PCPS
PRIVATE COMPANIES PRACTICE SECTION

LETTER OF COMMENT NO. 40

May 5, 2008

Russell G. Golden, CPA
Director of Technical Application and Implementation Activities
FASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: March 19, 2008 Proposed FASB Staff Position (FSP) FAS 132(R)-a, *Employers' Disclosures about Postretirement Benefit Plan Assets*

Dear Mr. Golden:

One of the objectives that the Council of the American Institute of Certified Public Accountants (AICPA) established for the PCPS Executive Committee is to act as an advocate for all local and regional firms and represent those firms' interests on professional issues, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

TIC has reviewed the Proposed FSP and is providing the following comments for your consideration.

GENERAL COMMENTS

TIC supports expanded disclosures in the Proposed FSP for each major category of plan assets and for concentrations of risk in plan assets. However, TIC believes some of the proposed disclosures based on FASB Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, are excessive. TIC therefore recommends that the proposal be limited to only those disclosures that are effective for all users and eliminate unnecessary complexity. If the excessive SFAS No. 157 disclosures are retained, however, the timing of the effective date should be reconsidered.

Further details regarding the above comments are provided below.

SPECIFIC COMMENTS

TIC believes the disclosure of categories of plan assets (paragraph 6), the concentrations of

risk in plan assets (paragraph 7), and the fair value hierarchy levels for each asset category (paragraph 9a), would provide useful disclosure of the risk factors inherent in an employer's postretirement benefit plan assets. The composition of and the risks associated with the plan's portfolio would be more transparent and the disclosure of the measurement input levels would highlight the higher risk profile of Level 3 measurements compared to Level 1 or Level 2 measurements.

The disclosures in paragraphs 6, 7, and 9(a) are also sufficient for the needs of private company users. TIC disagrees with the Board's conclusion that the disclosure requirements in paragraphs 9(b) and 9(c) will be useful to all users. Users of private company financial statements want to be informed of risks; they do not want, nor would they have the expertise, to evaluate the techniques used to develop fair value measures or the changes in the valuation techniques. Knowing that Level 3 measures are less reliable than Level 2 or Level 1 measures would be sufficient for most users without the need for details about what portion of the actual return on plan assets related to assets sold during the period v. assets held at the balance sheet date. Paragraphs 9(b) and 9(c) may provide useful information for professional analysts but not for users of private entity financial statements. These disclosures add complexity and cost without a commensurate benefit.

TIC believes the Proposed FSP does not provide sufficient justification for the proposed disclosures in paragraphs 9(b) and 9(c). Rather, new disclosures should be implemented based on requests from a broad cross-section of users or on an appropriate analysis of common user needs. TIC is not aware that such requests are coming to the Board or that all users would benefit from the information. TIC believes the disclosures would be burdensome for many preparers because they would slow down the financial statement preparation process without a compensating benefit for the users of the statements. Therefore, TIC recommends that the disclosures in paragraphs 9(b) and 9(c) of the proposal be eliminated entirely for private entities.

However, if the Proposed FSP is finalized as written, TIC believes that sponsors of employee benefit plans should have the opportunity to implement fair value disclosures under paragraphs 9(b) and 9(c) in the Plan's financial statements prior to implementing those fair value disclosures in the sponsor's financial statements. Plan audits and the related financial reporting are often performed during the summer months when there is more time to devote to disclosure issues. As a result, plan financial statements generally are not prepared until well after the financial statements of the employer are prepared. TIC believes disclosures prepared for the plan financial statements would then be more portable to the employer financial statements.

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Therefore, if the disclosures in paragraphs 9(b) and 9(c) are retained in the final FSP, TIC recommends that the effective date for such disclosures be deferred until the sponsor's first year end beginning after the Plan's year end for which SFAS No. 157 was fully effective.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

Stephen Bodine

Stephen Bodine, Chair
PCPS Technical Issues Committee

cc: PCPS Executive and Technical Issues Committee

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