



Letter of Comment No: 45
File Reference: 1025-200
Date Received: 10/27/03

Delivered by e-mail

October 27, 2003

Mr. Lawrence W. Smith
Director, Technical Application and Implementation Activities
File Reference No. 1025-200
Financial Accounting Standards Board
Director@fasb.org

Dear Mr. Smith:

FleetBoston Financial Corporation (Fleet) appreciates the opportunity to comment on the *Exposure Draft Employers' Disclosure about Pensions and Other Postretirement Benefits*, an amendment of FASB No. 87, 88, and 106 and a replacement of FASB Statement No. 132. After careful review of the proposed standard, we respectfully submit the following comments.

Plan Assets

Asset allocation and long-term expected rate of return on plan assets

Including more information on the asset allocation strategy will provide additional insight into the basis for the company's expected rate of return. We do not believe, however, that the proposed disclosure of the long-term expected rate of return by broad asset category is particularly useful as the development of the expected return involves many factors. These factors include the level of active management, the degree to which the asset allocations operate within a range and the extent of tactical asset allocation decisions within each broad range. In addition, the target allocation can change over time.

Due to the limitations described above we propose that the disclosure of long-term rate of return by broad asset category be eliminated.

Debt Securities

The Exposure Draft includes a proposal to disclose information about the maturity of debt securities in order for the reader to assess how well cash flows align with benefit payments. Although we understand the intended purpose of the disclosure, for those many plans with a significant allocation to equity securities it is not at all clear that this disclosure will allow a reader to make the desired assessment. In fact, the proposed disclosure would normally lead to an inference that there is an expected shortfall. Management of assets within the target ranges and the level of benefit payments as a proportion of the total assets will influence how payments are funded for any give period. Funding for benefit payments may not always be primarily from the debt portion of the portfolio.

Due to the limitations described above we propose that the disclosure of the weighted-average contractual maturity, or term, of all debt securities be eliminated.

Defined Benefit Pension Plan Accumulated Benefit Obligation

We believe that disclosure of the accumulated benefit obligation is useful and the figure is readily available at no additional cost.

October 27, 2003**Cash Flow Information***Estimated Benefit Payments*

We believe the proposed disclosure does not provide useful information for the reader for several reasons. First, a significant number of assumptions are used to develop the expected benefit payments and related obligations. We measure and expect that actual experience will differ somewhat from expected experience. This actuarial gain/loss is recognized in expense through an amortization process. Although the gain/loss on the obligation in aggregate may be small the impact on the five years of projected payments may look comparatively large and may create unnecessary confusion. Second, as long as the funded and unfunded payment amounts are combined, the ability to complete relevant analysis of the funded plan's cash flows compared to the plan assets will be undetermined. The impact of combined funded and unfunded payments will vary from one employer to another and reduce comparability. Finally, the level of detail and precision implied by this disclosure appears somewhat misleading in that changes in the economic environment (actual investment returns and discount rates) can have a significant impact on funded status regardless of cash flow.

Due to the limitations described above we recommend that the disclosure of projected benefit payments is eliminated.

Expected Contributions

We believe the proposed disclosure is not likely to provide reliable information since the timing of contributions is often on a different decision timeframe from financial accounting disclosure. This is especially problematic in that the funding for a given plan year can usually be contributed up to nine and a half months following the fiscal year end. For large plans with active populations across several subsidiary companies, the actuarial valuation is often not complete until after the fiscal year has closed. An employer has complete discretion to contribute amounts in a range from the ERISA minimum required up to the maximum deductible amount. Since there are significant tax considerations which are often not determined until near the time of filing the tax return, well after yearend, the actual contribution made and any estimated amount originally disclosed many months earlier could vary significantly. The difference may be especially large in a year where asset returns are poor, discount rates decline and a company decides to make a large contribution just before yearend to avoid minimum liability issues.

Due to the limitations described above we recommend that the disclosure of expected contributions is eliminated.

Assumptions

We believe the proposed separate tables describing the key assumptions used to develop net periodic cost and to measure the benefit obligation enhance the usefulness and understandability of the disclosure.



October 27, 2003

Sensitivity Information about Changes in Certain Assumptions

We agree with the FASB's comment that there is limited value in seeking to assess the effect of changing one assumption without consideration of the related effects on other assumptions.

Measurement Date

We believe disclosure of the measurement date is easy and is useful to compare information across companies.

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

We believe the reconciliation of change in benefit obligation and changes in plan assets, as required by Statement 132 should be retained. The reconciliation provides disclosure information in a concise format that shows how the component items affect obligations, assets or both. The proposed format will separate and isolate information in a way that lends more emphasis to the component pieces and detracts from the integrated whole. It is the integrated whole that ultimately drives the plan's ability to achieve targeted payments

Disclosure in Interim Financial Reports

It is important to consider the practical reality that pension and postretirement valuations are complex and are usually not finalized until later in a company's fiscal year. The net periodic cost is usually a rough estimate for part of the year. While providing interim net periodic cost information could be useful, the value of providing disclosure of the cost with component-by-component detail when it is only a rough estimate does not appear to add any value compared to simply providing the total amount included in expense.

Effective Date and Transition

We believe that it is a challenge and a burden for companies to make changes to financial reporting without adequate time to adjust for form, format and content. In addition, obtaining necessary information generally requires careful coordination with actuarial firms and consultants. Given that we will be well into the fourth quarter by the time a final statement could be issued, we recommend an effective date in 2004.

Fleet appreciates the opportunity to comment on the *Exposure Draft*. Please contact Eric D. Redo at (617) 434-9893 or me at (617) 434-2341 if you would like to discuss our comments further.

Sincerely,

Ernest L. Puschaver
Chief Accounting Officer
FleetBoston Financial