



May 2, 2008
Mr. Russell Golden
Director – Technical Application and Implementation Activities
FINANCIAL ACCOUNTING STANDARDS BOARD
401 Merrit 7
Norwalk, Connecticut 06851

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

Dear Mr. Golden:

The Financial Reporting Committee (“the Committee” or “the FRC”) of the Institute of Management Accountants (“IMA”) appreciates the opportunity to provide its views to the Financial Accounting Standards Board (“the FASB”) on FSP FAS 132(R)-a that would amend the disclosures about postretirement benefit plan assets. FRC is the financial reporting technical committee of the IMA. The Committee reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations.

Overall, we support the proposed FSP and FASB’s intent to improve disclosures about postretirement benefit plan assets, but believe the FSP could be improved to meet users’ requirements without placing undue burden on preparers.

We are supportive of the concept that disclosures of plan assets should be more informative than they are at present. We acknowledge that the current guidance does not limit the present categories of assets, but as a practical matter, preparers have looked to the categories listed in FAS 132(R) as those that should be used when disclosing information. Our concern is that providing an expanded list of asset categories does not solve the underlying issue of providing a meaningful breakdown of plan assets. It simply substitutes one list with another. Developing a specific list of asset categories is inconsistent with the concept of developing a principles-based standard. We are not sure what are the principles underlying the list in the proposed FSP. We do not believe the listed asset categories are well defined, and thus are unlikely to be consistently applied. Also we think the proposed categories would result in grouping of assets within the same category that have very different characteristics. For example, some might conclude that both junk and investment grade bonds should be included in the corporate debt securities category. Equity securities could include domestic and foreign stocks, large cap and small cap stocks, growth and income stocks. Government securities could include U.S. Treasury securities, state securities, and those of the local sewer district. Asset backed securities could include those guaranteed by the U.S. government as well as those backed by subprime mortgages. Real estate could include residential and commercial. Further, we were confused about what was meant by “structured debt” (e.g., does this refer to embedded derivatives in the host debt instrument?) and how hedge funds, private equity funds, and venture capital funds differ.

We believe a management approach to defining asset categories would be more meaningful. Many companies have investment or pension committees that determine investment strategy and direct how assets should be invested. When providing such guidance to fund managers, these committees determine what categories of investment that assets should be invested in and receive reports on the returns realized on previous investments. We believe requiring that the categories of assets disclosed in the financial statements be consistent with those used for internal management purposes would have several benefits. First, the information required would most likely already be available. Second, it would provide insight into how management views its investment options and manages its portfolio of assets. Third, it would avoid grouping together in the same category those assets that share a common definition in the FSP but have a different risk and return profile.

We also believe that the FSP should permit certain assets to be classified as "other." For example, companies may have multiple plans, often located overseas, which represent only a small component of the company's overall plan assets. Such information can be difficult to obtain or obtain timely. Because the disclosures by asset category would presumably need to reconcile to the plan assets disclosed in the footnotes, companies may not have sufficient details to categorize all assets.

We are also generally supportive of the concept that concentrations of risk be disclosed. We understand that users want to better understand what potential events or trends could cause a significant change in the value of plan assets. However, we don't believe that the FSP has adequately defined what is meant by concentration of risk. We question whether the guidance in the FSP is operational. We found the proposed definition to be circular. Both FAS 107 and SOP 94-6 address the concept of concentration of risk. The FASB should look to that literature and clarify what is meant by concentration of risk and the information that needs to be provided with respect to plan assets.

We do not agree with the requirement to provide disclosures about the levels of fair value measurements. We believe that providing the expanded information on asset categories, the information on risks, in addition to the existing requirements to discuss investment policies and strategies should meet most users' needs as to determining how assets are invested, their potential returns, and associated risks. Although some users might find fair value level classifications "nice to have," it would be burdensome to preparers to collect this information. Large companies not only have numerous pension plans and markets, but frequently many investment managers in each market, and numerous investments within each portfolio. Our understanding is that users may look at the amount of assets classified as Level 3 to gauge the quality of earnings or to assess potential volatility. This is much less important for plan assets because of the use of long-term earnings assumptions to recognize postretirement benefit expense and most plan assets are invested long-term.

Particularly burdensome to preparers is the requirement to provide rollforwards and the description of the techniques used to value Level 3 assets. Also since most companies use professional investment managers to manage their portfolios, we believe that most disclosures about the valuation techniques used would result in very similar generalizations about how for example, real estate or hedge funds, are valued. We have had an informed discussion with a significant financial statement user who agreed that the information should not be required. In summary, we believe these disclosures don't provide sufficient benefits to overcome the additional costs to collect and prepare this information.

Levels of fair value measurement information might be required to prepare the plan financial statements under FAS 35. However, generally such financial statements are prepared much later than the plan

sponsor's financial statements. The current timing of benefit plan audits spread the annual compliance load over most of the year. Companies would have to invest in the necessary resources to gather the data in time to make the disclosures at year-end. That comes with a significant cost to preparers that would be measurable. We question whether that investment is warranted relative to the benefit derived by the investors. We also believe that the difficulties will likely be magnified for U.S. companies with benefit plans in foreign countries. The local subsidiary that sponsors a foreign plan generally does not control relationships with trust vendors due to local country legal environments which cause foreign plan trustees to operate independently from the plan sponsor. In particular, foreign pension plan managers do not prepare US GAAP financial statements and are not familiar with the disclosure requirements of FAS 157. It will be a substantial effort to educate plan managers so they have a uniform understanding of the requirements in FAS 157. We believe that the level of effort companies would have to put in place to collect and reconcile the FAS 157 disclosure data for their foreign plans is substantial.

If the FASB does not agree with our recommendations to eliminate the levels of fair value measurement requirements, we ask that the effective date be delayed an additional year. With this year being the first year that a company's measurement date must be the same as their fiscal year-end, we suggest that preparers should not be required to address both changes simultaneously. Also a one-year deferral in the effective date of the disclosures in a sponsor's financial statements would give companies time to figure out how best to gather the information that they will otherwise be required to provide in plan financial statements prepared in accordance with FAS 35. The deferral would also give companies time to figure out how to gather information on plans that do not prepare financial statements in accordance with FAS 35. If preparers are not faced with the burden of determining the levels of fair value measurement and recapping the associated activity, we believe that most companies could comply by the proposed effective date without undue effort.

We do not understand the prohibition against early adoption. We understand that for standards that affect recognition and measurement, to preserve comparability, the FASB would like to see standards adopted simultaneously. But for standards which simply enhance disclosure, we cannot understand the prohibition. Also we are not sure how a standard could keep a company from disclosing information if it felt it was useful the users.

We think the examples are useful and should be retained in the final FSP with necessary caveats about being simply examples.

If you have questions regarding our response, please feel free to contact me at (212) 484-6680.

Sincerely,



Pascal Desroches
Chairman, Financial Reporting Committee