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**File Reference No. 1025-200  
Employers' Disclosures about Pensions and Other Postretirement Benefits - an  
amendment of FASB Statements No. 87, 88, and 106 and a replacement of FASB  
Statement No. 132**

Dear Mr. Smith:

We are pleased to comment on the September 12, 2003, Exposure Draft of the proposed Statement of Financial Accounting Standards, *Employers' Disclosures about Pensions and Other Postretirement Benefits - an amendment of FASB Statements No. 87, 88, and 106 and a replacement of FASB Statement No. 132* (the "Exposure Draft" or the "proposed Statement").

We support the Board's effort to enhance the effectiveness of financial statement disclosures on pensions and other postretirement benefits. However, we believe that enhanced disclosures are only a first step toward addressing the concerns noted in recent years by numerous interested parties, including financial statement user groups, preparers, auditors, the news media, and regulators regarding both the pension accounting model and the information disclosed by preparers on the financial status of their pension and postretirement benefits plans.

We believe the Board should undertake a longer-term project to address the more fundamental concern of users of financial statements - the accounting model for pensions and other postretirement benefits. The Basis for Conclusions of FASB Statement No. 87, *Employers' Accounting for Pensions* (Statement 87), acknowledges that three key features that have shaped financial reporting for pensions (delaying recognition of certain events, reporting net cost, and offsetting liabilities and assets) have been neither explicitly addressed nor widely understood and that they conflict in some respects with accounting principles applied elsewhere. The Basis for Conclusions also states that:

The Board believes that it would be conceptually appropriate and preferable to recognize a net pension liability or asset measured as the difference between the

projected benefit obligation and plan assets, either with no delay in recognition of gains and losses, or perhaps with gains and losses reported currently in comprehensive income but not in earnings. However, it concluded that those approaches would be too great a change from past practice to be adopted at the present time.

We believe that the time has come to re-evaluate Statement 87 and FASB Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions* (Statement 106), as well as FASB Statement No. 112, *Employers' Accounting for Postemployment Benefits*, to determine whether a new model would be more relevant and useful. The Board should undertake a project to examine all aspects of accounting for pensions and other postretirement and postemployment benefits, including measurement, recognition, and reporting (including disclosure), and strive to develop a model derived from the Statements of Financial Accounting Concepts. In undertaking this effort, the Board should work with the International Accounting Standards Board to converge to a standard that is consistent with the FASB's conceptual framework. The Board should also consider the proposed revisions to IAS 19, *Employee Benefits*.

Notwithstanding our view on the need for a project to revisit the pension and postretirement and postemployment benefit model, we support the proposed requirements to the extent that the additional disclosures address the concerns of users of financial statements and others. However, as explained in more detail in the appendix to this letter, we believe that certain of the proposed disclosures may not provide the transparency desired by users and that the cost of providing those additional disclosures may outweigh the benefits. Accordingly, we would support a final Statement that reflects the recommendations described below and in the attached appendix.

### **Plan Assets**

Although we support providing information for each major asset category, we are concerned that the proposed disclosures may not be sufficiently useful and may not provide transparent information regarding plan assets. Such disclosures also could require significant additional effort to prepare. We believe that a more useful disclosure would be to show a breakdown of plan assets by category using real dollar values. In addition, to ensure greater consistency in appropriate classification of assets, the Board should provide additional guidance on asset categories.

We do not believe that information regarding the contractual maturities of debt securities and the degree to which these maturities align with expected plan benefit payments provides useful information regarding the financial health and status of a pension or postretirement benefit plan. The proposed disclosure seems to be predicated on the assumption of a presumed relationship between the maturities of fixed income securities and benefit payments that, in most cases, does not exist. Debt securities generally represent only a portion (and for many plans a small portion) of total plan assets and may or may not be held until maturity. Therefore, information related to maturities of debt securities is unlikely to help a user assess the degree to which investment cash flows are

aligned with benefit payments. In addition, from a practical perspective, many plans use current contributions rather than investment cash flows to fund benefits. Accordingly, we do not support these proposed disclosures.

