

Stacey Sutay

Subject: FW: File reference No. 1025-200 (revisions to FAS 132, etc.)(Compliance Issue)



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From: Tom Schryer [mailto:tschryer@findleydavies.com]

Sent: Thursday, October 30, 2003 4:53 PM

To: Director - FASB

Subject: File reference No. 1025-200 (revisions to FAS 132, etc.)(Compliance Issue)

Letter of Comment No: 89
File Reference: 1025-200
Date Received: 10/30/03

The issue:

There is currently nearly universal noncompliance with FAS 132's disclosure 5.j for pension plans.

Paragraph 25 of FAS 87 calls for amortizing any change in the Projected Benefit Obligation that is due to plan amendment over about a 50-year period, with the amount recognized decreasing about 10% each year. The programmers of many actuarial systems noted the availability of an alternative in paragraph 26 that uses the much simpler straight-line amortization approach and did not even program in the calculations needed to apply the demanding paragraph 25 methodology; this also sidestepped the need to develop the subsystems needed to keep track of multiple sets of these bases (over a 50-year time horizon) and make the necessary complicated adjustments called for when there are Curtailments or "negative" amendments. In any event, most pension actuaries (I would guess 70% or more) do not even have access to software that would make compliance possible. Of those who do, most also choose straight-line amortization (for many reasons).

Unfortunately, paragraph 26 of FAS 87 says "THE ALTERNATIVE METHOD USED SHALL BE DISCLOSED." Well, I believe it is not disclosed roughly 99% of the time it should be (and it should be roughly 90% of the time).

Proposed Solution:

Allow nondisclosure if amortization is over the exact "average remaining service period" described in paragraph 26 of FAS 87. That straight line amortization "more rapidly reduces the unrecognized cost" but starts out amortizing almost exactly the same amount that paragraph 25 of FAS 87 would call for; the amount recognized just does not decrease in later years as it would under paragraph 25's approach.

Choices: 1) ignore noncompliance, 2) enforce compliance, or 3) have compliance reflect practicalities in the marketplace whenever reasonable.

Thank you for your attention. im Petrone said that it was not too late to suggest some housecleaning on the amendment to FAS 132.

Tom

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