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LETTER OF COMMENT NO. 29



Northern Trust

Steven L. Fradkin
Executive Vice President & Chief Financial Officer

May 2, 2008

Via email

Robert Gordon
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P. O. Box 5116
Norwalk, CT 06856-5116

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

Dear Sir:

We are pleased to have this opportunity to comment on the proposed Financial Accounting Standards Board (FASB) Staff Position (FSP) FAS 132(R)-a.

About Northern Trust

Northern Trust Corporation (Northern Trust) is a NASDAQ-listed financial holding company headquartered in Chicago, Illinois, with consolidated assets of approximately \$75 billion as of March 31, 2008. Northern Trust conducts business in the United States (U.S.) and internationally through its banking subsidiaries, trust companies and various other domestic and foreign nonbank subsidiaries. Northern Trust sponsors funded qualified and unfunded nonqualified defined benefit pension plans for its employees in the U.S. as well as overseas and maintains an unfunded postretirement health care plan. In addition, as part of its core business to clients, Northern Trust provides custody, administration and related investment services to approximately 40 percent of the 200 largest pension funds in the U.S. and approximately 30 percent of the top 200 pension plans in the U.K. In our capacity as a custodian, we currently hold approximately U.S. \$3.7 trillion on behalf of pension plan sponsors and other institutional investment clients.

Overview

Northern Trust supports the objective of transparency in financial reporting and we applaud the continued efforts of the FASB to improve the clarity and usefulness of financial statements. However, we have significant concerns regarding the proposed FSP that we believe require additional consideration and consultation with affected parties in order to address them properly. Consistent with our previous comments provided in May 2006 on the FASB's Exposure Draft on Defined Benefit Pension and Other Postretirement Plans, subsequently issued as Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)*, we do not believe that modifying accounting standards related to pensions and other postretirement benefits in a patchwork process is beneficial for financial statement issuers or users. The implementation of the proposed FSP would require considerable effort by both plan sponsors and custodians, would be effected in a compressed timeframe and concurrent with the implementation of measurement date changes, and the disclosures required under the proposed FSP would, for the most part, replicate disclosures already required within financial statements of benefit plans under FASB Statement No. 157 (FAS 157).

Furthermore, the disclosures that would be required by the proposed FSP would add yet another layer to the already complex requirements governing postretirement benefit accounting and disclosure as issued by the FASB, the Department of Labor, and the Pension Benefit Guaranty Corporation. Much of the data required for postretirement benefit financial reporting is provided by custodial banks, such as Northern Trust, that would bear much of the cost of providing yet another variation of plan asset reporting and would likely need to pass those additional costs to plan sponsors. We do not believe that requiring within a benefit plan sponsor's financial statements disclosures that are already required to be provided within financial statements of the sponsored benefit plans provides sufficient value to justify the costs.

Our primary recommendation, therefore, is that the FASB reconsider the issuance of the proposed FSP and address perceived shortcomings in current disclosure requirements within Phase II of the FASB's comprehensive project on pension and other postretirement benefit plan accounting, consistent with the stated objectives of Phase II of enhancing disclosures regarding plan assets and the risks associated with plan assets. This would allow adequate time for the exploration of the concerns of affected parties, including plan sponsors and their service providers. However, if the FASB should decide to move forward with proposed FSP in advance of Phase II, we offer the following comments regarding its specific provisions.

Effective Date of the Proposed FSP

As noted above, we believe the requirements of the proposed FSP should be considered in conjunction with Phase II of the planned comprehensive project on pension and other postretirement benefit plan accounting. However, should the FASB decide to move forward with the issuance of the proposed FSP, we believe the proposed effective date should be delayed by at least one year. This would allow for the additional time needed by plan sponsors and their service providers to develop the processes and controls necessary for an accurate and complete adoption. This will also allow for leveraging of the efforts expended on the adoption of FAS 157 by benefit plans, as discussed below.

As the measurement of a pension plan's investments is required at each reporting date, the recurring fair value disclosure requirements of FAS 157 will be required in the financial statements of pension plans. Efforts that are underway to accumulate the information required for the implementation of FAS 157 in the 2008 stand-alone plan financial statements will be substantial, will require the involvement of investment fiduciaries, custodians, and consultants, and will result in significant costs to plan sponsors. Under the proposed FSP, the timeline for these efforts will need to be accelerated by several months to accommodate the shorter filing deadlines for plan sponsors' financial statements.

The currently proposed effective date also coincides with the change in a plan sponsor's measurement date for those sponsors who previously used a measurement date other than their fiscal year-end. Both the measurement of assets and the disclosure requirements under the proposed FSP present practical issues, not only for individual plan sponsors, but also for service organizations, such as Northern Trust and pricing vendors, who will need to be able to support the preparers of these disclosures, and external auditors who will need to audit the accuracy of the disclosures. We are very concerned about the minimal amount of time provided by the proposed FSP to address the significant information needs the additional disclosure requirements will require.

Additionally, given the relatively short period of time between the measurement date of plan assets and a plan sponsor's filing deadline, the requirement to provide these disclosures will necessitate the use of preliminary values, judgments and estimates and could ultimately result in inconsistency in the disclosures provided in sponsors' and plan financial statements. We have significant concerns regarding the requirements to disclose fair value measurements of plan assets in the plan sponsors' financial statements in a manner that will, as a practical matter, result in differences between the information provided in the sponsor's financial statements and the plan's financial statements. Not only will this result in duplication of efforts and potentially significant additional cost, but we question whether the differences will work against the objective of clarity in financial reporting.

Additional Comments on the Proposed FSP

We generally support the requirement to provide information about the assets held in benefit plans and the related concentrations of risk in those assets. Plan sponsors are highly motivated to consider and respond to asset valuation and concentration of risk issues and are generally analyzing the plan portfolios on a regular basis. However, asset allocation scenarios and investment strategies can vary widely across plans. Accordingly, as opposed to the prescribed asset breakdown requirements included in the proposed FSP, we support allowing plan sponsors to determine the precise categories that warrant disclosure and permitting customization of the disclosure tables to allow for alignment with how the assets are reviewed and managed by those responsible for oversight of the performance of those assets. We believe this will result in enhanced information for financial statement users as it will provide insight into the risk in the plan's portfolio as it is identified and managed by the plan's sponsor.

Although we do not believe the Proposed FSP prescribes a "look-through" reporting requirement for commingled investments, we would favor explicit language within the finalized FSP confirming that the disclosure of "look-through" information is not required. In our view, obtaining the level of detailed information needed to prepare the required disclosures under a "look-through" approach would necessitate considerable communication with fund companies, pooled investment fund managers, custodians, and plan sponsors and presents a significant burden on service providers and plan sponsors alike. Were the FASB contemplating such a requirement, we feel strongly that there would need to be additional consideration and dialogue regarding the issues involved.

We appreciate the opportunity to comment on the proposed FSP. If you have any questions, please contact me at (312) 444-2292 or Richard Kukla, at (312) 444-7408.

Sincerely,

/s/ Steven L. Fradkin

Steven L. Fradkin
Executive Vice President and
Chief Financial Officer