### **Reconciliations**

We do not support the Board's proposal to remove the reconciliations of beginning and ending balances of the fair value of plan assets and benefit obligations. These reconciliations are very useful to users of financial statements for quickly and efficiently assessing the various events that impacted the plan throughout the year. In addition, the current format clearly isolates certain components (e.g., gain/loss and currency adjustments) that might otherwise be netted. The Basis for Conclusions in the Exposure Draft states that "a more focused approach would be more useful to users of financial statements," but it is unclear why or how eliminating the reconciliations makes this so. Instead, we agree with the Board's Basis for Conclusions in Statement 132 that they "provide a format for more complete disclosure that would be more understandable to users of financial statements."

### **Effective Date**

We understand the Board's desire to make the final Statement effective for fiscal years ending after December 15, 2003; however there are a number of practical constraints that the Board should consider. First, certain of the disclosure information may be quite difficult or costly to obtain for the year of adoption in such a short time. Second, the final Statement will be issued subsequent to the plan measurement date of many calendar year-end companies, which may make the requisite additional information even more difficult and costly to obtain. Moreover, the short time frame is contrary to the purpose of allowing for a measurement date three months prior to the date of the financial statements. Third, there may not be sufficient time for the Board and staff to thoughtfully consider comments received and to make changes to the Exposure Draft or to allow for the possibility of a second exposure draft, if necessary. For all of these reasons, we recommend that the final Statement be effective for fiscal years ending after June 15, 2004, with earlier application encouraged.

\* \* \* \* \*

The comments in the appendix to this letter respond to the specific issues posed in the Exposure Draft.

If you have any questions regarding our response, please contact William T. Platt at (203) 761-3755 or Naomi Erickson at (203) 761-3138.

Yours truly,

Deloitte & Touche LLP

## APPENDIX

### DELOITTE & TOUCHE LLP COMMENTS PROPOSED STATEMENT OF FINANCIAL ACCOUNTING STANDARDS *EMPLOYERS' DISCLOSURES ABOUT PENSIONS AND OTHER POSTRETIREMENT BENEFITS*

#### ***Disclosures in Annual Financial Statements***

##### ***Request for Comments on Issues 1–4***

*Are the proposed disclosures described in Issues 1–4 needed for users to understand the financial condition and results, market risks, and cash flows associated with pension plans and other postretirement benefit plans? Should any of the proposed disclosures be eliminated and why? What additional disclosures should the Board require that are not included in this proposed Statement or existing requirements? Can the information to be disclosed be provided without imposing excessive cost?*

##### ***Plan Assets***

*Issue 1: This proposed Statement would require disclosure of information for each major category of plan assets. The broadest categories of assets for which this information would be required are equity securities, debt securities, real estate, and all other assets. Disclosure by narrower asset categories and additional information about specific assets within a category would be encouraged if that information is expected to be useful in understanding the investment risks or expected long-term rate of return on assets.*

We support providing information for each major asset category, but we are concerned that the proposed disclosures may not provide transparent information regarding plan assets. Such disclosures also could require significant additional effort as explained below. We believe that a more useful disclosure would be to show a breakdown of plan assets by category using real dollar values. This approach would be more consistent with other financial statement disclosures (e.g., fixed assets, investments, intangible assets, long-term debt) in which details regarding the makeup of account balances are disclosed, but percentage allocations are not.

To ensure greater consistency in appropriate classification of assets, we encourage the Board to provide additional guidance on asset categories. This has been an issue as well for pension plans reporting under FASB Statement No. 35, *Accounting and Reporting by Defined Benefit Pension Plans*. Footnotes 4 and 5 in the Exposure Draft help to define equity securities and debt securities, but it is likely that many preparers will still encounter difficulty in determining the appropriate classification for some assets. For example, it is unclear whether mutual funds should be classified in the “equity” category since the ownership in a mutual fund may be deemed an equity investment, in the “other” category since an investment in a mutual fund may be deemed to be different from an

investment in an equity or debt security, or whether investments in mutual funds should be classified based on the fund's holdings of debt or equity, or a combination of both. It is also unclear whether a mutual fund invested solely in real estate would fall into the "equity securities," "other," or the "real estate" category. A derivative hedging instrument might be classified by some within "all other assets," while others might classify the instrument based on the nature of the item it is hedging. There would likely be considerable confusion over the classification of various instruments that have characteristics of debt and equity (for example, convertible debt instruments) and perhaps over whether for asset reporting purposes they would be required to be bifurcated.

