



LETTER OF COMMENT NO. 172



AMERICAN BENEFITS  
COUNCIL

VIA e-mail to [director@fasb.org](mailto:director@fasb.org), File Reference No. 1025-300

May 31, 2006

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

Subject:

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

Dear Technical Director:

I am writing on behalf of the members of the American Benefits Council to provide input from companies regarding the implications of the FASB's Proposed Statement of Financial Accounting Standards: Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans. The American Benefits Council is a public policy organization representing principally Fortune 500 companies and other organizations that assist employers of all sizes in providing benefits to employees. Collectively, the Council's members either sponsor directly or provide services to retirement and health plans that cover more than 100 million Americans.

Since many Council members are preparers and users of financial statements, we understand the need for transparent accounting and reporting. Our members appreciate 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).

Although we have members in different places on the issues raised by the exposure draft, the following comments represent the consensus views of the vast majority of our members.

**Phase 1 should be combined with Phase 2.**

Most importantly, we are very concerned about the two-phase approach to revising the financial accounting standards for defined benefit pension plans and other post-retirement plans. Phase 2 is intended to be a comprehensive review of these standards, including a close examination of how these obligations should be measured. In that context, it seems ill-advised to make dramatic changes regarding balance sheet recognition of obligation measures during Phase 1, since those measures will need to be revisited during Phase 2. The most prominent example is the proposed use of the projected benefit obligation (PBO) for purposes of measuring the balance sheet liability with respect to pension plans, while determination of whether PBO is the appropriate balance sheet liability is left to Phase 2. Similarly, Phase 2 would need to reexamine the use of the accumulated post-retirement benefit obligation (APBO) with respect to other post-retirement benefit (OPRB) plans.

We are concerned that the possible adoption of PBO and APBO in Phase 1 could inappropriately tilt the Phase 2 analysis of these key measurement issues in favor of the Phase 1 decisions. Alternatively, if these issues are to be fully reconsidered in Phase 2, why should FASB now require very disruptive changes that could be very short-lived? The two-phase approach should be reconsidered. FASB should abandon Phase 1 and analyze the Phase 1 issues as an integral part of its comprehensive review.

We also want to emphasize that the Phase 1 issues would have a dramatic effect on our members, further underscoring the need to make these changes deliberately during FASB's Phase 2 comprehensive review. Many companies today are debating whether to continue maintaining their defined benefit plans and/or their retiree health plans. FASB's projects play a significant role in these debates. It would be very sad and unfortunate if plans were terminated or frozen by reason of short-lived Phase 1 decisions that are revisited as part of Phase 2. In addition, Phase 1 decisions will force a reexamination of numerous business arrangements, such as debt covenants, long-term incentive plans, employment contracts, and regulatory pricing. The two-phase approach raises the distinct possibility that companies will be forced to incur significant transitional costs twice. We urge FASB not to impose such unnecessary costs.

**If Phase 1 proceeds, we recommend the following changes.**

If Phase 1 is not combined with Phase 2, we urge FASB to make certain critical changes. Our recommendations are summarized below, then each is discussed in more detail.

- ***Use the accumulated benefit obligation (ABO) – not the PBO – to measure the balance sheet pension liability for pension plans.*** The ABO – the present value of benefits earned by the employees as of the valuation date – is the appropriate measure of the “market value” of the employer’s pension liabilities. The PBO, which is a numerical device designed to smooth expense over each participant’s career, is equal to the present value of a hypothetical benefit determined by attributing projected retirement benefits – including assumed pay increases between the measurement date and the assumed retirement date – over service to the assumed retirement date. In pay-related plans, the PBO usually exceeds the ABO. But the excess of the PBO over the ABO – the allowance for future salary increases – does not satisfy the Concept 6 definition of a liability or any other commonly used meaning of a market value liability. Plans that, because of their provisions, will grow in different ways during the upcoming year should have different expenses in that year, but the mere fact that future growth patterns may vary is not justification for requiring balance sheet recognition of different amounts for otherwise identical present day liabilities. Using the PBO decreases transparency.
  
- ***Use the vested APBO– not the APBO – to measure the balance sheet pension liability for OPRB plans.*** The balance sheet liability for OPRB plans should include only benefits to which participants have a legally binding right. OPRB plan benefits that are unilaterally cancelable do not meet the definition of a liability under Concept Statement 6 and should not be required to be reported on the employer’s balance sheet.
  
