



LETTER OF COMMENT NO. 232

Technical Director
Financial Accounting Standards Board
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Director@FASB.org

RE: File Reference No. 1025-300

Dear Technical Director:

As both a user and creator of financial reports, I would like to offer my comments on the current FASB exposure draft, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*.

When I analyze the benefit plan entries in a financial report, I want to answer four general questions:

- 1) What is the funded status of the qualified pension plans, the nonqualified pension plans and the other postretirement employee benefit plans ("OPEB")? Currently the disclosure shows the pension plans aggregated and OPEBs. I would like to see the qualified and nonqualified pension plans broken out in the footnote. The qualified plans have, due to their qualified status, many more requirements than the other nonqualified plans and OPEBs. The qualified pension plans are typically subject to minimum funding rules and covered by the PBGC. This is an extremely important difference I believe the financial reports should capture. Nonqualified plans are typically excess plans for highly compensated employees (HCEs). I would like to see how much of the liability is earmarked for those employees.
- 2) How much additional funding would the plans need now to cover the vested benefit obligation ("VBO")? Note this is not the accumulated benefit obligation ("ABO"), nor the projected benefit obligation ("PBO"), both of which are forward looking and may be modified at any time (the ABO to a much lesser extent than the PBO) by the plan sponsor. The VBO is most appropriate because (as prescribed under Actuarial Standard of Practice 4) all service eligibility for future benefits is frozen, much like what would happen if the employer completely settled the plan. I understand that if the plan were settled, it is likely that all participants would be vested, but this is typically a small amount of additional liability. Any underfunding should continue to be recognized in the financials as a liability of the plan sponsor.

Given we disclose qualified and nonqualified separately, the user can then look at the liability of the VBO with respect to the nonqualified plans and know those benefits, while important, do not carry the same weight of liability as the qualified plans. These are typically “at risk” benefits for the covered employees.

- 3) What is the recognized cost of the plans for each year? FAS 87/106/132 does a great job of balancing the long term cost of the plan, yet provide enough smoothing mechanisms (e.g. 10% corridor, using market –related value of assets, amortizing gains and losses). There is no need to change this.
- 4) What is the long-term funded status of the plans, comparing the PBO and the market value of assets? This belongs in the footnotes, as the statement currently shows. There is no need to change this.

The practical aspects of gathering data for the disclosure outweighs the benefit of aligning the measurement date with the financial statement date. The discount rate is just one of a number of assumptions that are a part of these projections and is, by definition, a transitory spot rate. Perhaps narrowing the window to no more than one or two months before the financial statement date would balance the practical aspects with the need to get a discount rate closer to year-end.

Thank you for the time and effort you and your staff and put toward this Standard.

Sincerely,

Robert J. Heinzen