

AmSouth Bank  
Post Office Box 11007  
Birmingham, Alabama 35288  
(205) 326-5120



LETTER OF COMMENT NO. 175



May 31, 2006

Via Email to [director@fasb.org](mailto:director@fasb.org)

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

**Re: File Reference 1025-300 –Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)**

Dear Technical Director:

AmSouth Bancorporation (AmSouth or the Company) appreciates the opportunity to comment on the above-referenced proposed standard. AmSouth is a regional bank holding company with approximately \$53 billion in assets, more than 680 branch banking offices, over 1,200 ATMs and approximately 12,000 employees. AmSouth operates in Florida, Tennessee, Alabama, Mississippi, Louisiana and Georgia. AmSouth is a leader among regional banks in the Southeast in several key business segments, including consumer and commercial banking, small business banking, mortgage lending, equipment leasing, and trust and investment management services. AmSouth currently provides defined benefits to employees under both pension and other post-retirement plans. AmSouth has included pension estimates as a Critical Accounting Estimate in the Management Discussion and Analysis of its annual report.

AmSouth submits the following comments on certain issues outlined in the proposed standard and raises some general concerns for the Board’s consideration.

**General – ABO vs. PBO**

We disagree with the Board’s decision to temporarily retain the conclusions in Statement 87 and incorporate the funded status of defined pension plans based on the projected benefit obligation (PBO). We understand that the Board is planning to address this measurement issue in phase 2 of the pension project. However, we believe that this issue should be addressed now in phase 1. We would suggest that the Board require the accumulated benefit obligation (ABO) to be the basis for recording the funded status because it accurately reflects a liability as defined in Concept Statement 6.

We believe that the PBO (which considers expected future salary increases) does not meet the definition of a liability under Concept Statement 6 paragraph 35, which states that “liabilities are probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.” We also believe that the PBO does not meet the working definition of a liability as defined in the March 1, 2006 meeting minutes regarding the conceptual framework project. Paragraph 5 of those minutes states the following: “A liability of an entity is its present obligation to one or more other entities that compels potential outflows or other potential sacrifices of economic benefits.” Both definitions use the term “present obligations,” and we believe that the PBO does not meet the definition of a present obligation. To consider the PBO as a present obligation means an entity would be incorporating the effects of future salary increases into its financial statements. This notion is nowhere in the present accounting model and is by no means a present obligation.

We acknowledge that this issue relates more to measurement than recognition, which is the reason we prefer the ABO over the PBO. In paragraph 6(e) of the meeting minutes mentioned previously, the Board agreed that "the notion in the current definition of little or no discretion to avoid a future sacrifice should be replaced, perhaps by a notion of legal or equivalent compulsion (emphasis added)." The PBO is a projection and is contingent upon many factors and assumptions that can include the decisions of management and its employees; however, the ability to affect the PBO is dependent upon the degree to which a party holds the ability to influence. For example, some manufacturing companies have organized labor, which would undoubtedly strike if plans were closed. In this example, we agree with the Board that the PBO could conceptually meet the definition of a present obligation. However, in other industries and at companies that do not have organized labor, plans may be unilaterally closed at the discretion of management, with minimal consequence. In this example, the ABO would represent the present obligation of such companies. In paragraph B17 of the proposed standard, reference is made to prior conclusions in Statement 87 that the PBO is the most relevant measure of the benefit obligation, but AmSouth does not agree. We believe that the measurement of defined benefit related assets and liabilities should be based on the individual facts and circumstances surrounding the entity's ability to influence a plan's benefits. The option to choose between the PBO and ABO would serve to align the recognition of pension related assets and liabilities with the present obligation concept in both the working definition in the Board's conceptual framework project and the current definition in Concept Statement 6.

#### Issue 1

We agree with the Board that the information needed to implement the proposed standard is readily available. Absent the provision in the proposed standard to require a year-end measurement date (as addressed below), we agree with the Board that the dollar costs of implementation would not be significant.

#### Issue 2

We believe the Board has not fully considered the impact of the measurement date provision in the proposed standard, requiring it to be as of the date of the financial statements. The Board should consider what effect the change in measurement dates will have on the cost of actuarial valuations. With the majority of companies having a calendar year-end, the costs of such valuations can and will most likely increase. However, increased pricing is just the monetary consequence.

We do not believe the Board has fully considered the proposed standard's impact on accuracy. Typically companies' year-end close processes are relatively short (a few days to two weeks). The proposed standard will most likely delay the close-out process by requiring companies to wait for actuarial calculations to determine the benefit obligations and funded status. These delays expose companies to increased risk of financial reporting and control failures. The alternative to delaying the close-out process for these calculations and valuations would be to make "top-side" adjustments to the financial statements. Companies and their auditors will most likely not prefer this alternative as it is ripe for error and difficult around which to frame controls. Additionally, many pensions are now investing in more "complex" assets that do not have readily determinable fair values, such as hedge funds and real estate partnerships, including real estate investment trusts. The financial condition of these assets must be determined, which can also take considerable time due to trustee delays and the complexity of required valuations. Also, the number of qualified actuaries and their capacity is a major factor that will affect the timeliness of actuarial calculations. There will be an issue of whether the actuaries can expand their workload to meet the demand for calculations for all calendar year-end companies at the same time. For a calendar year-end company, the proposed effective date for fiscal years beginning after December 15, 2006 is not enough time to adequately consider and react to these impacts.

Further, we would request the Board consider how the mandated year-end measurement date will impact a company's ability to release timely financial information to shareholders ahead of regulatory filings. The release of this information is subject to the same control procedures and scrutiny as information released in public filings. While an argument could be made that earnings could still be released, current trends in the reporting environment are moving toward the disclosure of more information in a reduced timeframe. The proposed standard seems to serve as an impediment to this trend. Requiring companies to wait for actuarial calculations and validate the impact to financial results will most likely result in an even longer delay in the release of financial information to shareholders. Market participants, such as analysts and shareholders, may question the accuracy of released financial information due to a delay. Principal officers of companies may also be unwilling to release such information for fear that unknown material differences could exist because of the lack of appropriate time to validate the actuarial conclusions. There is no alternative for companies to release financial data that excludes pension amounts. Further, the discount rate assumption

will be particularly difficult to determine timely if the measurement date is the same as the fiscal year-end date, serving as an additional impediment to releasing timely information. Many companies are moving toward using a more sophisticated and entity-specific methodology for selecting the discount rate rather than simply using the Moody's Aa Bond Rate; this process takes time to obtain, develop and validate prior to utilizing in the actuarial calculations.

We believe the Board should reconsider its conclusions reached in Paragraphs B38 and B39 regarding the measurement date. We recommend continued reliance on the current three month window or, alternatively, allow companies to perform a detailed analysis as of a date earlier than fiscal year-end and permit the roll-forward of both demographic and measurement data (including discount rates).

**Issues 3(a) and (b)**

No comments.

**Issue 4**

As to impediments related to the proposed effective date, see previous comments on concerns regarding actuaries' availability and capacity.


**Issue 5**

No comments.

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Again, we appreciate the opportunity to comment on this proposed standard. Thank you for considering our views. If you would like to discuss this matter in further detail, please contact me at (205) 801-0765.

Sincerely,

  
Alton E. Yother  
Chief Financial Officer