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LETTER OF COMMENT NO. 16

May 2, 2008

Via email: director@fasb.org

Russell G. Golden
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

File Reference: Proposed FSP FAS 132(R)-a

Dear Sir:

State Street Corporation appreciates the opportunity to comment on the proposed Financial Accounting Standards Board ("the Board") Staff Position (FSP) which would amend FASB Statement No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits, an amendment of FASB Statements No. 87, 88, and 106 (revised 2003)* (Statement 132(R)).

Headquartered in Boston, Massachusetts, State Street specializes in providing institutional investors with investment servicing, investment management and investment research and trading. With \$15.0 trillion in assets under custody and \$2.0 trillion in assets under management as of March 31, 2008, State Street operates in 26 countries and more than 100 markets worldwide.

While State Street Corporation is an employer subject to Statement 132(R) and other GAAP reporting requirements, our comments today relate to our role as a leading servicer of corporate pension and other postretirement benefit plans (collectively, "postretirement benefit plans"), and focus on the administrative challenges presented by the proposal, rather than the impact on employers' financial statements, or potential benefits for users of financial statements.

State Street supports the Board's efforts to improve the transparency of financial statements, and agrees that postretirement benefits are significant elements of corporations' overall financial positions. We also agree with the Board's earlier determination, noted in the proposed FSP, that the disclosures in Statement 157 not apply to fair value measurements of postretirement benefit plan assets since benefit obligations measured under Statements 87 and 106 which are reported in the primary financial statements are measured using both assets with fair value characteristics as well as actuarially determined liabilities. We appreciate the proposed FSP's continued recognition that post retirement benefit plan disclosures need to be addressed differently than other Statement 157 disclosures, and do not disagree in concept with incremental increased disclosure.

We are concerned, however, for the reasons cited below, that the proposed FSP may result in less clarity of financial statements and significant new compliance burdens on pension plans and their service providers. Our specific comments and recommendations are described below.

Clarification of Categories of Plan Assets

We agree that current employer practice categorizing assets in four categories – equity, debt, real estate, and other investments – is not sufficiently granular in today’s financial markets. We are concerned, however, that the Board’s proposed guidance creates potential challenges to consistently categorizing assets. For example, some types of investments, such as real estate, could fall under multiple of the eleven listed categories, creating confusion in financial statements and requiring subjective judgments by preparers of such statements.

In addition, the proposed FSP’s instruction to include “additional categories as appropriate,” combined with the illustrative examples provided in Appendix B, appear to indicate that the Board is seeking far greater granularity than might be implied by its list of eleven major categories. For example, the illustration in Appendix B seems to suggest that investments may need to be disclosed separately by region, by industry segment, or by type of asset-backed security -- all distinctions not mentioned in the text of the proposed FSP.

It is also unclear how derivatives should be disclosed. Derivatives are used for a variety of purposes by pension plans, including hedging of interest rate and foreign exchange risk. Disclosure of gross derivative exposure as a separate asset class would be inconsistent with the asset allocation practices of plans, would be difficult to compile consistently, and could distort financial statements. It is unclear under the proposed FSP how derivatives held for these purposes should be disclosed, or the value of such quantitative disclosures to users of financial statements.

For the reasons described above, we suggest the Board revise the guidance to clearly distinguish a finite list of asset categories, and to limit disclosures of derivative contracts to a qualitative discussion, rather than establishing as a separate asset class.

Interaction with DoL Reporting

We also note the potentially duplicative burden imposed by the asset categorization requirements of the proposed FSP and current DoL reporting. The DoL’s annual report for pensions, Form 5500, includes an Asset and Liability Statement requiring disclosure of the net assets of pension funds, separated into asset categories. These asset categories vary considerably from the asset categories described in the proposed FSP.

While the goals of GAAP and DoL reporting are different, we believe the consistency and efficiency of plan administration could be significantly improved by more closely aligning the two reporting requirements.

Concentration Analysis

We are concerned that the Board’s proposed analysis of concentration risk may make disclosures unnecessarily detailed, difficult or impractical to compile accurately. For example, the proposed FSP appears to require that a typical pension plan, holding multiple commingled funds, will need to identify the holdings of each of these funds, and then perform a wide ranging concentration analysis across all of these portfolios. The data to conduct such analyses is not currently available to employers. Such an analysis would be a significant undertaking for employers and their service providers, including custodians, requiring development of new systems and mechanisms, and the negotiation of new client authorizations for the service provider attempting to compile the necessary data.

In addition, data related to specific holdings of postretirement benefit plans is sometimes unavailable. For example, the underlying investments made by hedge funds, private equity funds, and venture capital funds are not readily available and typically not disclosed by these managers --- making the illustrative disclosure provided in Appendix B detailing hedge funds investments in mortgage-backed securities difficult, if not impossible, to produce.

Finally, we note that plan fiduciaries already have a duty to ensure that risks and returns are appropriate for the plan and that concentration of assets by category is only one measure of risk to a pension plan. Other risk measurements, such as asset-liability matching and volatility measurements, would not be captured by the proposed FSP methodology.

We believe the Board's goal in requiring the additional concentration-related disclosures in the proposed FSP could be addressed through a qualitative discussion, rather than the proposed new quantitative disclosures. A qualitative approach would impose much lower burdens on employers and their service providers.

Compression and Acceleration of Reporting Schedules

Under current reporting rules, many employers and their service providers are challenged to meet the current deadlines for compiling data and filing financial reports. In many cases, custodians are required to provide valuation of plan assets to plan actuaries and the employer's accountants two to three weeks after the fiscal year-end. Since it is important to employers to use data accurate as-of year-end, or as close to year-end as possible, the additional data collection and analysis required under the proposed FSP would presumably need to take place during the same brief time period.

Assigning assets to the proposed new categories would add to an already difficult burden; accomplishing the proposed look-through of alternative investments, commingled funds, and assets of foreign plans would likely be impossible, and require significant revisions to current resource allocation, timing and other practices.

Foreign Plans

The collection of the information required under the proposed FSP by multi-national corporations from affiliated foreign plans will be challenging, particularly under the timeframes dictated by financial statement reporting pursuant to US GAAP. Foreign plans operate under the jurisdiction of local law, and are generally administered by independent trustee boards, not the company's local subsidiary. These independent boards are, in some jurisdictions, not legally obligated to provide the employer certain reporting data, requiring negotiation over contractual arrangements to address costs and other issues related to providing the data.

Effective Date

The proposed FSP represents a significant change for employers. Even if modified as suggested above, the FSP would impose significant new compliance burdens on employers and their service providers. Given the magnitude of these changes, we believe the proposed effective date (fiscal years ending after December 31, 2008) is unreasonable. We suggest delaying the implementation of any such proposal at least one year.

In summary, we support the Board's efforts to improve the quality of financial reporting for employers offering pension and other postretirement benefit plans, but are concerned that some aspects of the proposed FSP place unnecessary costs on plans, and potential undue burdens on servicers of plans, particularly custodians.

Specifically, we suggest the Board provide greater clarity in the proposed new asset categories, recognize the challenges inherent to its proposed concentration analysis, eliminate unnecessary overlap with DoL reporting, take into account the proposal's compression and acceleration of reporting, consider the impact of the proposal on multi-national employers, and delay the effective date by at least one year.

We would be pleased to discuss these comments further. Please feel free to contact Stefan Gavell at +1 617-664-8673 with any questions.

Sincerely,



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Regulatory and Industry Affairs



Michael L. Williams
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cc: Edward J. Resch
Executive Vice President and Chief Financial Officer