- ***Eliminate the proposed requirement to use a fiscal year-end measurement date.*** Pension and OPRB plan assets and obligations are significantly different from other types of assets or liabilities recognized in 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 represent false precision and would not materially improve the accounting. Instead, it would force our members to use additional estimation techniques rather than accurate values as of an earlier measurement date. It also would increase the likelihood of reporting errors.
  
- ***Simplify the transition to the new standard.*** The implementation costs of the proposed standard will be significant. To minimize implementation costs, the effective date should be at least six months after publication of the final standard, the transition method (retrospective application and the transition to a fiscal year-end measurement date) should be simplified, and expanded easy-to-follow examples should be included in the final standard.

Our reasoning behind each of these recommendations is detailed below.

**ABO is the appropriate balance sheet liability measure for pension plans.**

*Relevance.* We believe the ABO is a more relevant balance sheet liability measure for pension plans than the PBO for the following reasons:

1. Including future salary increases in a liability conflicts with Concept Statement 6, Paragraph 36, which provides:

“A liability has three essential characteristics: ... (b) the duty or responsibility obligates a particular entity, leaving it little or no discretion to avoid the future sacrifice, and (c) the transaction or other event obligating the entity has already happened.”

Clause (b) is violated because employers can unilaterally cancel that part of the obligation which relates to future compensation levels. For example, over the last several years, many high profile companies have unilaterally canceled that obligation by freezing plans. Clause (c) is violated because the event causing the liability, the pay increase, has not happened and typically will not happen unless the employer chooses to grant it.

We see no theoretical reason to include future pay increases in pension liabilities when they are not included in other liabilities. PBO-based balance sheets would force recognition of future salary increases for sponsors of defined benefit plans but not for other companies, a distinction for which we see no justification.

As further evidence that the PBO does not represent a true “liability,” we note that only the ABO – and not the PBO – can be settled. No insurance company will accept an obligation to pay benefits based on future pay levels to be set arbitrarily by the annuity purchaser. How can there be a market value of a liability when the market place will not value it? The lack of marketability of the excess of PBO over ABO is a strong indication of the lack of economic substance to the PBO.

Finally, the use of PBO is conceptually inconsistent with FASB’s “snapshot” approach to pension accounting. If assets and interest rates are to be measured on an unsmoothed snapshot basis, why should liabilities be measured on an ongoing basis, taking into account possible future developments? Pensions can be viewed in two ways: as ongoing plans or on a snapshot basis. The FASB exposure draft focuses on one very narrow version of the snapshot approach – an approach we

disagree with - - and then inexplicably departs from that model to take into account future compensation increases.

2. *Paragraph 143 of SFAS No. 87 indicates that "the Board perceives a difference between the promise to pay 1% of final pay and ... 1% of current pay."* We agree that the promises are different, and that difference should be reflected over time in expense. But if, as of a given date, the benefits owed by employers with different plan designs are identical, the liabilities also should be identical. If a 50-year-old participant has earned a benefit of \$10,000 per year starting at age 65, the liability reported for that participant should be the same regardless of whether the plan's formula is frozen, flat dollar, career pay, or final pay.

**Neutrality.** Under current accounting, balance sheet adjustments are made relative to the ABO (and only in certain circumstances). Now establishing PBO as the balance sheet liability changes accounting measures before the Board has fully addressed measurement issues. Immediately requiring the PBO in Phase 1 artificially inflates liabilities for many of our members and will discourage their continuation of defined benefit plans.

We understand that the Board generally does not take policy issues into account when determining appropriate accounting, as described in paragraphs B85 - B87 of the draft. However "neutrality" implies that the Board will have completed the steps necessary to be sure that proposed changes in accounting are supported by the conceptual framework and enhance relevance, reliability and representational faithfulness.

In this instance, the Board is on record as saying that the measurement of the balance sheet liability is being changed from current practice but the determination of which measurement is most appropriate will wait until Phase 2. We therefore believe that the neutrality argument does not apply and the Board should review this measurement issue before going forward with the mandate to change.

