ALLIED WASTE

May 31, 2006

1025-300

LETTER OF COMMENT NO. 137

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 06856-5116
Norwalk, CT 06856-5116

By email to director@fasb.org, File Reference No. 1025-300

Re: Proposed Statement of Financial Accounting Standards – Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)

Dear Sir or Madam,

Allied Waste, Inc., is pleased to submit these comments on the recently issued Proposed Statement amending FASB Statements No. 87, 88, 106, and 132 ®, the first phase of a proposed two-phase project to reexamine all aspects of pension and other postretirement benefit accounting.

Allied Waste is the second largest non-hazardous waste management company in the United States. We provide waste collection, disposal and recycling services to more than 10 million customers in 37 states and Puerto Rico.

Currently, we use a measurement date of October 1 to create assumptions for our pension and post retirement benefit plan accounting and reporting. As required by Paragraph 44A, we determine the discount rate used to measure our post retirement obligations by specifically matching the timing and amount of our expected cash outflows to maturities from a hypothetical portfolio of high quality bonds, as priced on our measurement date of October 1. Where the timing of our expected cash flows is beyond that of currently published high quality bond duration our actuary prepares an expected yield curve to be used for those cash flows. The October 1 measurement date allows us to complete the accounting and audit process in December and record entries in the first week of January. We believe this process can be accelerated, but only so far.

We support the FASB's goal of improving financial reporting for postretirement benefit plans, and respect the considerable thought that has gone into this proposal. However, we have significant concerns with the portion of the current proposal that suggests that the

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measurement date for pension assets and liabilities be the annual balance sheet date. We respectfully recommend that the FASB adopt the use of reasonable asset and liability estimation approaches such as basing the measurement on asset information and discount rates within a 60-day period before fiscal year-end for the following reasons:

- We believe that eliminating reasonable measurement estimation options for pension assumptions will provide no significant benefit to the financial statement users, while further complicating the task of meeting increasingly tight year-end accounting and reporting requirements. Since the proposed standard does not suggest a quarterly update to the measurement date assumptions and related accounting estimates, we feel there is no more clarity provided by the use of an estimate based on the balance sheet date and used for the entire year than to base the estimates on information within a more reasonable time frame – such as 60 days before year-end.
- We believe that the proposal creates significant challenges relative to the availability of information at year-end and insufficient time to adequately complete the successive actions that use this information and culminate in financial statement and disclosure filing deadlines 60 days after year-end.
    - Specifically, we believe that the time frame to develop a hypothetical bond portfolio and yield curve for the discount rate used to determine the liability of a plan, and to support this through the audit process is a 60 to 70 day process. Currently, in order to meet audit and reporting requirements, we complete the close of our accounting records and provide final auditable numbers to our Independent Auditors by the third week in January. If the proposed measurement date is NOT changed, we believe that the timing of information availability, the number of steps, and the number of parties involved in the retirement benefit accounting process places companies at a high risk of missing their statutory filing deadlines.

Complying with the proposed measurement date change is complicated by the significant use of work product prepared by third party experts and the complexity of the accounting, auditing, and valuation activities involved. The volume of documentation and analysis necessary to ensure that the measurement assumptions meet the scrutiny of internal and financial reporting control review processes, executive management and audit committee review, and external auditors and their valuation specialists, is very time consuming and most of the activities must be performed serially. Adding to the reporting time frame complexity, most companies have more than one plan – we have four.

To comply with the proposed balance sheet measurement date, it is physically impossible to finalize the post retirement benefit plan journal entries in the required regulatory reporting time frame. It is likely that Independent Auditors will not receive the benefit plan assumptions and related disclosures of their December year-end clients for review before the first week of February at the earliest. Because of the complexity and level of judgment used in the actuarial bond portfolio and curve preparation, the independent auditor and their valuation specialist will likely become a bottleneck in the review and finalization process that would likely delay the timely completion of the audit and reporting to shareholders. Under the current rules (using a September 30 measurement date), it is possible to have all assumptions and disclosures prepared, supported, reviewed by management, audited, and reviewed with the Audit Committee of the Board of Directors by early January, minimizing the impact to the January workload surge.

Following is a process time line that identifies each step and when they can happen, stated in the number of calendar days after the measurement date (day = completion of task):

- Asset information available from trustees and investment advisors - day 21
    - asset managers need at least three weeks to be comfortable with the final asset valuations before providing them to companies or their actuaries
        - complicated by multiple asset managers or non-publicly traded investments
- Actuary develops hypothetical bond portfolio and yield curve - day 21
    - Actuaries must make complex professional judgments such as graduation techniques for yield curves and assumptions for discounting cash flows beyond 30 years. (extrapolation of the existing high-quality bond yield curve to estimate yields for nonexistent bonds).
    - When selecting specific bonds to match with our expected cash flows, the actuaries must screen the bond universe for features such as quality, size, capacity, call features and outliers.
- Accounting tests and supports actuarial assumptions - day 28
    - *taking ownership for our assumptions – a considerable amount of time is* necessary to evaluate and justify these significant judgments and estimates
- Management reviews and approves assumptions – day 34
    - includes disclosure committee and Audit Committee review
- Independent Auditor completes audit of approved assumptions – day 41
    - potential bottleneck – may be difficult to have one-week turnaround by auditor's specialist groups.
    - any comments or issues delay this process further – Independent Auditor's specialists are challenged by the complex actuarial assumptions used in the hypothetical bond curve and much discussion always ensues.
- Actuary develops period end reporting = day 48.
    - *Not efficient to begin until agreement on assumptions*
    - Actuaries will also have a work load adjustment caused by all 12/31 clients moving to that measurement date
- Accounting records and documents journal entries – day 50
- Tax records adjustment to previously final provision – day 50
- Accounting develops disclosure support = day 55.
- SOX control testing - day 60.
- Auditor testing complete – day 67.
    - Financial statement as well as control audit
- Note: At this point, final preparation of the Form 10-K can commence.

Based upon the above time-line, which we consider to be reasonable to achieve complete and accurate accounting and reporting for pension and post retirement benefit plans, we respectfully recommend that the FASB adopt the use of reasonable asset and liability estimation approaches such as basing the measurement on asset information and discount rates within a 60-day period before fiscal year-end.

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We are pleased to offer these comments on the Exposure Draft and are prepared to respond to any questions you may have with respect to them. If you have any questions regarding the above, please call Jim Gray, Sr. Vice President and CAO, or me at 480.627.2700.

Sincerely,

Peter S. Hathaway
Chief Financial Officer
Allied Waste Industries, Inc.