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RE: Exposure Draft of 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)

National Cooperative Bank (NCB) appreciates the opportunity to comment on this exposure draft. NCB supports and concurs with FASB's objectives to develop accounting principles that enhance transparency to the users of financial statements.

The member/owners and customers of NCB include many small and medium-sized, notfor-profit or nonpublic companies. Many of these companies use book value as a surrogate for market value in membership and patronage programs and in determining employee compensation programs in lieu of stock options. As a result, any proposed accounting modification that could have the potential impact of increasing the volatility of book value is of particular concern to these companies. It is with these companies in mind that NCB submits the following comments.

• The use of the projected benefit obligation (PBO) to measure balance sheet pension liability

NCB believes that FASB should reconsider its proposal to use the PBO as the recognized pension benefit obligation. The PBO, by definition, represents expected future obligations based on assumed future salary increases. Most employers are not contractually obligated to pay future salary increases, so to reflect those increases in the determination of a recognized liability seems to be inconsistent with the characteristic of a liability as described by Statement of Financial Accounting Concept No. 6.

Rather, NCB believes that the accumulated benefit obligation (ABO) would be a better measurement of pension obligation to be recognized in the balance sheet. ABO is more consistent with the concept of a liability as articulated by Concept No. 6. This was

undoubtedly a consideration by FASB when it established current accounting standards that require that underfunded ABO be reflected as a liability. NCB acknowledges FASB's long-held position that PBO is a preferable measurement of benefit obligation. However, for reasons cited above, NCB is of the opinion that the use of PBO would overstate the actual pension obligation and add unnecessary volatility to company book value. Therefore, NCB would support continued inclusion of PBO disclosures in the notes to the financial statements.

Effective Dates

NCB is concerned about the proposed implementation dates of this new standard. We believe that by making the standard effective for fiscal years ending after December 15, 2006 FASB may be placing undue burden on small and medium sized companies, as well as their actuaries and other third party service providers, as they strive to adjust their processes to accommodate the new implementation date. We would suggest that implementation for nonpublic companies be deferred to the first annual period beginning after December 31, 2007, consistent with the proposed implementation of the requirement to measure plan assets and benefit obligations as of the statement date.

Two-Phase Approach

The exposure draft is the first phase of a two-phase project. The second phase is characterized by FASB as a multi-year, comprehensive review of accounting for post-retirement benefits. Given the breadth of the second phase, we are concerned that subsequent accounting changes will increase the cost of compliance for all companies. For many small and medium sized nonpublic companies, this additional burden could potentially be significant and lead to a loss of pension and postretirement benefits for many American workers. In light of these concerns, we urge FASB to deliberate this two-phase approach carefully and reconsider a single, comprehensive review of all of the issues.

We appreciate the opportunity to respond.

Sincerely,

Richard L. Reed

Executive Managing Director and

Chief Financial Officer

Dean G. Lawler

Senior Vice President and

Corporate Controller