In paragraph B17 of the draft, the Board elaborates on its reasoning for not considering measurement issues before requiring recognition of the funded status. The following addresses those factors:

1. "The Board concluded in Statement 87 that the PBO is the most relevant measure of the benefit obligation..." We believe the Board came to this conclusion only with respect to the calculation of net periodic pension cost. Based on input from our members, we are not aware of any evidence that any such conclusion was reached with regard to balance sheet liabilities.

2. "Certain users believe the PBO reflects the employer's economic obligation, and few have suggested a measure that excludes the effect of future compensation increases." Our discussions with users in the financial economics arena indicates that many would agree to the use of ABO. Further, in our members' role as users of financial statements, our members believe the PBO is an inferior measure of current economic obligations compared to the ABO (for the reasons detailed above) and we explicitly suggest a measure that excludes the effects of future compensation increases.
3. "Using a measure of the obligation other than the PBO might necessitate changing [the discount rate] assumption." We are familiar with the issues described in paragraphs 140 - 142, and reject the assertion that below-market or net-of-inflation discount rates should be applied. The obligation is for benefits earned to date, and the value of that obligation is a function of actual rates, not the hypothetical rate described in the above cited paragraphs.
4. "For most plans that provide postretirement benefits other than pensions, there is no measure of the obligation that is analogous to the ABO..." As described later in this letter, pensions represent a fundamentally different obligation than other postretirement benefits; the two different types of benefits should thus be expected to have different measures. Lack of a comparable measure for liability B is not an acceptable reason to mismeasure, or change the measurement of, liability A.
5. "...Very few were prepared to accept a measure of net periodic pension cost that was based on compensation to date...excluding future compensation from the liability and including it in net periodic pension cost are conflicting positions." Accounting has evolved. We believe far more people would now accept net benefit cost based on compensation to date. We recognize that the conflict created under current rules (including future compensation for expense, excluding it for the balance sheet minimum liability) is a conflict that the previous Board, after significant deliberation, was willing to accept.

To resolve this conflict the current Board has three choices:

1. Change the liability measure used for net benefit cost.
2. Change the liability measure used for balance sheet reporting.
3. Continue to live with the discrepancy until it is resolved in Phase 2.

If the Board cannot accept choice 3, then we believe Phase 1 should include a thorough review of the appropriate measurement so as to determine whether choice 1 or choice 2 is appropriate.

Furthermore, we point out that the referenced paragraph 139 of Statement 87 was developed prior to the use of Other Comprehensive Income (OCI). Given the existence of OCI, we note that the mechanics of double entry accounting now work equally well regardless of whether balance sheet liabilities are based on ABO or PBO.

**Vested APBO is the appropriate balance sheet liability measure for OPRB plans.**

We believe the vested APBO is a more relevant balance sheet liability measure for OPRB plans than the APBO for the following reasons:

1. *OPRB obligations are fundamentally and substantively different from pension obligations and hence require a unique liability measure.* While SFAS No. 87 originally included calculations of the vested ABO (VBO), the VBO is no longer used. This change makes sense for a U.S. qualified pension plan, since the only way an employer can unilaterally reduce liabilities measured on an ABO basis to the VBO level is by under funding the plan and entering bankruptcy, consideration of which is precluded under the going concern principle. (For nonqualified U.S. pension plans, VBO is still a relevant concept.)

However, the situation is completely different for OPRB plans and the analysis of appropriate measurement techniques should differ from that used for pension plans for that reason. Most employers may unilaterally eliminate nonvested OPRB benefits for some or all participants at any time. Nonvested OPRB liabilities (that is, liabilities for OPRB benefits that the employer can unilaterally eliminate at any time) do not meet the Concept Statement 6 definition of a liability. Determining precisely which benefits are vested and which are not can be problematic and may require a legal opinion, and disclosures regarding how the employer has made this distinction would be appropriate.

