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2 May, 2008

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Financial Accounting Standards Board
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File Reference:

Proposed FASB Staff Position No. FSP 132(R)-a,

"Employers' Disclosures about Postretirement Benefit Plan Assets"

Dear Mr. Golden:

We appreciate the opportunity to comment on the Financial Accounting Standards Board's ("FASB" or "Board") Proposed FASB Staff Position No. FSP 132(R)-a "Employers' Disclosures about Postretirement Benefit Plan Assets" (hereafter referred to as the "Proposed FSP") and are pleased to see the efforts being made by the FASB to improve disclosures pertaining to post retirement benefit plan assets.

Overview

Fitch Ratings (Fitch) is a leading global rating agency committed to providing the world's credit markets with independent, timely and prospective credit opinions. Fitch's corporate finance ratings make use of both qualitative and quantitative analyses to assess the business and financial risks of issuers for fixed-income investors. In this process, Fitch relies directly on the financial statements, and this reliance places us in an informed position to comment on information we believe is useful and crucial in the credit evaluation process, which is a critical component of efficient capital markets.

Fitch is very supportive of the efforts being made by FASB to improve disclosures about post retirement plan assets. The proliferation of investment alternatives available to pension plans and the inherent market and liquidity risks of relatively new complex investments make it important to require more extensive disclosure surrounding the types of assets held in pension plans.

Therefore, we are supportive of extending the required disclosures about fair value measurements and valuation techniques included in SFAS 157 "Fair Value Measurements" to pension plan assets. The recent credit turmoil experienced by the market, the subsequent illiquidity that pervaded some asset classes and the increased allocation of pension plan assets to less liquid investment vehicles underscore the need for relevant

disclosure about fair value inputs.

Outside of fair value disclosures, we find disclosures pertaining to cash contributions by pension plan sponsors to be inadequate. Currently, the Board only requires disclosure of the employer's best estimate of contributions expected to be paid to the plan during the next fiscal year. Given that the timing of real cash flows is important in understanding the resources available to a company to settle its cash outflow obligations at any point in time, we would like the Board to take a critical look at the adequacy of cash related disclosures and at the minimum extend those disclosures beyond one year. Preferably we would like a best estimate of expected contributions for three to five years. Furthermore, our analysts would benefit from disclosures of PPA funding requirements and minimum contributions necessary to avoid PPA and PBGC penalties.

We also note that what is often the main assumption made in estimating the pension liability – mortality expectation – is not a prescribed disclosure requirement, so we would like to see this added to the standard.

We address those of your specific questions we think most relevant for us to comment on below:

Question 1: Is the principle of disclosing categories by type of plan asset understandable?

Fitch believes that the principle of disclosing categories as laid out in the proposed FSP is understandable and clear. This principle will help our analysts better understand additional market and liquidity risks that may affect the variability of plan assets. Furthermore, the proposed disclosures should help analysts to independently assess the appropriateness of the expected long term rate of return assumption that is factored into the net periodic benefit cost and identify obvious outliers in comparative analysis.

Question 2: Are the asset categories that must be disclosed, if significant, representative of the types of assets held in postretirement benefit plans? Should any other categories be added?

Fitch believes that the required assets categories to be disclosed are representative of the types of assets held in postretirement benefit plans. However, it would be helpful to require further delineation of equity and fixed income assets. For fixed income assets, separating investment grade from non-investment grade securities would be helpful; and for equity securities delineating amongst international, emerging market and U.S. equity securities would also be helpful.

Question 3: Is the requirement to disclose concentrations of risk arising within or across categories of plan assets from a lack of diversification understandable, and is this information useful? Would another disclosure principle be better?

Fitch considers the disclosure of risks arising from a lack of diversification useful. As a general rule, we would not consider any disclosure requirements in standards to be excessive where the assets or liabilities are material to the company's balance sheet, income statement or cash flow. We urge the Board to be clear about the proposed

disclosures pertaining to these risks in order to avoid companies resorting to boilerplate language that is not helpful to analysis.

Question 4: Would the disclosures about fair value measurements of plan assets provide decision-useful information?

Fitch believes that disclosures about fair value measurements of plan assets will provide decision useful information for our analysis. The hierarchy in SFAS 157 is helpful and allows users to distinguish, at least to some extent, between the reliability of fair values.

We like the tabular disclosures required by SFAS 157 and think these are going to be helpful to users and improve understanding of the financial information presented.

Yours sincerely,

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