



BDO Seidman, LLP  
Accountants and Consultants

233 N. Michigan Ave., Suite 2500  
Chicago, Illinois 60601  
Telephone: 312-616-4661  
Fax: 312-856-9019



LETTER OF COMMENT NO. 27

May 2, 2008

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

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

Dear Mr. Golden:

BDO Seidman, LLP appreciates the opportunity to provide its views on the proposed FSP FAS 132(R)-a, *Employers' Disclosures about Postretirement Benefit Plan Assets*.

We agree that employers should provide more information about the composition of benefit plan assets. However, we believe that the approach in the proposed FSP will not achieve the objective. We recommend an alternative approach that we believe will better achieve the Board's objective. In addition, we believe that most of the disclosures in paragraph 9 of the proposal will be burdensome for plan sponsors, given the compressed time frame once the measurement date provisions of FASB Statement No. 158 become effective.

Disclosure of Categories of Plan Assets

FASB Statement No. 132(R) requires disclosure of four major categories of plan assets—equity securities, debt securities, real estate, and all other—and encourages disclosure of additional categories “if that information is expected to be useful in understanding the risks associated with each asset category and the overall expected long-term rate of return on assets.” The proposal notes that few employers disclose more than the four categories listed in Statement 132(R). To improve disclosure, the proposal would require disclosure of eleven major categories of plan assets, “with additional categories included as appropriate.” If the Board issues a final FSP along the lines of the proposal, we believe that in two or three years the Board will be revisiting this issue in response to complaints that:



- (1) The eleven categories are too broad. Equity securities, for example, could include large and small capitalization, domestic, foreign developed market, and foreign developing market equity securities. Debt securities issued by government units could include U.S. Treasury securities, state and municipal securities, and foreign securities from governments with strong and weak credit standing. Hedge funds could include funds following disparate investment strategies with widely varying returns.
- (2) Few employers disclose more than the eleven categories. The Board provides no principle or guidance for deciding when additional categories would be “appropriate.”

We recommend that the Board instead pursue an approach based on disclosure of the categories of plan assets that are reported to the chief investment decision maker for retirement plan investments. The chief investment decision maker is analogous to the chief operating decision maker in FASB Statement No. 131. The chief investment decision maker is the individual or group within the employer that is responsible for retirement plan investments. We believe that most employers have a designated group, either a committee of the Board of Directors or a group within management, that hires investment managers for the retirement plans and reviews the performance of those investment managers. The reports provided to that group would analyze the plan assets in a way that is useful for their evaluation of managers’ performance and their investment decisions. We believe the same analysis of plan assets that is useful for internal purposes would be most useful to external users of financial statements. Each employer would tailor its disclosures based on the particular composition of its plans’ assets and the categories that it considers meaningful for investment decisions.

#### Disclosures about Fair Value Measurements

We believe that it will be difficult for many public employers to obtain the information to comply with paragraphs 9a and 9b under today’s reporting deadlines. When the measurement date provisions of Statement 158 become effective, the measurement date will be the same as the balance sheet date. Within 60 to 90 days, depending on the size of the entity, the investment managers or custodians for retirement plans around the world



will need to analyze plan assets by level of inputs and prepare a reconciliation for plan assets measured using significant unobservable inputs, including transfers of investments due to changes in the observability of inputs. U.S. employers will need to educate non-U.S. managers and custodians about the requirements of Statement 157. The employer will then need to (1) verify the information from its service providers (because the employer is responsible for the accuracy of its disclosures) and (2) consolidate the information from all of its investment managers or custodians to prepare its footnote disclosures. Then the auditors will need to test and verify the disclosures. For employers with multiple plans and multiple service providers, we think this will be an enormous challenge.

We also question whether this information, gathered at great effort, will be of much benefit to users of financial statements. Unlike Level 3 assets owned directly by an employer and measured at fair value on a recurring basis, unrealized gains and losses on Level 3 plan assets go through the smoothing mechanisms of FASB Statement Nos. 87 and 106 and do not immediately affect earnings or quality of earnings.

An alternative, easier to implement approach to informing users of financial statements about the objectivity of the fair values would be to disclose the percentage of plan assets at each year-end that are valued using Level 1 inputs.

We appreciate the opportunity to offer comments on the proposed FSP and would be pleased to elaborate on our comments to Board members or to the FASB staff. Please direct questions to Ben Neuhausen at 312-616-4661.

Respectfully submitted,

BDO Seidman, LLP