2. *Reasonably knowledgeable financial statement users are not currently discounting company net worth for unfunded OPRB benefits.* Many analysts and other users understand that a company's unfunded accumulated *pension* benefit obligation represents a significant potential claim on the company's assets, and adjust reported net equity appropriately, based on disclosed results in the footnote. However, to our knowledge, no such adjustment is currently being made for unfunded OPRB benefits, because of the well-established fact that those benefits can be cancelled at will, and represent no significant claim on a company's resources. It is inappropriate to force on to the balance sheet so-called liabilities that are not now being recognized, even by knowledgeable users *who have all the information to do so if they*

*are so inclined.*

3. We believe the appropriate OPRB balance sheet liability measure should consist of the present value of future benefits that are vested (that is, benefits to which participants have a legally enforceable right).

This comment letter is not intended to recommend any change in the determination of net benefit costs for OPRB plans.

**Eliminate the requirement to use a fiscal year-end measurement date.**

Under current practice, a measurement date up to three months before the statement date may be used. Also, demographic data or earlier valuations may be projected to the measurement date, as long as significant interim events are taken into account.

Permitting measurement dates that precede the fiscal year end is a necessary and practical solution that recognizes that pension and OPRB assets and liabilities are significantly different from other types of assets and liabilities reported in financial statements. 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 work involved in preparing pension and OPRB financials is particularly significant given the SEC's acceleration of filing deadlines, which is also first effective for fiscal years ending after December 15, 2006.

(Starting this year, most of our members will have only 60 days after fiscal year-end to file their 10-K's, compared with 75 days last year and 90 days before 2003. Further compressing the time frame by requiring use of a fiscal year-end measurement date would increase the likelihood that errors that now get caught and corrected will, in the future, make their way into the financial statements.)

Our members report that it typically takes 5 – 6 weeks from the time they receive year-end information from their various plan actuaries to integrate the results into their financial statements, draft footnotes and financial statements, provide time for auditor review and comment, get executive officer and board approval, and publish results. It generally takes 3 – 6 weeks from the measurement date for the actuaries to collect asset and discount rate information from operations around the world, perform the necessary calculations, resolve any issues, and consolidate and document results at a level of detail sufficient for *Sarbanes-Oxley* compliance. The time required for actuaries to provide this information is likely to increase if their resources are strained by the requirement that all calendar-year employers use a December 31 measurement date.

Even if everything goes exactly right, many members feel they have insufficient time to

meet the SEC's accelerated 60-day deadline. This problem will be compounded if the proposed standard takes effect in 2006 – the same time that the accelerated SEC filing deadline takes effect. In fact, several of our members that currently using fiscal year-end measurement dates report that they had been exploring the possibility of adopting an earlier measurement date, as the SEC indicated would be acceptable, because of the time pressures created by the accelerated SEC filing deadline. A fiscal year-end measurement date simply allows no margin for adequate review or resolving potential issues that may arise, and therefore increases the likelihood of reporting errors.

Our specific concerns are:

1. *The end-of-fiscal-year calculation is still an estimate.* Gathering new demographic and salary data within the required time frame is not possible (e.g., many companies struggle to meet the January 31 statutory deadline for providing W-2 data). Thus a fiscal year-end calculation is always an estimate. Use of a fiscal year-end measurement date leaves insufficient time to complete financial statements by the accelerated SEC filing deadline. To cope with a fiscal year-end measurement date, our members would be forced to roll forward values determined as of an earlier date or apply other estimation techniques – which offer little or no benefit over using an earlier measurement date.

Also, as a practical matter, the delay between the financial statement date and publication of the results means users derive very little, if any, marginal relevance or usefulness from a “precise year-end moment” calculation. If “precise” year-end calculations are both inaccurate and disruptive, there is no reason to require them.

2. *Availability of asset values.* Our experience is that certified market values of asset are often not available for at least two, and quite possibly four weeks after year-end. This leaves insufficient time to complete the disclosures. Each of the following types of assets creates difficulties:
  - *Real estate.* To report market assets, the real estate must be appraised, the appraiser must send a certified report to the trustee, and the trustee must add that information to the trustee report. This process can easily take weeks. Of course, it is possible to value the real estate as of a date prior to year-end, but that is essentially the same as allowing an earlier measurement date.
  - *Insurance contracts.* Most contracts (excluding GICs) use an investment year method of allocating interest. This allocation does not start until after year-end, and may take several months to finalize, particularly in the case of a participating annuity where the insurer's Board of Directors gives final approval to dividend declarations only after seeing completed financial statements. Of

course, it is possible to estimate the value of the insurance contract, but that estimate is a projection from a prior "measurement date."

