



CONTROLLER'S OFFICE

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May 31, 2006

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

Dear Sir or Madam:

Thank you for the opportunity to comment on the proposed amendment of FASB Statement Nos. 87, 88, 106 and 132(R) as outlined in the March 31, 2006 Exposure Draft entitled, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans". The University of Notre Dame provides a defined benefit pension plan for certain of its employees and health insurance for its retirees. As such, the University would be subject to the provisions of the proposed Statement.

With regard to the issues identified in the *Notice for Recipients* included in the first several pages of the Exposure Draft, we offer the following comments for the Board's consideration.

Issue 1 - Cost of Implementation

We agree that the cost related to recognition of the funded status of defined benefits plans would not be significant, as little or no new information would need to be generated in order to do so. As the Exposure Draft points out, the information necessary to recognize the funded status of defined benefit plans is already a component of disclosures required by FAS 132(R).

Issue 2 - Employer's Measurement Date

We agree that the measurement of plan assets and benefit obligations as of the date of the employer's statement of financial position is appropriate and consistent with the date at which other assets and liabilities must be measured. We see no implementation issues associated with this requirement that differ significantly from the issues that apply to other assets and liabilities that are recognized as of the date of the statement of financial position.

Issue 3 - Effective Dates

As a not-for-profit entity, the University would not be affected by an "impracticability exception" related to the assessed realizability of deferred tax assets. Nor does the University have any debt covenants or other contractual arrangements that would be affected by the implementation of the proposed Statement. While it is likely other colleges and universities may have debt covenants or arrangements that would be affected by the recognition of the funded status of defined benefits plans, the window of time in which they would have an opportunity to address such issues with their creditors or counterparties would seem sufficient considering that most colleges and universities would be implementing the proposed Statement as of June 30, 2007.

Issue 4 - Measurement Date

Assuming the final definition of "public entity" for purposes of the proposed Statement would include not-for-profit colleges and universities that are conduit obligors as outlined in Proposed FSP on FAS 126-a on which the University recently submitted comments, such colleges and universities that currently measure plan assets and benefit obligations as of a date other than the date of the statement of financial position would be required to change that measurement date. However, we do not see any impediment to implementation that would make the proposed effective date impracticable for such colleges and universities. Regardless, a delay in implementation to fiscal years ending after December 15, 2007 would have no effect on the year in which such colleges and universities would be required to implement the change, as most would still need to do so for the fiscal year ending June 30, 2008.

Issue 5 – Not-for-Profit Organizations and Other Entities That Do Not Report Other Comprehensive Income

Recognition of the funded status of defined benefits on the statement of financial position requires, by default, the recognition of those previously unrecognized elements of the benefit obligation--namely, any unrecognized transition obligation, prior service cost/credit or actuarial gain/loss--in beginning net assets as of the period of implementation. However, in the absence of any revision to the existing measurement provisions that define the net periodic pension/benefit cost, this creates the need for not-for-profit entities (and other entities that do not report other comprehensive income) to "reclassify" certain elements of the net periodic pension/benefit cost as outlined in paragraphs 8 and 9 of the Exposure Draft.

These "reclassifications" essentially represent the elimination of portions of the net periodic pension/benefit cost from functional expenses via separate line items outside of functional expenses. For financial statement users, understanding the nature of these separate line items requires an acknowledgment that a portion of the costs included in functional expenses have already been recognized in a prior period. For many not-for-profit organizations, the components of net periodic pension/benefit cost that would stand to be reclassified pursuant to paragraphs 8 and 9 may not be significant in relation to

either overall functional expenses or changes in unrestricted net assets. Nevertheless, this means of reconciling existing measurement provisions and the proposed guidance concerning recognition of the funded status of defined benefits plans raises concerns as to whether the transparency of the statement of financial position has been improved at the expense of transparency in the statement of activities.

Presuming that guidance produced by the Board's second phase of its comprehensive project on defined benefit accounting would resolve the need for the reclassifying items prescribed by paragraphs 8 and 9, implementation of the proposed Statement as written would create a "transitional" basis of reporting in the interim for not-for-profit organizations. Perhaps waiting to issue a *comprehensive* revision of defined benefit plan accounting, rather than issuing a partial revision now, could avoid such a "transitional" reporting period for not-for-profit organizations. Given that current guidance has been in effect for 15-20 years, the urgency for issuing partial reform now seems somewhat low given that the information in question (i.e. funded status) is currently required for disclosure in the notes to the financial statements.

That said, we do appreciate the Board's consideration of the implementation issues specifically facing colleges and universities, and other not-for-profit organizations. The illustrative examples for not-for-profit organizations and other entities that do not report other comprehensive income issued on May 2 were helpful, and we encourage the Board to include such examples in any final guidance that it issues with regard to defined benefits accounting.

If we can provide any clarification of our comments, or be of any further assistance, please contact the undersigned at your convenience.

Sincerely,

Drew M. Paluf

Controller and Assistant Vice President for Finance

Cc: John A. Seidinaj

Vice President for Finance