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Letter of Comment No: 9
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October 24, 2003

Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Exposure Draft of Proposed Statement of Position
Title: Employers' Disclosures About Pensions and Other Postretirement Benefits
Date: September 12, 2003
Comments Submitted By: Accounting and Auditing Standards Committee - Society of Louisiana Certified Public Accountants

<u>Specific Comments</u>:

Areas Requiring Particular Attention by Respondents:

Issue 1: The requirement to disclose the "Target allocation percentage or range of percentages, presented on a weighted average basis for each major asset category" presents several problems. For many small plans, a bank trustee handles these transactions and the employer company does not really have a target allocation. Based on the different types of investments and their respective recent fluctuations, there could be material differences between the targeted allocation and the actual allocation. Also, disclosing the expected long-term rate of return could be very hard to accurately calculate. We are concerned that a targeted allocation and the related expected long-term rate of return may mislead some readers of financial statements which will construe that this amount reflects the expected income to be generated by the assets of the plan.

On page ii, it states, "Additional disclosures about investment strategies and policies...would be encouraged. However, on page iv, under Issue 9, it states, "The Board considered but rejected a number of other disclosures that were requested by users of the financial statements - A description of investment policies and strategies. This is contradictory. Why would the exposure draft encourage disclosures that they had already considered and rejected?

Issue 3: We are concerned about the accuracy of the disclosures related to *The schedule of estimated future benefit payments for the next five succeeding years and thereafter.* Specifically how will retirees be estimated over that period? Since the number of new retirees would have a significant impact over future benefit payments, this disclosure could be materially inaccurate. Likewise, since the employer contributions have discretionary contributions which do not have to be made until 8 ½ months after year end (based on an extension for the federal income tax return), these can vary considerably based on how well the company is performing in the subsequent year.

Issue 8: We agree with the alternate views of the three board members as expressed in paragraphs A40 through A42 of Appendix A. We do not believe that there is any evidence to remove these disclosures as required by Statements 132.

Issue 9: We agree with the FASB that the majority of this information would not provide users of the financial statements with meaningful information, with the possible exception of a. - A description of investment policies and strategies. However, as mentioned previously, many smaller companies do not have documented investment policies or strategies.

The FASB apparently received requests for an explanation for how assumptions of long-term return rates on assets are derived, but decided that this type of disclosure should not be required. Why not? This request seems reasonable. Such a disclosure would provide relevant information to the users of the financial statements. There is no explanation in the ED for why this disclosure was considered but not proposed.

Issue 11: We strongly feel that having an effective date for financial statements ending after December 15, 2003 is implementing this standard too soon. Not only will accountants be required to understand these disclosures but also actuaries will have to revise their systems to calculate the amounts for these disclosures. I feel that moving the implementation date back a year is reasonable to provide the time necessary to accomplish this. The requirement to present this information for earlier periods, if practicable is not reasonable nor is there a cost/benefit for recalculating and revising information previously presented, in our opinion.

On page viii, it indicates that the changes in this proposed Statement would assist users of the financial statements in assessing the market risk of plan assets, the amount and timing of cash flows and reported earnings. We question whether the disclosures as required would actually provide the financial statement users the information to accurately perform the preceding. Considering the potential fluctuation in the variables required to generate these disclosures, we believe that the information would rarely accomplish that objective, especially as it relates to the relevance and reliability as mentioned in FASB Concepts Statement No. 2.

On page ix, it states that "Reporting of additional information about pension plans and other postretirement benefit plans may require some additional effort and cost, including amounts to be paid to entities' auditors and actuaries...". We believe that these disclosure requirements <u>will</u> require additional costs and that the benefits are not cost effective. Whether these costs are considered *modest* is questionable.

<u>General Comments</u>:

We believe that the exposure draft will overall require disclosures that will not be understood by the vast majority of the users of financial statements, especially for those relating to nonpublic companies. Disclosures relating to pensions and other postretirement benefits are very complex and our experience is that very few CPAs actually understand the theories relating to how these obligations are calculated. By requiring additional disclosures for nonpublic companies, the additional costs will in no way justify the limited benefits derived. There should be an exception for nonpublic companies as it relates to the majority of the new proposed disclosures.

It appears that much of the information requested as disclosures in the employers' financial statements could be obtained from the financial statements of the plans. A number of companies have terminated or frozen their defined benefit plans due to the costs and recent adjustments required by current standards. By requiring additional disclosures and the related costs associated this these disclosures, it may cause more of the smaller companies to terminate these types of plans.

Additionally, in light of recent events, it seems that a specific disclosure relating to information concerning a company's own stock within a plan should be emphasized.

We agree with Issue nos. 2 and 4. We disagree with the disclosures as discussed with Issues 3, 5, 6 and 7.

We agree with the Financial Accounting Standards Board in establishing standards relating to pension and postretirement disclosures in financial statements. However, in reality, we believe that this proposed standard would not provide additional meaningful information and at the same time increase the cost to the Companies to comply with this proposed standard.

If you have any questions, please contact us.

Yours very truly,

Martin L. Chehotsky, CPA, CFE
Committee Chairman

MLC/jf

cc: Lisa Williams