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To: Financial Accounting Standards Board

Submitted by E Mail to director@fasb.org File ref No: 1025-200

From: Richard Mandera
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AK Steel Corporation

Subject: Comments to the FASB on Employers' Disclosure about Pensions and Other Postretirement Benefits

General Comments

I suggest there is no major problem with the current disclosures for pensions and OPEB's. We suspect that the real problem has been the drop in plan asset values and lower discount rates that has increased the scrutiny of these disclosures.

Also a lack of understanding of the basic accounting requirements and procedures for these areas probably leads to a feeling that more information or revised information should be made available. In reality anyone with some basic understanding of the current accounting standard disclosures could approximate the following years expense details, etc from the information currently provided in the disclosures for the previous year end.

Most of the additional information suggested in this proposal with a few exceptions cannot be justified from a cost benefit analysis and will not provide much assistance to readers of financial statements in my opinion. The suggested new items that will assist the readers of financial statements are:

1) The minimum required pension cash contribution for the following calendar year, and;
2) The reinstatement of the Accumulated Benefit Obligation (ABO).

Our comments on the proposal presented in the same order as your item identification numbers are as follows:

1. **Plan Assets** – Currently the independent auditor must concur that the assumed rate of return used is reasonable for the current mix of plan assets. The actual assumed rate of return on the plan assets for the subsequent year will also now be required in the year end disclosures. Therefore we do not agree that a lot of additional details, beyond possibly the addition of the current broad mix of plan assets by major category, should be required in the disclosures.

Target allocation percentages are not normally much different than the actual mix and should not be required. The information on maturities and terms on all debt securities cannot be justified in our opinion. This information is not very useful in our opinion and reflects only a snapshot that can be changed at anytime. This item could also be an administrative nightmare for employers with many investment trusts and / or foreign plans.

2. **ABO** – We agree. The addition of the accumulated benefit obligation (ABO) at year-end is justified because of the minimum liability requirement of the pension standard that can materially affect the balance sheet.

3. **Cash Flow Information**:

   - The requirement for the estimated expected benefit payments for the next five years cannot be justified and is of little or no value and should be eliminated. The present value of the obligation already recognizes the timing of the payments. In addition the PBO is not an accurate reflection of the expected future payments because it only reflects service accrued as of the measurement date.

   - The information on expected required employer contributions for the next calendar year following the annual disclosure is of value and should be retained generally as currently proposed. The amount of discretionary employer contributions and contributions made in other than cash is subject to change until made and should not be required in the disclosure.

4. **Assumptions** – the only proposed change seems to be the addition of the assumed return for the following year. This seems reasonable, since this item was not required under FAS #132. Also a standardized tabular disclosure would be very helpful to readers of financial statements.

5. **Nonpublic Entities** – no comment.

6. **Sensitivity information** – We agree with the Board's conclusion. Most of the sensitivity can be calculated or approximated from the current disclosed information provided you understand the requirements and some actuarial theory.

7. **Measurement Date(s)** – The proposal is confusing at best. Under the current accounting standards any date within three month of the year-end is permissible as the measurement date. What is the advantage of having a measurement date earlier than the end the fiscal year, if you need to explain any material changes through the end of the year? As discussed in the proposal, companies with multiple measurement dates are another complexity. Rather than explaining changes maybe disclosing the

measurement date or some form of a weighted average date and no other requirements may be a better alternative.

8. **Reconciliation of Beginning and Ending Balances of Plan Assets and Benefit Obligations –** This is the most useful item in the current disclosure in our opinion and should be retained. This was only added in FAS#132 and presents the elements of the flows in a format that can be easily understood. Presenting most of the numbers on a somewhat random or standalone basis would not be as easy to comprehend.

9. **Disclosures Considered But Not Proposed -** We agree with the Board's conclusions.

10. **Disclosures in Interim Financial reports –** The breakdown or aggregate expense for interim periods should not be required in the interim statements, except for special items such as curtailments, major new plan provisions, etc. Most of this information can be approximated from the previous years' disclosures. Also we are currently required in management disclosures to discuss any material forecasted change in annual pension and OPEB expense as compared to the previous year.

    In addition why would pension expense and not salaries and wages for example be disclosed in interim statements.

    Also the amount of pension and OPEB expense in the quarterly and annual financial reports do not necessarily equal the amount charged to expense because of changes in the amounts charged to inventory and fixed assets. The distortion would probably be greater on a quarter to quarter basis.

    As an alternative to interim expense reporting, I suggest that the anticipated expense for the subsequent year could be calculated and included in the year end required disclosure. All of the variables for the next year's expense, except current year actuarial losses, potential changes in plan provisions, and any change in contribution amounts are already available at year end in the disclosures. Since this would be a forward looking statement, this disclosure would probably be provided in the management discussion section of the report with a possible reference to that estimate in the actual pension disclosure. (same would apply to the estimate of pension contributions).

    The disclosure of any material change in expected employer contributions to the plan in the current year should be retained in the standard.

    Defined contribution plan and multi-employer plan expenses are generally less volatile than defined benefit expense and should not be required in interim financials.

11. **Effective date and Transition** – We agree with proposed effective date if the changes to the required disclosures are held to a minimum as suggested above. Otherwise we suggest the effective date be delayed one calendar year except for the two interim disclosure items discussed above (required cash contributions for the year and ABO) which should be effective for year end disclosures for periods ending after December 15, 2003.

Headquartered in Middletown, AK Steel produces flat-rolled carbon, stainless and electrical steel products for automotive, appliance, construction and manufacturing markets, as well as tubular steel products. In addition, the company produces snow and ice control products and operates an industrial park on the Houston, Texas ship channel. The company has about 10,000 employees.

If you have questions or want to discuss any of these comments in more detail, you can call me on (513) 425-2723.

Yours truly,

Richard L. Mandera, Manager, Employee
Benefits Analysis

RLM #03-1

CC: A. E. Ferrara - Acting Chief Financial Officer – AK Steel Corporation
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