May 31, 2006

Via email

Technical Director
File Reference No. 1025-300
Financial Accounting Standards Board
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Wells Fargo & Company (Wells Fargo) is a diversified financial services company with over $492 billion in assets providing banking, insurance, investments, mortgage and consumer finance services. As a sponsor of defined benefit retirement plans, we appreciate the opportunity to comment on the issues being considered by the Board to improve the existing financial reporting of defined benefit postretirement plans.

Wells Fargo supports the Board’s efforts to address the concern that existing standards on employers’ accounting for defined benefit postretirement plans fail to produce representationally faithful and understandable financial statements. However, we have concerns about some of the Board’s proposed changes.

• We strongly disagree with the Board’s tentative conclusion that plan assets and benefit obligations be measured as of the date of the employer’s year-end statement of financial position. This preliminary conclusion eliminates the provisions in FASB Statements 87 and 106 that permit measurement as of a date that is not more than three months earlier than the date of the employer’s year-end financial statements. We believe that the current measurement date provisions should be retained.
• If the Board considers it important to change the existing measurement date requirement, we recommend that the current early measurement date provision be changed to one month prior to the date of the statement of financial position. We are a “large accelerated filer” as defined by the rules of the Securities and Exchange Commission (SEC). As such, we must file our 2006 Form 10-K annual report within a 60 day period after year end. The proposed change to a year-end measurement date coupled with this shortened reporting period will put undue and needless pressure on large registrants which is contradictory to a sound and well controlled reporting environment mandated by Section 404 of Sarbanes-Oxley. From a business perspective, this change would also create practical problems for companies. As discussed below, we believe that the practical considerations outweigh any perceived benefits of a year-end measurement date.

• We recommend that the proposed effective date be delayed one year. Final guidance may be issued by September 30, 2006, providing only three months between issuance of final guidance and the recording of new amounts in a company’s financial statements. This does not provide sufficient implementation time.

Year-End Measurement Date

A requirement to use a year-end measurement date will severely strain and possibly compromise the current closing schedules and financial reporting process. Most large public companies have aggressive closing schedules to accommodate earnings release dates which generally occur within two to three weeks of year end. Additionally, large public SEC registrants must file their Form 10-K annual reports within 60 days of year end and most large public companies are subject to Section 404 of Sarbanes-Oxley which requires them to maintain an adequate internal control structure and procedures for financial reporting. To meet these deadlines and comply with these rules, we strive to finalize our general ledger within five business days of year end. This means that most general ledger entries are needed by the third business day for proper review and analysis. For large companies with numerous postretirement benefit plans, a reasonable amount of time after the measurement date needs to be provided to allow for the collection of plan data and preparation of required general ledger entries and financial statement disclosures. Not all plan asset information is available within three days after the measurement date because many types of plan assets take time to properly value. This is true for investments that do not have readily determinable fair values, such as privately held equity investments and real estate properties. Entities with plans with these types of assets will need adequate time to properly value these assets. In addition, asset managers need to reconcile plan asset balances with plan activity for the period and conduct an appropriate review of the results. This reconciliation process for our plans, including proper review, takes between two and three weeks after year end. This information is then supplied to our actuary for them to complete their evaluation of plan assets and liabilities. With the new requirement in the Exposure Draft that the funded status be shown as an asset or liability while any actuarial gains or losses are separately reported in accumulated comprehensive income, pension asset values would directly impact the balance sheet. A year-end measurement date will not provide companies with adequate time to
collect all required information, accurately complete the asset valuation process, prepare and review the required general ledger entries and financial statement disclosures and still meet their current closing schedules, including compliance with the accelerated SEC filing deadlines. This timing is based on having domestic plans; companies with plans in foreign countries will need even more time to obtain information and prepare and review any foreign currency adjustments.

Likewise, we are extremely concerned with the operational impact that requiring a year-end measurement date will have on the preparation of the final benefit liability amounts. Numerous steps are involved in the compilation of these amounts between the measurement and earnings release dates including:

- Determining the discount rate as of the measurement date;
- Providing accounting data to external actuaries;
- Obtaining and reviewing actuarial results;
- Preparing accounting entries and disclosures;
- Obtaining signed actuarial reports for external auditor review; and
- Obtaining external auditor signoff of accounting entries and disclosures.

For example, our current discount rate determination is based on a review of Moody's Aa Corporate Bond Index and the rate of a hypothetical portfolio using the Hewitt Yield Curve (HYC), which is determined by our actuaries. The HYC can not be prepared until year-end rates are published, which occurs on the first business day after year end. About six business days are needed by our actuary to compute and review the HYC. This means that we would not be able to receive the HYC based on year-end rates prior to closing our general ledger.