*The following information would be required to be presented for each major asset category:*

- a. Percentage of the fair value of total plan assets as of the date of each statement of financial position presented*
- b. Target allocation percentage or range of percentages, presented on a weighted-average basis*
- c. Expected long-term rate of return, presented on a weighted-average basis.*

The usefulness of the proposed disclosure of the *percentages* of the fair value of total plan assets may be limited, given that those allocations change continuously as a result of market and other factors. Likewise, the usefulness of the proposed presentation of a target allocation may be limited. For example, financial statement users may make certain assumptions about the potential risk or volatility of a plan's investment strategies if the disclosed target allocations represent 70% equity securities and 30% fixed income securities, but these assumptions may be inappropriate if the equity securities represent lower-risk blue chip stocks, while the fixed income securities represent higher-risk junk bonds. Moreover, successes or failures in meeting target allocations could be inappropriately interpreted.

The Board has indicated that the information that would be required by the proposed Statement is essential in complying with Statements 87, 106, and 132 and that additional costs to compile such information are believed to be modest in relation to the benefits to be derived by financial statement users. However, Statement 87 only requires estimates of the long-term rate of return for the entire portfolio; therefore, requiring disclosure of the long-term rate of return by asset class adds not only additional disclosure but also additional effort. That effort could be quite significant for some preparers as explained below.

Statement 87 does not specify a particular approach to selecting the long-term rate of return assumption for a portfolio. The proposed disclosure requirements appear to presume that all preparers use a "Building Block Method" as described in Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations* (ASOP 27). Paragraph 3.6.2 of ASOP 27 states that the "Building Block Method" determines the long-term rate of return assumption by estimating the expected future investment returns for each asset class. Under the "Cash Flow Matching Method,"

which is described as another example of an acceptable method, the long-term rate of return assumption is viewed as the combination of (i) the internal rate of return on a bond portfolio with interest and principal payments approximately matching the plan's expected disbursements, and (ii) a risk adjusted range. We believe that those preparers that use a method other than the "Building Block Method," may not be able to comply with the proposed disclosure requirements without a fundamental change in their approach to setting this assumption.

Given that the expected long-term rate of return is an assumption related to a changing portfolio of assets and given the potentially significant additional cost to many preparers of assembling this information, we do not support the disclosure of expected long-term rate of return by asset category.

*In addition, this proposed Statement would require disclosure of the range and weighted average of the contractual maturities, or term, of all debt securities.*

We do not support the disclosure of the range and weighted average maturities of debt securities. The proposed disclosure seems to be predicated on the assumption of a presumed relationship between the maturities of fixed income securities and benefit payments that, in most cases, does not exist. Debt securities generally represent only a portion (and for many plans a small portion) of total plan assets and may or may not be held until maturity. Therefore, information related to maturities of debt securities are unlikely to help a user assess the degree to which investment cash flows are aligned with benefit payments. In addition, from a practical perspective, many plans use current contributions rather than investment cash flows to fund benefits.

*Additional disclosures about investment strategies and policies, including the degree to which contractual maturities of plan assets align with the amount and timing of benefit payments, would be encouraged.*

We do not support the disclosure about investment strategies, nor do we support disclosure of the degree to which contractual maturities align with the timing of benefit payments. We do not believe that the disclosure is meaningful for plans that are not heavily invested in debt securities. We also believe that a description of the investment strategies, even without including the degree to which contractual maturities align with the timing of benefit payments, is of limited use, as noted above in our discussion of the proposed target allocation percentage disclosure.

