextricably linked to the asset/liability determination, we strongly believe that this should be addressed prior to changing the current accounting.

We do not object to eliminating the recognition of an intangible asset and requiring that this amount of the minimum liability be classified in other comprehensive income along with actuarial gains and losses. We do not believe there is a compelling reason to differentiate the unrecognized prior service costs in such a manner.

Our responses to certain of the specific questions posed in the Exposure Draft are as follows:

Issue 1: Costs of Implementing the Proposed Statement's Requirement to Recognize a Plan's Over-funded or Under-funded Status in the Employer's Statement of Financial Position

We are concerned with the cost to implement the proposed requirement to recognize the over- or under-funded status of a defined benefit postretirement plan in the statement of financial position. The costs of implementing the proposed guidance involve more than just the direct costs associated with performing the requisite plan calculations and recording journal entries.

Currently, it takes approximately one month to consider and finalize the appropriate assumptions and complete the necessary calculations. In addition, the external auditors take several weeks to audit these assumptions and amounts. Since the valuations do not impact the prepaid/accrued net pension cost and are used primarily for disclosures and the subsequent year's expense, the timing of the current process does not pose a significant issue for us. However, our press release, which is typically disseminated during the third week of the month following year-end, provides balance sheet data, including shareholders' equity and return on equity information. Should we be required to adjust the balance sheet as proposed, the valuation becomes a critical issue in terms of being able to close our books and report results to external parties in a timely manner. These provisions would require us to either delay our press release or provide less information than is currently provided. Neither of these alternatives serves investors' interests.

In addition, there are potentially substantial indirect costs that may arise as a result of this guidance. The proposed changes may require financial institutions to raise additional capital to replenish shareholders' equity due to the impact of the changes on regulatory capital ratios. The cost of this additional capital may be significant. A high level review of 16 of the largest financial institutions' 2005 Forms 10-K indicates a total estimated equity charge in excess of \$9.5 billion. This proposed standard, along with the pending uncertain tax positions and leveraged lease proposals due to be issued soon, will most likely result in a significant impact to financial institutions' equity on January 1, 2007.

This change will also result in numerous companies violating debt covenants as currently written. Considerable time and effort will be expended by both financial institutions and borrowers to renegotiate the affected calculations and pay attorneys to revise the loan documents. This cost will be significant. In addition, all lending personnel will need

education on this issue as well as the resulting future volatility that will occur in equity. It is clear that this proposal has substantial costs.

Finally, fees charged by actuaries will most likely increase due to the increased demand in a limited amount of time that can only be accommodated by overtime or additional qualified individuals.

Issue 2: The Employer's Measurement Date

We currently use a measurement date as of year-end. However, given the subjective nature of the pension obligation, we are not convinced that requiring a year-end measurement date will provide more utility to the financial statements. As noted in the response to Issue 1 above, we are very concerned with the impact the proposal would have on being able to close our books and report timely. Should the Board decide to retain the proposed accounting, we would strongly encourage the retention of the current measurement date of up to three months prior to year-end. We would explore changing our measurement date to allow us to close our books timely.

Issue 3: Effective Dates and Transition – Recognition of the Over-funded or Under-funded Status

- a) BB&T supports the impracticability exemption as it relates to assessing the realizability of deferred tax assets recognized retrospectively as a result of applying the proposed Statement.
- b) We believe that this phase of the project involves more than simply moving the amounts from the footnotes into the balance sheet. As previously noted, there are real and tangible costs to certain entities. The fundamental decision of what is the proper liability and how it is measured needs to be determined before changing the accounting as proposed. We do not see the proposed changes as providing any real benefit or transparency as the information is readily available currently. The elimination of the reconciliation of the funded status to the amount recorded may actually reduce transparency as the newly determined asset/liability may not be disclosed separately.

Should the Board decide to issue the Standard as proposed, we believe the effective date should be delayed for one year to allow adequate time to coordinate the valuations, plan for the implementation and ensure appropriate controls can be established and operating for a sufficient amount of time to be tested for Sarbanes-Oxley compliance.

In conclusion, while we laud the Board's desire to effect change in a manner that is as effective and efficient as possible, we cannot support a stop-gap measure that will have a tangible impact on the entire banking industry, particularly when the Board has already acknowledged during meetings that such a measure will be re-addressed during the

subsequent phase of the project. We believe the most prudent course of action is for the Board to proceed directly to the next phase of the project and discontinue pursuit of this proposed guidance. In considering any change to pension accounting, the Board should carefully consider the impact the change will have on constituents and whether benefits will be frozen and plans terminated to avoid the consequences of complying with the accounting for items with a long-term nature that do not reflect the true economics as of the balance sheet date.

We would be pleased to discuss our comments with the Board members or the FASB staff at your convenience.

Very truly yours,



Henry R. Sturkie, III
Senior Accounting Policy Manager