Practical accommodations will need to be made in order to finalize the general ledger in time for the earnings release preparation and review process and accelerated SEC filing deadlines. The Board should therefore consider the possibility of a one month lag for asset values and discount rate determination. An earlier measurement date, even if only one month prior to year end, reasonably enables companies to obtain the information needed to accurately determine plan asset and final benefit obligation amounts and all of the related footnote disclosures. Without this measurement date accommodation, companies may develop their own accommodations, leading to inconsistency in reporting pension and postretirement plans among companies.

The current measurement date accommodation is provided in FASB Statement 87 for a reason. Although technology has enabled information to be more readily available, the complexity of pension accounting combined with the reliance on information that will not be ready until after year end necessitates a practical measurement date accommodation.

Changing the measurement date to coincide with a company's year end may require companies to either revise their budgeting process or cope with recurring budget variances in this area. For many companies, the annual budgeting process starts during the third quarter and is completed prior to year end. A year-end measurement date will clearly not provide companies with accurate postretirement benefit expense figures for the upcoming year in sufficient time for
inclusion in their annual budgets, increasing the likelihood of significant budget variances related to this expense. On the other hand, allowing the use of a measurement date one month prior to year end better aligns with the budget process. A November 30 measurement date would provide companies with an accurate estimate of postretirement benefit expense that could be included in the annual budget, resulting in fewer budget variances and increased operating efficiency.

We are also concerned that actuarial firms may not be able to handle the increased demand associated with a single year-end measurement date and the compressed reporting period. For example, a single measurement date may result in our actuary needing more than six days to compute the HYC. We expect that the capacity issues created at the actuarial firms by the change to a year end measurement date will cause actuarial rates to increase resulting in added costs for all companies. In addition to the inability to obtain information as of year end in time to finalize our financial statement amounts by the third business day, we also feel that the increased costs brought about by requiring the use of a year-end measurement date outweigh any perceived benefits of the change.

Effective Date

We would also like to note that companies will need sufficient time to work with their actuaries and asset managers to develop the controls and procedures needed to complete the valuation processes within the aggressive timeframes proposed by the Board. The proposed guidance will require implementation of new processes, procedures and internal controls which companies will be required to document and test for purposes of their Sarbanes-Oxley compliance. Based on the timetable in the Exposure Draft, final guidance may be issued by September 30, 2006. This does not allow sufficient time for companies to effectively review, analyze and disseminate the final guidance, and develop the controls and procedures needed, especially when the final guidance may differ from that in the Exposure Draft. This is particularly important given the potential magnitude of new balances that may be recorded on a company’s balance sheet and in other comprehensive income. We strongly encourage the Board to delay the effective date of this provision for an additional year. This timing will allow companies sufficient time to coordinate with their actuaries and asset managers and make the necessary changes to their procedures and controls in an orderly and controlled manner. It will also allow the actuarial firms adequate time to increase their staffs to effectively assist their clients in meeting the new aggressive reporting deadlines.

Conclusion

Based on the foregoing, we recommend that certain of the proposed statement’s provisions be revised. We encourage the Board to retain the current requirement that permits measurement of plan assets and benefit obligations as of a date that is not more than three months earlier than the date of the employer’s financial statements. If this provision is not retained, companies will likely need to make estimates in order to finalize their general ledgers in time to allow for the proper review and analysis of financial statements before releasing earnings. This seems to
defeat the purpose of requiring a year-end measurement date. We do not believe that a year-end measurement date will provide companies with sufficient time to properly prepare and analyze pension related financial statement amounts and their related disclosures while still complying with the SEC's accelerated filing deadlines. Public companies must also have adequate time to perform the required internal and external internal control reviews required by Section 404 of Sarbanes-Oxley. This is particularly important to us as we consider pension accounting one of our Critical Accounting Policies. We would also like to point out that the accounting for pensions and postretirement benefits requires many significant estimates and assumptions that are used to quantify a liability that will not be settled until many years in the future. We believe that requiring a year end measurement date implies a level of precision in this area of accounting that just does not exist, and therefore a three month early measurement date provision is reasonable. If the Board considers three months not acceptable, we strongly suggest allowing a provision of at least one month. In addition, we encourage the Board to delay the effective date for one year, given the potential short time frame between the issuance of final guidance and implementation. This implementation time is particularly important given the financial statement ramifications of the proposed changes and the controls needed to ensure the new amounts recorded are accurate.

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We appreciate the opportunity to comment on the issues contained in the Board's proposed statement on employers' accounting for defined benefit pension and other postretirement plans. If you have any questions, please contact me at (415) 222-3119.

Sincerely,

/s/ Richard D. Levy

Richard D. Levy
Senior Vice President & Controller