- *Foreign plan assets.* In some countries, whether due to custom or technological shortcomings, values of certain classes of assets often cannot be provided within the timeframe necessary to meet SEC filing requirements.
  - *Fiscal years that are not calendar month-end.* Many companies have 52 / 53 week fiscal years, or fiscal years that otherwise do not end on the last day of the month. This presents a particular challenge in gathering information from trustees and others that report only on a monthly (or even less frequently) basis.
3. *Determination of the discount rate.* A great deal of emphasis has recently been placed on the use of yield curves or bond portfolios to determine discount rates, as opposed to using an index. However, the use of yield curves or bond portfolios is time-consuming – the bond universe data must be compiled as of the measurement date and then analyzed to discard inappropriate bonds. The discount rate is then determined using the screened bonds by either (i) constructing a bond portfolio matching the plan's projected cash flows, or (ii) constructing a yield curve that is applied to the plan's projected cash flows. This process requires close partnership among preparers and audit and service providers, and even in the best of circumstances can take a couple of weeks. Mandating a year-end discount rate can leave plan sponsors with the option of choosing to use an index approach or a hastily estimated yield curve/bond portfolio, neither of which is appropriate. Only a small minority of our members are willing to bear the costs of producing several hypothetical valuations with varying discount rates, and then later choosing the appropriate valuation based on market conditions at the end of the year. The valuation process could be greatly simplified and accelerated, without significantly impairing the quality of the valuation results, if the preparer could choose a discount rate before the end of the year.

We note that yield curves and bond portfolios are also generally prepared only at calendar month-end, posing an additional problem for companies that have fiscal year-ends that do not coincide with the last day of the month.

4. *Availability of retiree medical claims cost information.* Providers typically need at least a few weeks to gather and report (in a HIPAA-compliant manner) the claims information necessary to set starting claims costs for valuations under SFAS No. 106. Under the current rules, this time frame was workable because those valuation results were only needed for footnote disclosures. Requiring SFAS No. 106 liabilities to be on the balance sheet advances that time frame about three weeks, which would require a less refined (and typically less accurate) approach to creating starting claims costs. The less refined approach would produce results no more accurate than

the use of an earlier measurement date.

5. *The difficulties for organizations with a large number of plans are particularly pronounced.* While we believe accurate compliance with the proposed rule will be difficult for an SEC filer with one or two plans, those organizations with a large number of plans have great difficulty coordinating the data gathering and calculations from numerous service providers over such a short period. Some organizations have hundreds of plans spread over dozens of countries. These are the same organizations facing tightened SEC filing deadlines. As a practical matter, such companies may be forced to use estimates that are no more precise than the figures which would be determined using an earlier measurement date.
6. *Our understanding is that current accounting rules allow for an earlier measurement date for subsidiaries with different fiscal years because of the difficulty of gathering the information.* Because pension liability information cannot be merely gathered, but must be calculated through a very complex process, allowing a measurement date approach similar to what is used for subsidiary operations seems to be a reasonable and practical alternative.
9. *A modified measurement date concept may be a practical alternative.* Under the modified concept, a plan's assets and obligations would be "measured" before fiscal year-end and projected to year-end. Settlements, curtailments and contributions would be measured in the fiscal year in which they occurred, and mid-year changes would be reflected for the portion of the fiscal year, not the measurement year. This alternative improves transparency and reduces the complexity of the current model, while still providing organizations a practical means of meeting their year-end reporting obligations.
10. We understand the Board is working on convergence with IASB standards, and eliminating measurement dates is part of that convergence. However, we also note that companies in most other countries have three to six months in which to file financial statements. That is a significant practical difference in environment that needs to be reflected in U.S. rules.

**Implementation costs, effective dates, and transition.**

We disagree with the Board's conclusion that implementation costs will not be significant, as described under Issue 1 of the *Notice for Recipients of This Exposure Draft*. Our members indicate they are facing substantial implementation costs arising from the sources described below. To minimize the implementation costs, the effective date should be at least six months after publication of the final standard, the transition method (retrospective application and the transition to a fiscal year-end measurement

date) should be simplified as described below, and expanded, easy-to-follow examples should be included in the final standard.

