



200 First Street SW Rochester, Minnesota 55905 507-284-2511

May 31, 2006



Mr. Robert H. Herz Chairman, Financial Accounting Standards Board 401 Merritt 7 P.O. Box 06856-5116 Norwalk, CT 06856-5116

LETTER OF COMMENT NO. 216

Re: Phase I of the project to consider pension and other post employment benefit accounting

Dear Mr. Herz:

On behalf of Mayo Clinic, I would like to comment on the Board's recent project to consider the pension and post retirement benefit accounting. Mayo appreciates the Board's effort to reconsider the current accounting treatment and to provide better transparency to the economic affects of these benefits.

We (Mayo Clinic) are concerned about two aspects of Phase I, the use of the PBO as a measurement to current liability and the disallowance of an advance measurement date.

Using the PBO to measure the liability takes into account an assumed future salary growth that is not a true reflection of the current value of the liability. Future salary growth is under the control of management and marketplace, especially over longer time horizons. The PBO assumes this rate is fixed and maintained and is a misleading liability valuation to external users of the financial statements, including lenders, debt holders, shareholders, as well as to the covered employees. We believe the ABO is a better reflection of the current cost a company would sustain if they were to terminate the plan.

The elimination of the ability to use a reasonable early measurement date is concerning. The SEC pressure to publish results as early as possible after the financial statement date and the Sarbanes Oxley Act, emphasizing controls on processes with significant financial statement impact create conflicts. We believe it will bring undue time pressure in determining the appropriate discount rate, specifically for the large number of plan sponsors with December 31 fiscal year-end dates, which use limited large public accounting and actuarial firms for professional opinions and valuations. While we do not report under SEC oversight, we use these same service providers at this same time. A discount rate at the exact date of the audit will not greatly enhance the reliability of the measurement of the liability when compared to a discount rate selected within reasonable proximity to the fiscal period end, nor does the immediate timing facilitate good controls over reporting.

Aside from the pure accounting concerns, we believe the annual volatility of accounting treatment based on PBO will trigger plan sponsor decisions to discontinue plans, which are long term decisions. These plans are efficient to achieve desirable long term retirement income goals of the employees, plan sponsor organizations and our social system.

Does the Board's decision on PBO accounting measurement annually for going concern plan sponsors indirectly drive short term plan sponsor decisions for what was designed to be a long term benefit?

We understand these same issues are covered in more detail in a response of John J. Sohn, FSA of the American Academy of Actuaries, dated February 10, 2006 and do not wish to regurgitate their points but want to emphasize our similar concerns. We appreciate the opportunity to offer these comments as the Board considers the implementation of Phase I.

Sincerely

Roger A. Lindahl, Division Chair Financial Accounting and Controls