

Letter of Comment No: 93
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October 27, 2003

Mr. Lawrence W. Smith
Director, Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P. O. Box 5116
Norwalk, CT 06856-5116

RE: File Reference No. 1025-200

Dear Mr. Smith:

The purpose of this letter is to share my comments on the FASB's proposed Statement on Employers' Disclosures about Pensions and Other Postretirement Benefits. I am a CPA who has worked with pensions since 1987 to present with a global company. The following represents my own personal comments in regards to the proposed Statement and not any organization I may have had or have a relationship with. My response to the specific questions raised in the proposed Statement and additional observations and comments follow.

Plan Assets – Issue 1

I support providing more asset information as it provides useful insight into the company's asset allocation strategy and selection of the company's expected rate of return on plan assets. However, I do have some concerns that the proposed disclosure may lead to erroneous conclusions of the financial statements.

The aggregation of this information from numerous plans - both US and non-US -- dilutes the usefulness of this information and could lead to erroneous conclusions regarding a company's central asset allocation. When combining plans that have materially different asset amounts, a simple arithmetic average of all of these plans could materially distort the target allocation and expected return information for the plan(s) with material asset amounts.

The information required by the proposed disclosure may not be available for non-US plans. In some instances, such as Japan, where assets are managed by an insurance company, or where funds are invested in a balanced mutual fund this information is not available.

Due to my concerns, I ask that the Board consider eliminating the actual target allocation and expected long-term rate of return information by broad asset category. I feel a description of the factors considered in the development of the expected long-term rate of return on assets would provide the reader with more relevant information.

Defined Benefit Pension Plan Accumulated Benefit Obligation – Issue 2

I agree with the decision to require annual disclosure of the accumulated benefit obligation (ABO). I believe that disclosure of this information is useful to the reader of the financial statements and because it is an integral part of the minimum liability calculation.

Cash Flow Information – Issue 3

- a. I believe that “the disclosure of estimated future benefit payments” will not accomplish the Board’s objectives. I have several concerns about this proposed disclosure item as follows:
- First, this information is not currently available and will be difficult to obtain from both US and non-US plans. As of today, I know of US and UK actuaries, who have told me this information is not available and a program needs to be developed to obtain it.
 - Secondly, readers of the financial statements may interpret this information, as that of a company’s projected cash flow in providing benefits when in fact; it does not represent the anticipated future benefit payments. The proposed disclosure really represents a pro rata portion of the benefit actually expected to be paid.
 - Many companies have benefits paid from both pension trusts and from the general assets of the company. The proposed disclosure does not distinguish between either of these payments. The trust payments, for example, do not directly affect the cash flow of the company. I feel a better disclosure would be to separately show the expected benefit payments by source or only show the expected benefit payments paid from the general assets of the company.
 - The proposed disclosure of estimated future benefit payments is forward-looking information within the meaning of the Private Securities Litigation Reform Act of 1995. I feel this type of information should be disclosed in the Management Discussion and Analysis (MD&A) where companies have the safe harbor protection of this Act. The disclosure of forward-looking information in the footnotes does not afford any safe harbor protection under the Act. The disclosure of the company’s expected cash flows in MD&A provides the reader of the financial statements useful information and a comprehensive picture of all of the companies expected cash flows – not just pension and postretirement benefits.
 - Ultimately, I feel that the disclosure of the ABO and PBO should provide adequate information for the reader of the financial statements.
- b. I believe that the information about “expected contributions” provides useful insight into the company’s expected cash flows for the coming year, but may not accomplish the

Board's objectives as proposed. I have several concerns about this proposed disclosure item as follows:

- Expected contributions do provide useful insight for the reader of the financial statements provided that it can be reasonably estimated. Because this information may not be known and finalized until the following fiscal year, I feel it cannot be reasonably estimated. At best, global companies may only be able to provide a range of possibilities until funding is finalized.
- Obtaining this information for non-US plans will be very burdensome and the estimates will be tentative at best. Non-US plans, such as the UK, do not have minimum requirements per se. Rather the company and the plan trustee contractually agree to make certain contributions. Categorically, these are neither contributions required by funding regulations or laws, nor discretionary contributions as proposed in the disclosure.
- Benefit payments paid from the general assets of the company are reported as contributions using the Statement 132 methodology. I am not sure if these contributions should be reported in the proposed statement. This point needs clarification. Right now my assumption is to include these amounts in additional discretionary contributions, however, many of these amounts are contractual in nature, much like the UK contribution discussed above.
- The proposed disclosure of expected contributions is forward-looking information within the meaning of the Private Securities Litigation Reform Act of 1995. I feel this type of information should be disclosed in the Management Discussion and Analysis (MD&A) where companies have the safe harbor protection of this Act. The disclosure of forward-looking information in the footnotes does not afford any safe harbor protection under the Act. The disclosure of the company's expected cash flows in MD&A provides the reader of the financial statements useful information and a comprehensive picture of all of the companies expected cash flows – not just pension and postretirement benefits.