In addition, it is unclear what the Board expects the disclosure of investment strategies and policies to include and how an employer would measure and report the "degree to which contractual maturities of plan assets reflect the amount and timing of benefit payments." Would "degree" represent a description, such as "to a high degree," or "to a moderate degree?" Further, we question what a financial statement user is expected to infer from a high or a low degree of correlation. For example, what are the implications of an employer with 70% of plan assets in equity securities (with no stated maturities) having a low degree of correlation?

Finally, we believe that discussion of investment strategies and policies would be more appropriate (in the case of public companies) in Management's Discussion and Analysis ("MD&A") since it would include forward-looking information. The SEC staff has been focusing on improving discussion in MD&A regarding various aspects of employers' pension and postretirement benefit plans, including, but not limited to, descriptions of methods used to determine actuarial assumptions, sensitivity analyses, and methods of determining market-related value of assets. As a result, there has been greater disclosure of such issues in MD&A.

### ***Defined Benefit Pension Plan Accumulated Benefit Obligation***

*Issue 2: This proposed Statement would require disclosure of the defined benefit pension plan accumulated benefit obligation. The accumulated benefit obligation is the measure of the pension obligation used to determine the amount of the minimum liability, when the accumulated benefit obligation exceeds the fair value of plan assets.*

We agree that the accumulated benefit obligation for defined benefit pension plans should be disclosed, as this information will enable financial statement users to monitor the funded status of the plans and assess the possibility of a required additional minimum liability charge.

### ***Cash Flow Information***

*Issue 3: This proposed Statement would require disclosure of:*

- a. *A schedule of estimated future benefit payments included in the determination of the benefit obligation, as of the date of the latest statement of financial position presented, for each of the five succeeding fiscal years, and the total amount thereafter, with separate deduction from the total for the amount representing interest necessary to reduce the estimated future payments to present value.*

Although the proposed tabular disclosure of estimated future benefit payments may be better suited to discussion in MD&A, we agree that this disclosure will provide useful cash flow information. However, we believe the Board should consider the following.

The information in this table would represent estimates based on various actuarial assumptions selected for these measurements. Some plans, as permitted by paragraph 10 of Statement 87 and paragraph 15 of Statement 106, currently use estimates, averages, or computational shortcuts that produce measurements of the benefit obligation that are not materially different from such measurements based on more detailed applications. However, the benefit payment streams under these two bases might be quite different. Accordingly, it would be difficult to compare the streams among financial reporting entities or even among plans. In addition, the disclosure of estimated future benefit payments included in the determination of the benefit obligation would include the estimated future payments based only on service to date, and would not include the effect

of future service to be rendered by employees. As such, even if there were no actuarial gains and losses in the future, the actual benefit payments made in each future year would differ to the extent of service provided after the measurement date. Accordingly, the amount of estimated benefit payments disclosed for a future year (e.g., the estimated payments for the fifth year from the balance sheet date) will change in each future period disclosed. It is also unclear how "lump sum" elections should be treated in the estimated future benefit payments.

In addition, it is our understanding that this information is not currently readily available and would require systems changes that cannot be made without potentially considerable additional effort and cost, especially in a short time period.

We believe it would be helpful to require some narrative description above the table to make it clear that for funded plans the future payments listed in the table represent expected cash flows to be paid by the pension trust to plan participants, and not cash contributions to be made by the sponsor to the plan. We believe that without this description, the information presented in the table may be misinterpreted.

