RILA
RETAIL INDUSTRY LEADERS ASSOCIATION
Retail's Future...Educate, Innovate, Advocate

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1025-300

Via Email and Courier

LETTER OF COMMENT NO. 194

Ms. Suzanne Q. Bielstein
Director – Major Projects and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 06856-5116
Norwalk, CT 06856-5116

Re: Exposure Draft Comments Regarding the Elimination of Early Measurement Dates under FASB Statement Nos. 87 and 106 (File Reference No. 1025-300)

Dear Ms. Bielstein:

The Retail Industry Leaders Association (RILA) and its Financial Leaders Council appreciate the opportunity to provide comments on the recent exposure draft entitled *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, particularly with respect to the proposal which would make early measurement dates impermissible under FASB Statement Nos. 87 and 106. RILA is an alliance of the world's most successful and innovative retailer and supplier companies – the leaders of the retail industry. RILA members represent more than $1.4 trillion in sales annually and operate more than 100,000 stores, manufacturing facilities and distribution centers nationwide. Its member retailers and suppliers have facilities in all 50 states, as well as internationally, and employ millions of workers domestically and worldwide. Through RILA, leaders in critical disciplines of the retail industry work together to improve their businesses and the industry as a whole. The availability of early measurement dates under FASB Statement Nos. 87 and 106 is of critical importance to RILA and its members. Accordingly, we have limited our comments to this crucial issue.

RILA commends FASB's goal of enhancing the reliability and relevance of plan asset and benefit obligation disclosures in financial statements. We would agree that measuring plan assets and benefit obligations as of the balance sheet date could theoretically advance this objective. However, RILA strongly disagrees with the elimination of early measurement dates in favor of a single fiscal year end measurement date. We urge the FASB to consider that permitting only a fiscal year end measurement date could result in less accurate financial statements due to the practical difficulties of implementing such a date.

Reinforcing the exposure draft comments previously filed by Buck Consultants, Watson Wyatt, Towers Perrin and Mercer, RILA emphasizes that the benefits of eliminating early measurement dates, if any, are significantly outweighed by the associated costs. Collecting plan asset and liability data, conducting calculations and identifying reasonable assumptions is an extremely time consuming endeavor. This is particularly true for a large company that maintains a substantial number of separate plans for its global workforce, including numerous members of RILA. By requiring a fiscal year end measurement date, many companies will have difficulty gathering accurate and reliable data for reporting purposes.

For example, given the SEC's recent efforts to accelerate the filing date of a company's financial results following a fiscal year end, plan asset and liability information would be needed no later than a few business days following the fiscal year end. While values with respect to publicly traded investments would typically be available within such timeframe, certified reports from trustees or third party vendors reflecting such values are typically not available for as long as one month following a fiscal year end. Moreover, values relating to real estate, insurance contract, foreign and venture capital investments typically would not be available within the required timeframe. In practice, these assets could take several months to value following a fiscal year end.

Furthermore, the exposure draft would also require that the discount rate used to value liabilities be determined as of the fiscal year end. Assuming that an index is used to peg an appropriate discount rate, the rate could reasonably be determined shortly following a fiscal year end. However, using yield curves or bond portfolios to establish the discount rate, which is arguably more accurate, is time-consuming and may not be possible within the necessary timeframe. Given FASB's overall objective of improving the accuracy and understandability of assets and liabilities reflected in financial statements, we would recommend a measurement date approach that permits companies to utilize accurate information in determining plan assets and benefit obligations.

We note that Section 39 of Appendix B to the exposure draft reflects FASB's position that it will often be practicable for companies to obtain necessary data as of a fiscal year end. RILA supports FASB's encouragement of a fiscal year end measurement date for companies which have required information available on a timely basis. For the reasons stated above, however, we would strongly urge FASB to consider the difficulties of companies for which information will not be readily available. Requiring a fiscal year end measurement date would inevitably mean that certain material asset values would not be available and that more accurate discount rates might not be determinable in order to meet reporting deadlines. Accordingly, we recommend that FASB continue to allow companies to use an early measurement date, given that a fiscal year end measurement date will not be practicable for a significant number of companies.

We thank you for the opportunity to comment on this very important issue.

Sincerely,

Jane Windmeier

Jane Windmeier
Chair, RILA Financial Leaders Council