Assumptions – Issue 4

Many companies have always disclosed the key assumptions in a tabular format. I agree with the proposed two table tabular format to provide additional clarity as to how the key assumptions relate to the benefit obligation, net cost and health care trend rates. However, I would like you to clarify the information on the line that states **Health care cost trend rate assumed for next year** on page 38 of the proposed draft. For example, it shows a rate of 12% for 20X3. Is this supposed to represent the rate for 20X3 or 20X4? I ask the Board to clarify this information in the final disclosure.

Nonpublic Entities – Issue 5

I have no comments relating to this issue, as I only work with public companies.

Sensitivity Information about Changes in Certain Assumptions – Issue 6

I agree with the Board's decision to exclude any new sensitivity information. The reason I support this decision is because such information may be misleading for a particular assumption without considering the effects on other assumptions that may change as well.

Given the Board's decision to exclude any new sensitivity information, I question the value of including any sensitivity information whatsoever. I ask that the Board consider eliminating the current requirement that companies disclose the impact of a 1% increase and 1% decrease in the assumed health care cost trend rate. It seems inconsistent with the decision to exclude all other sensitivity information.

Measurement Date(s) – Issue 7

Many companies have always disclosed the measurement date and feel that this provides useful and informative information to the reader. Many companies feel that the measurement date should be disclosed in all cases – even for December 31. It provides the reader with a point of reference, so the reader can easily compare the key assumptions to the economic conditions at that time.

The new requirement to disclose the effect of a significant economic event or change in economic conditions on plan assets, obligations, or net periodic cost may be onerous. Many companies have a measurement date different than the fiscal year-end date. It means that companies will need to have a process to evaluate if their disclosure and expense results would have been significantly different if the results had been prepared at year-end.

Assuming a company has a measurement date that is the same as its fiscal year-end date, the Statement does not require disclosure of the measurement date or disclosure of the effect of a significant economic event or change in economic condition on its pension disclosure. Yet, there may have been a significant economic event or change in economic condition subsequent to its fiscal year-end. In fact, such a company is not required to disclose any significant change whatsoever. At the end of its next fiscal year-end this company would simply change its assumptions for disclosure twelve months later and not disclose any significant changes. Looking at it in this context, I do not understand how the disclosure of significant economic changes for those companies that use a measurement that is not the same as its fiscal year-end provides the investor any additional insight into that company's pension obligations and cost knowing that other companies have no such requirement.

In lieu of the proposed requirements, the Board should require the disclosure of the measurement date for all companies, with no requirement for companies to evaluate post-

measurement date economic changes for their significance. This would relieve companies of a compliance burden and also provide users with the information needed to evaluate a company's assumptions in relation to the current economic conditions since they would know the "as of" date of the information provided. Users could then evaluate for themselves whether they think the disclosure amounts should be adjusted for general economic conditions following the measurement date.

Reconciliations of Beginning and Ending Balances of Plan Assets and Benefit Obligations – Issue 8

I feel that the disclosure of the reconciliations provide useful information to the reader of the financial statements. At a glance, the reconciliation provides a nice summary of the changes that occurred in the fiscal year in one place. There is no need for the reader to search for the information they are seeking. Many companies will continue to perform the reconciliation internally for management because of the above reasons plus it forces a company's non-US actuaries who are not extremely familiar with the disclosure requirement to balance their numbers using such a format.

Disclosures Considered but Not Proposed – Issue 9

I have no comment on this due to the time limitations.

Disclosures in Interim Financial Reports – Issue 10

In addition to my above comments on the disclosure of expected contributions I ask that the Board permit the disclosure of an expected range of contributions. I ask that the Board eliminate the requirement to distinguish between required and expected contributions.

Effective Date and Transition – Issue 11

The communication process needs to begin immediately with all non-US plans in order for them to first understand what needs to be done and what information needs to be gathered. That is only the first step. I do not even know at this point what information is available from non-US plans. In discussion with one company's UK business unit and local actuary last week, they have heard of the proposed draft, but had not yet determined its impact or whether or not they could provide this information. The actuaries were unsure their system would be able to produce the required results in time for disclosure. To date, they are also the only non-US actuaries of this one global company that has even acknowledged this requirement.

At a minimum, I think there needs to be a deferred effective date for plans outside the U.S. This would be consistent with how Statement 87 was implemented.

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I would also strongly encourage the Board to delay the effective date to apply to fiscal years beginning after December 15, 2003. That is, the new disclosure could disclose the components of pension expense recognized in the first quarter of 2004 (if the Board decides to keep this requirement) and implement the new year-end disclosure requirements at the end of 2004. The Board could encourage companies to disclose at December 31, 2003, those elements that are readily available at that date.

Conclusion

As noted, I am supportive of the Board's efforts and I agree that the current disclosure requirements could be improved in a couple areas. However, as indicated by my comments, there are several areas that I ask the Board to revisit. I hope the Board will give careful consideration to my comments. I appreciate the opportunity to comment and would be pleased to discuss my comments and concerns with you further, if you so desire.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Lawrence A. Ruff".

Lawrence A. Ruff, CPA
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