*b. The employer's contributions expected to be paid to the plan during the next fiscal year beginning after the date of the latest statement of financial position, showing separately:*

- (1) Contributions required by funding regulations or laws*
- (2) Additional discretionary contributions*
- (3) The aggregate amount and description of any noncash contributions.*

This disclosure may also be better suited for discussion in MD&A, but we have concerns about the presentation of this information in general. We believe that determining these contribution amounts would likely be a confusing process for employers that may result in inconsistent application in practice. For example in the United States, due to the intricacies of the IRS rules, employers may not know definitively if a contribution is in fact "required" until the Form 5500 is filed (at least seven months after the end of the plan year). Contributions that were initially thought to be "required" may, in fact, not be and vice-versa. Employers have considerable flexibility to designate any specific contribution as being toward a specific funding requirement (e.g., contributions in 2003 may be designated as either required for 2002, required for 2003, or not required for 2002 but "assigned" to 2002 in order to reduce the 2003 contribution dollar for dollar), and this designation does not occur until the relevant Form 5500 is filed.

Also, in the case of some plans, such as certain non-qualified plans or plans in certain foreign countries, it would appear that some expected contributions might not fit any of the three categories listed. That is, contributions required by contract would not be considered "required by funding regulations or laws," but also would not be considered "additional discretionary contributions." Accordingly, if the disclosure is required in the final Statement, it would appear that another category would be helpful, such as "contractually required contributions."

## **Assumptions**

*Issue 4: This proposed Statement would require use of a tabular format for disclosure of the following key assumptions (separately identifying the assumptions used to measure benefit obligations as of the plan's measurement date and those used to measure net benefit cost or income for the period): the assumed discount rates, rates of compensation increase (for pay-related plans), and expected long-term rates of return on plan assets. Those disclosures would be reported on a weighted average basis. This proposed Statement would not change the information presently required to be disclosed but would seek to improve the clarity of the information.*

We support the Board's proposed format change for key assumptions. The tabular format improves the clarity regarding the period and measure to which the assumptions relate, by separately disclosing the assumptions used to determine benefit obligations and the assumptions used to determine net benefit cost.

## **Nonpublic Entities**

*Issue 5: This proposed Statement would retain the more limited disclosures for nonpublic entities required by Statement 132. Of the new disclosures that would be required by this proposed Statement, all would be required of nonpublic entities except for interim-period disclosure of the components of net periodic benefit cost recognized.*

*Do you agree that all disclosures that would be required by this proposed Statement, except for interim-period disclosure of the components of net periodic benefit cost recognized, should be required for nonpublic entities? Do nonpublic entities have any special circumstances affecting their ability to provide the proposed disclosures?*

We agree that all entities should be required to present the proposed disclosures, including interim-period disclosures if interim financial statements are issued. We also believe that the reduced disclosure requirements for nonpublic entities set forth in Statement 132 should be eliminated. A nonpublic entity that has a pension plan that is sufficiently material to warrant disclosure should be required to provide the same data as a public company. Such information would be as useful to a user of the financial statements of a nonpublic entity as they would be for a publicly held entity.

## **Sensitivity Information about Changes in Certain Assumptions**

*Issue 6: The Board considered, but did not include in this proposed Statement, a requirement to disclose sensitivity information about the impact on net periodic benefit cost and the benefit obligation of a hypothetical change in certain assumptions, such as expected long-term rates of return on assets, discount rates, and rate of compensation increase, while holding the other assumptions constant. The Board was concerned that such disclosures of hypothetical changes would not provide useful information, because economic conditions and changes therein often affect multiple assumptions. Also, an*

*analysis that varied only one assumption at a time, holding the others constant, could be misleading or misinterpreted. The effect of a one-percentage-point increase and the effect of a one-percentage-point decrease in the assumed health care cost trend rates on (a) the aggregate of the service and interest cost components of net periodic postretirement health care benefit cost and (b) the accumulated postretirement benefit obligation for health care benefits would still be required.*

*Should disclosure of sensitivity information about hypothetical changes in certain assumptions be required and why?*

We agree with the decision not to require sensitivity information for the reasons cited by the Board. Disclosure of such information, if required, would be more suited to a descriptive discussion in MD&A or in the note related to risks and uncertainties.

