LETTER OF COMMENT NO. 19



Morgan Stanley

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

Re: Proposed FSP FAS 132(R)-a, "Employers' Disclosures about Postretirement Benefit Plan Assets"

Dear Mr. Golden:

Morgan Stanley appreciates the opportunity to comment on the Proposed FASB Staff Position No. 132(R)-a, "Employers' Disclosures about Postretirement Benefit Plan Assets" ("proposed FSP").

We support the FASB's efforts to improve disclosures about assets held in defined benefit pension or other postretirement plans ("benefit plans") to address users' concerns that current disclosures do not provide sufficient information to assess risk associated with plan assets and to evaluate the effect of the benefit plans on the operations of the company. However, as benefit plans may not be significant to the overall risk of the company sponsoring the plan (the "Plan Sponsor"), we believe that the level of disclosure in the proposed FSP is fairly prescriptive and may be unnecessarily detailed for certain entities. Instead, we believe a more condensed set of disclosures may be more meaningful in putting these risks into the proper context within the financial statements of the Plan Sponsor.

Disclosure of Categories of Plan Assets and Concentrations of Risk in Plan Assets

The FASB staff has noted that for some Plan Sponsors, the value of the plan assets is significant in relation to the statement of financial position and that for those companies, significant increases or decreases in the value of their plan assets could have a substantial effect on comprehensive income, equity, and the future cash flows of the company. The proposed FSP provides categories that, if significant, should be disclosed separately. We believe that the proposed FSP should clarify that if the categories are significant to both the level of assets in the benefit plans and to the Plan Sponsor's financial statements that the categories should be disclosed separately. This would result in guidance which is principles rather than rules based. This would allow preparers to evaluate the significance of the benefit plans in relation to the overall operations of the Plan Sponsor, and what types of major categories should be provided after consideration of all relevant facts and circumstances, in order to meet these objectives. This is consistent with FASB Statement No. 132(R) FAQ, Question 10. "What Criteria Should be Considered in Deciding to Provide Additional Asset Categories Beyond the Minimum Categories Required by the Statement." We believe this would also be consistent with SFAS 157, "Fair Value Measurements" ("SFAS 157"), which requires a company to disclose certain information separately for each major category of asset and liabilities, but does not specifically prescribe the level of disaggregation or provide bright-lines as to how a major category should be defined.

The proposed FSP requires companies to disclose the nature and amount of concentration of risk arising within or across categories of plan assets. These disclosures are consistent with those prescribed in SFAS 107, "Disclosures about Fair Value of Financial Instruments," and we believe, together with an appropriate level of dissaggregation of the major categories of assets in the plan portfolio, will provide users with decision useful information to evaluate the risks of the plan in conjunction with the company's overall financial position.

Disclosures about Fair Value Measurements of Plan Assets

The proposed FSP requires Plan Sponsors to disclose, for each major category of plan assets, the level within the fair value hierarchy in which the fair value measurements fall (Levels 1, 2 and 3) and for Level 3 plan assets, a full reconciliation of the beginning and ending balances as required in SFAS 157.

While we agree that providing information about fair value measurements of plan assets at this level of detail may be useful when the benefit plans are significant to the financial statements of the Plan Sponsor, we do not believe that this level of detail is warranted for plans that, for many companies, are not significant to the overall Plan Sponsor's financial statements.

We recommend that the FASB consider an abbreviated version of the SFAS 157 disclosure tables for benefit plans that are not significant in relation to the Plan Sponsor's financial statements, such as:

- 1) Aggregating the plan assets, in their entirety, by Levels 1, 2 and 3,
- 2) Providing the Level 3 rollforward for the Level 3 plan assets, in total

We believe these recommendations would meet the objectives of providing users with information that is useful in understanding the risks of the plan assets in conjunction with the Plan Sponsor's overall financial statements.

Finally, if the proposed FSP is approved in its current state, we request that the FASB include a footnote similar to FN 12 of paragraph 32(c) provided in SFAS 157, that would allow for derivative assets and liabilities to be presented net for the reconciliation disclosure required by paragraph 9(b) of the proposed FSP.

We would be pleased to discuss our comments with the Board members of the FASB staff at your convenience.

Sincerely,

/s/ Greg Sigrist
Managing Director