

Letter of Comment No: Z 3 File Reference: 1025-200 Date Received: /0/24/03

October 24, 2003

Director of Technical Application and Implementation Activities File Reference No. 1025-200 Financial Accounting Standards Board of the Financial Accounting Foundation 401 Merritt 7, P.O. Box 5116 Norwalk, Connecticut 06856-5116

Re: File Reference No. 1025-200

The Accounting Principles Committee of the Illinois CPA Society (Committee) appreciates the opportunity to provide our perspective on the Exposure Draft of a Proposed Statement of Financial Accounting Standards, *Employers' Disclosures about Pensions and Other Postretirement Benefits*. The organization and operating procedures of the Committee are reflected in the attached Appendix A to this letter. These recommendations and comments represent the position of the Illinois CPA Society rather than any members of the Committee or of the organizations with which the members are associated.

Our comments are as follows:

- Issue 1: We agree that the proposed disclosures are necessary for users to understand the financial condition and results, market risks, and cash flows associated with pension plans and other postretirement benefit plans and can be provided without imposing excessive cost. We would recommend, however, the broadest categories of assets be expanded to disclose the required information separately for public equity securities and nonpublic equity securities and separately for government debt securities and corporate debt securities. We feel that the information necessary to provide those additional categories is easily obtainable and can, therefore, be provided without imposing excessive cost.
- Issue 2: We agree with requiring this disclosure and that providing this information will not impose excessive cost.
- Issue 3: We agree with requiring this disclosure and that providing this information will not impose excessive cost. However, clarification needs to be provided to indicate whether disclosure of expected additional discretionary employer contributions refers to budgeted or approved discretionary contributions.

- Issue 4: We agree with requiring this disclosure and that providing this information will not impose excessive cost.
- Issue 5: We agree that nonpublic entities should provide all of the additional disclosures required by the proposed statement except for interim-period disclosure of the components of net periodic benefit cost recognized and we are not aware of any special circumstances of nonpublic entities that would affect their ability to provide the proposed disclosures.
- Issue 6: Sensitivity information about hypothetical changes in certain assumptions should not be required as the results of such hypothetical changes to assumptions would, in most cases, not be a reasonable representation of future results and carry the risk, therefore, of being misleading.
- Issue 7: Requiring disclosure of the measurement date only when an economic event occurs or economic conditions change after the measurement date, but before the fiscal year-end date and when those changes have a significant impact on plan assets, obligations or net periodic cost had the fiscal year-end date been used as the measurement date leaves open for interpretation the definition of economic event or changes in economic conditions and requires the user to speculate as to the measurement date used. We recommend that the measurement date be disclosed and, if different from a fiscal year-end measurement date, indication as to whether or not results would have been materially different had a fiscal year-end measurement date been used also be disclosed
- Issue 8: Eliminating the requirement for disclosure of the reconciliation of beginning and ending balances of the fair value of plan assets and benefit obligations assumes that the users of financial statements understand all of the components of the reconciliation and could, therefore, perform the reconciliation on their own.

 Requiring the reconciliation of beginning and ending balances of the fair value of plan assets and benefit obligations to be disclosed would provide a meaningful summarization of all of the key items disclosed elsewhere and would eliminate financial statement users from attempting to perform the reconciliation on their own. Since the key elements are already required to be disclosed, providing the reconciliations would not require significant additional effort or cost.
- Issue 9:

 a. Although general in nature, a brief narrative description of the investment strategies and policies would provide the financial statement user with additional information to enable them to better understand the information provided in other required disclosures and, therefore, should be included as a required disclosure.
 - b. Requiring an explanation of the basis for selecting the expected long-term rate of return on assets assumption would provide needed support to this key assumption disclosure allowing the financial statement user to better evaluate this assumption and, therefore, should be included as a required disclosure. In addition, an

explanation of the basis for selecting the assumed discount rate should also be disclosed for the same reason.

- c. We agree that this information need not be required to be disclosed.
- d. We agree that this information need not be required to be disclosed for non-terminating plans. However, for a terminating plan, disclosure of the pension benefit obligation and funded status determined on a plan termination basis should be required as it provides meaningful information as to the future cash flows of the sponsoring organization.
- e. We agree that this information need not be required to be disclosed.
- f. We recommend that disclosure of the number of pension plan participants by group be required as it provides the financial statement user with an indication as to the status of the plan. This information is readily available and would not impose excessive additional cost to disclose.
- g. We agree that this information need not be required to be disclosed.
- h. We agree that this information need not be required to be disclosed.
- i. We agree that this information need not be required to be disclosed.
- j. We agree that this information need not be required to be disclosed.
- Issue 10: We agree that the proposed interim financial statement disclosures are useful information for financial statement users and should be required and agree with the Board's conclusions as to not requiring additional disclosures in interim financial statements.

Issue 11: We agree that the proposed effective date provisions and transition are appropriate.

The Illinois CPA Society appreciates the opportunity to express our opinion on this matter. We would be pleased to discuss our comments in greater detail if requested.

Sincerely,

Larry Sophian, Chair

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Accounting Principles Committee

APPENDIX A

ILLINOIS CPA SOCIETY ACCOUNTING PRINCIPLES COMMITTEE ORGANIZATION AND OPERATING PROCEDURES 2003 - 2004

The Accounting Principles Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from industry, education, government and public accounting. These members have Committee service ranging from newly appointed to more than 20 years. The Committee is an appointed senior technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of accounting standards. The Committee's comments reflect solely the views of the Committee, and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to study and discuss fully exposure documents proposing additions to or revisions of accounting standards. The Subcommittee ordinarily develops a proposed response that is considered, discussed and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times, includes a minority viewpoint.

Current members of the Committee and their business affiliations are as follows:

Public Accounting Firms:

Large (National Firms):

Jacquelyn K. Daylor, CPA James L. Fuehrmever, Jr., CPA

Kent A. Hansen, CPA Brian L. Heckler, CPA

Alvin W. Herbert, Jr., CPA Steven C. Johnson, CPA

Lisa M. Koblinski, CPA Daniel J. McMahon, CPA Richard H. Moseley, CPA

J. Christopher Rabin, CPA Mark K. Scoles, CPA

John M. Stomper, CPA

Medium (more than 40 employees): Marvin A. Gordon, CPA

Kirsten M. Lescher, CPA Laurence A. Sophian, CPA

Small (less than 40 employees) Walter J. Jagiello, CPA

> Kathleen A. Musial, CPA Roger L. Reitz, CPA John A. Rossi, CPA

Industry:

Peter J. Bensen, CPA James B. Lindsey, CPA John H. Wolter, CPA

Educators:

Leonard C. Soffer, CPA Charles A. Werner, CPA

Staff Representative:

C. Patricia Mellican, CPA

KPMG LLP

Deloitte & Touche LLP Ernst & Young, LLP KPMG LLP

Clifton Gunderson LLP McGladrey & Pullen, LLP Ernst & Young LLP

KGN Financial Group LLC Altschuler, Melvoin & Glasser LLP Altschuler, Melvoin & Glasser LLP

Grant Thornton LLP Deloitte & Touche LLP

Baygood, Telpner & Rose Chartered Gleeson, Sklar, Sawyers & Cumpata LLP Ostrow, Reisin, Berk & Abrams, Ltd.

Walter J. Jagiello, CPA Benham, Ichen & Knox LLP Cray, Kaiser Ltd., CPAs William F. Gurrie & Co.

McDonald's Corporation TTX Company

Retired/Natural Gas Pipeline Company of America

University of Illinois at Chicago

Loyola University

Illinois CPA Society