#### **Measurement Date(s)**

*Issue 7: This proposed Statement generally would not require disclosure of the measurement date(s) used to determine pension and other postretirement benefit measurements when different from the fiscal year-end date. Disclosure of the measurement date(s) would be required when an economic event occurs, or economic conditions change, after the measurement date(s) but before the fiscal year-end, and if those changes may have had a significant effect on plan assets, obligations, or net periodic cost, had the fiscal year-end date been used as the measurement date. The nature of the significant changes also would be described.*

*Should disclosure of the measurement date(s) be required and why?*

We believe that preparers should be required to disclose their measurement date(s) for all plans. This information will improve the comparability of financial statements. In addition, the Board should require disclosure of significant events that occur between the measurement date and the balance sheet date that will be recognized in a subsequent period, such as a settlement, curtailment, or plan amendment.

#### **Reconciliations of Beginning and Ending Balances of Plan Assets and Benefit Obligations**

*Issue 8: This proposed Statement would eliminate the requirement in Statement 132 to provide reconciliations of beginning and ending balances of the fair value of plan assets and benefit obligations. This proposed Statement would instead require disclosure of ending balances and would retain key elements of the reconciliations that are not disclosed elsewhere, such as actual return on assets, benefit payments, employer contributions, and participant contributions. As such, this proposed Statement would provide a more focused approach for key items previously included in the reconciliations.*

*Should the reconciliations, as required by Statement 132, be eliminated or retained and why?*

We do not support the Board's proposal to eliminate the reconciliations of beginning and ending balances of the fair value of plan assets and benefit obligations. These reconciliations are very useful to users of financial statements for quickly and efficiently assessing the various events that impacted the plan throughout the year. The Basis for Conclusions in the Exposure Draft states that "a more focused approach would be more useful to users of financial statements," but it is unclear to us why or how this is so. Instead, we agree with the Board's Basis for Conclusions in Statement 132 that required the reconciliations because they "provide a format for more complete disclosure that would be more understandable to users of financial statements."

***Disclosures Considered but Not Proposed***

*Issue 9: The Board considered but rejected a number of other disclosures that were requested by users of financial statements. The following information would not be required by this proposed Statement:*

- a. *A description of investment policies and strategies.*
- b. *An explanation of the basis for selecting the expected long-term rate of return on assets assumption.*
- c. *The pension benefit obligation and funded status determined on a regulatory basis (for example, Employee Retirement Income Security Act of 1974 [ERISA]).*
- d. *The pension benefit obligation and funded status determined on a plan termination basis (for example, the Pension Benefit Guaranty Corporation [PBGC] termination basis).*
- e. *The amount and classification of net periodic pension and other postretirement benefit cost or income recognized in the statement of income, showing separately the amounts of net benefit cost or income included in each line item in the statement of income and reported for each period for which a statement of income is presented. The aggregate amount of net benefit cost or income recognized would be reconciled to the total amount of net benefit cost or income, identifying the aggregate amount capitalized as part of inventory or other productive assets.*
- f. *The number of pension plan participants by group (for example, active, terminated vested, and retired).*
- g. *The amount of benefit obligation by participant group (for example, active, terminated-vested, and retired).*
- h. *The weighted-average duration of the benefit obligation.*
- i. *Interim-period disclosure of plan assets and benefit obligations.*

*j. A description of participation in multiemployer plans.*

*Should any of the above information be required to be disclosed and why?*

We believe some level of qualitative and quantitative information regarding participation in a multiemployer plan should be required. For example, if available, we would recommend disclosure of the plan sponsor, the various employee groups covered, whether the sponsor is a related party (e.g., a subsidiary participating in a parent sponsored plan), and any information available regarding the employer's share of the obligation, if available, and the funded status of the plan.

In addition, we believe that all significant accounting policies used in accounting for pensions and other postretirement benefits should be disclosed. This disclosure should be either within the pension note or in the summary of significant accounting policies note. Currently, preparers are required to disclose certain policies only when using a method that is an "alternative method" pursuant to Statements 87 or 106. Given the complex nature of pension accounting, it would be helpful to have a description of all material pension accounting policies.

