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LETTER OF COMMENT NO. 188

VIA email to: director@fasb.org

Ms. Suzanne Q. Bielstein
Director – Major Projects and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

File Reference 1025-300
Proposed Statement of Financial Accounting Standards: Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans

Dear Ms. Bielstein:

New York University has reviewed the above referenced proposed accounting standard and appreciates the opportunity to provide our comments to the Financial Accounting Standards Board (FASB). While we fully support the objectives of the FASB to enhance the transparency, relevance, and fairness of the representations we make in our financial statements, we feel that some of the proposed changes need additional deliberation and consideration.

Use of the Projected Benefit Obligation:

A major conceptual problem with the proposed statement is the usage of the projected benefit obligation (PBO) as a construct in the calculation of the balance sheet pension liability. Balance sheet liabilities should represent the economic obligations as of the statement date. The PBO includes future pay increases in its calculations while no other balance sheet liability is forced to include them. We believe that the accumulated benefit obligation (ABO) is a more accurate and relevant measure of an organization's true pension liability as of the date of the financial statements.

The conceptual framework that the FASB extended in Concept Statement 6 (paragraph 36) is much more consistent with the calculation of the ABO than that of the PBO. In that concept statement, the FASB stated that a liability exists when an entity has "little or no discretion to avoid the future sacrifice" and that the "event obligating the entity has already happened." In contrast, the PBO uses future salary increases in its calculation; entities do have discretion over future salary increases and they have not yet occurred.

Employer's Measurement Date:

We believe that the best measurement date, and certainly the one most clearly understood by the readers of our financial statements, is the effective date of the financial statements. While that is preferable, we believe that the costs versus the benefits should be evaluated in determining whether to eliminate the option to use a measurement date up to three months earlier than the balance sheet date.

There is a very real problem for many organizations in obtaining timely asset performance data as well as the medical claims data needed for many of the calculations. Once the data is collected and forwarded, the actuaries create new analyses and valuations, and then management must review those analyses and valuations. A fixed (but earlier) measurement date for pension and other postretirement benefits has allowed entities the time to adequately monitor and review the process and the data. It has provided a practical answer to the problem of completing complex analyses, which require data sets from many different providers.

The benefits from eliminating the measurement date option though, are not as clear to us, other than the obvious one that the balance sheet date is the preferred measurement date. Therefore, we encourage the FASB to consider restoring the measurement date option, perhaps with modifications to ensure its usage is consistently applied.

We appreciate the opportunity to voice our concerns about the proposed standard and we thank you for your consideration of our comments.

Sincerely,

Sent electronically

Randy L. Greene
Assistant Vice President for Finance & University Controller