*Contract renegotiation.* Our members will have to renegotiate numerous contractual arrangements that reference financial statement metrics if the proposed standard is adopted. These contracts include debt covenants (a particular concern since lenders may insist on less favorable terms in a forced renegotiation with a tight deadline), long-term incentive plans, employment contracts with key executives, and regulatory pricing. To provide sufficient time to renegotiate these contracts, the effective date should be at least six months after publication of the final standard.

*Retrospective application.* Many of our members show a 5- or 10-year history of key financial results so that users of their financial statements will understand long-term trends affecting their businesses. We understand that retrospective application would require our members to revise *all* financial results shown in their financial statements issued after the effective date – even results for periods for which the members do not show complete financial statements. Members will incur substantial costs to revise these summary results because of the effort required to compile 5-10 years of detailed historical information for the many plans they sponsor – information that some employers may not have retained. Their only option for reducing these implementation costs is to reduce the number of years of historical information shown – information users of our financial statements find very valuable.

To reduce the implementation cost to a reasonable level while maximizing the value of financial statements to users, retrospective application should be required only for periods for which complete financial information is shown. Summary results shown for earlier periods should simply be footnoted to indicate they were determined under GAAP accounting standards in effect at the time and do not reflect new pension and OPRB accounting rules.

*Transition to new measurement date.* Many of our members currently use a measurement date that precedes their fiscal year-end. As indicated under *Measurement date* above, we believe pension and OPRB assets and obligations are significantly different from other types of assets and liabilities reported in the balance sheet, so continued use of a measurement date within three months of fiscal year-end is appropriate. If FASB nonetheless decides to require a fiscal year-end measurement date, the proposed method of transition is unnecessarily costly.

The proposed transition method requires measuring assets and liabilities twice within a period of no more than three months. The sole purpose of requiring two measurements – both composed of many estimates – is to refine the breakdown of amounts between retained earnings and unrecognized gains (losses) at the moment of transition. This

marginally refined breakdown produces no valuable information for the user but substantially increases implementation costs. We do not believe this cost is justified.

The transition can be easily accomplished with only one measurement at the new measurement date, significantly reducing implementation cost with no decrease in useful results. We therefore recommend modifying the transition method to require a single measurement at the new measurement date – with the adjustment to retained earnings at the start of the fiscal year determined from the prior measurement. For example, under our proposed transition method, a calendar-year employer currently using a September 30 measurement date would measure assets and liabilities at September 30, 2006 for December 31, 2006 financial statements. This measurement would also be used to determine net benefit cost for 15 months (from September 30, 2006 through December 31, 2007). The first three months' net benefit cost would be an adjustment to retained earnings at January 1, 2007, and the next 12 months' net benefit cost would be 2007 expense. The next measurement at December 31, 2007 would be used for December 31, 2007 financial statements and 2008 expense.

*Easy-to-follow examples.* We appreciate the efforts of the Board and Staff to include illustrative examples with the implementation guidance. In general, this guidance is very useful; we believe that its usefulness can be improved (and implementation costs reduced) by including the following:

- A description and example of how financial statements for interim periods are affected.
- An example of a company that has historically had gain/loss amortization. Individuals who are expert in pension accounting will understand that it will be necessary to add additional steps and line items (e.g., in the schedule on page 13), but many preparers will omit gain/loss amortization because they do not see it in the examples.
- Expanded examples showing the actual entries (both the debit and the credit) that need to be made, as well as a complete reconciliation of benefit obligations, assets and funded status.
- The supplemental implementation guidance issued with regard to not-for-profit employers.

## Conclusion

Defined benefit retirement plan sponsors provide highly-valued financial security programs for their employees. Constant change and uncertainty around the accounting for these plans factor into the highly-publicized trend of employers deciding to move

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away from these programs. We feel it is very important that interim changes like these be carefully considered and that a change only be made if it clearly factors into the long-term improvements you will make.

We appreciate your consideration of these comments. If we can provide any additional clarification or assistance, please call Lynn Dudley, vice president, retirement policy at 202-289-6700.

Sincerely,

A handwritten signature in cursive script that reads "Lynn Dudley". The signature is written in black ink and is positioned below the word "Sincerely,".

Lynn Dudley

Vice President, Retirement Policy