***Disclosures in Interim Financial Reports***

*Issue 10: This proposed Statement would require disclosure of the following information in interim financial statements that include a statement of income:*

- a. The amount of net periodic pension and other postretirement benefit cost recognized, showing separately the service cost component, the interest cost component, the expected return on plan assets for the period, the amortization of the unrecognized transition obligation or transition asset, the amount of recognized gains and losses, the amount of prior service cost recognized, and the amount of gain or loss recognized due to a settlement or curtailment*
- b. The employer's contribution paid, or expected to be paid during the year, if significantly different from previous disclosures pursuant to paragraph 5(g) of this proposed Statement, showing separately (1) contributions required by funding regulations or laws, (2) additional discretionary contributions, and (3) the aggregate amount and description of any noncash contributions.*

*Are the proposed disclosures needed for users to understand the financial condition, results, and cash flows associated with pension and other postretirement benefits? Should additional disclosures be required? Should either of the proposed interim period disclosures be eliminated?*

We understand the Board's desire to require information regarding net periodic pension and other postretirement benefit cost in interim financial reports. However, we are concerned that the information may not be available in the level of detail set forth in the

proposed Statement and that the information may not have the same level of reliability as it would when prepared on an annual basis. This is due to the fact that final pension and other postretirement benefit valuations are frequently not available until after the first or second quarter of the fiscal year. For these reasons, we recommend requiring the net periodic pension and other postretirement benefit costs be disclosed for each interim period, but make optional the disclosure of these costs by their component parts.

We support the disclosure in interim financial reports of significant changes in contributions paid or expected to be paid during the year if such annual disclosures are required in the final Statement.

### ***Effective Date and Transition***

*Issue 11: The provisions of this proposed Statement would be effective for fiscal years ending after December 15, 2003. The interim-period disclosures in this proposed Statement would be effective for the first fiscal quarter of the year following initial application of the annual disclosure requirements. The disclosures for earlier annual periods presented for comparative purposes would be restated for (a) the percentages of each major category of plan assets held and (b) the accumulated benefit obligation. The disclosures for earlier interim periods presented for comparative purposes would be restated for the components of net benefit cost. However, if obtaining this information relating to earlier periods is not practicable, the notes to the financial statements would include all available information and identify the information not available. All other disclosures, other than those identified above for restatement, would only be required to be presented as of the date of the most recent statement of financial position.*

*Are the proposed effective date provisions and transition appropriate? If not, what alternative effective dates and transition would you suggest and why? If individual disclosures require additional time to compile, please describe the nature and extent of the effort required.*

We understand the Board's desire to make the final Statement effective for fiscal years ending after December 15, 2003; however, there are a number of practical constraints that the Board should consider. First, certain items of the disclosure information may be quite difficult or costly to obtain in such a short time. For example, preparers and their actuaries have already set up their procedures to comply with Statement 132, so having to quickly change to the new requirements will be much more costly to complete for this year-end versus waiting until the following year. In addition, reprogramming of the valuation systems to obtain the benefit payment stream underlying the benefit obligation will require significant time and will be challenging and costly to complete by the effective date.

Second, the final Statement will be issued subsequent to the plan measurement date of many calendar year-end companies, which may make the requisite additional information even more difficult and costly to obtain. This is especially true for those companies with plans outside of the United States. These companies may need more time than the

proposed Statement will allow. Moreover, the short time frame is contrary to the purpose of allowing for a measurement date three months prior to the date of the financial statements.

Third, there may not be sufficient time for the Board and staff to thoughtfully consider comments received and to make changes to the Exposure Draft or to allow for the possibility of a second exposure draft, if necessary.

For these reasons, we believe that the final Statement should be effective for fiscal years ending after June 15, 2004, with earlier application encouraged.

#### **EDITORIAL COMMENTS**

- Paragraph 8(g) should state, “the amounts recognized in the statement of financial position” not “the amount of net periodic benefit cost recognized in the statements of financial position.”
- Amendments to Statement 135 paragraphs 4.p. and 4.r. should be made as necessary to reflect the replacement of Statement 132 by this proposed Statement.