May 2, 2008

Mr. Russell G. Golden
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: Proposed FASB Staff Position No. FAS 132(R)-a, Employers’ Disclosures about Postretirement Benefit Plan Assets

Dear Mr. Golden:

We appreciate the opportunity to comment on the Financial Accounting Standards Board’s (FASB or the Board) Staff Position No. FAS 132(R)-a, Employers’ Disclosures about Postretirement Benefit Plan Assets (the Proposed FSP). While we commend the Board for reconsidering how the disclosure requirements of FASB Statement No. 157, Fair Value Measurements (Statement 157), relate to plan assets of postretirement benefit plans in the financial statements of the plan sponsor, we believe further clarification of the Board’s basis for this conclusion would be useful. Specifically, some constituents may find it confusing that the Board determined that the disclosure requirements of Statement 157 do not apply to plan assets, but then required almost the exact disclosure requirements in the Proposed FSP.

The Proposed FSP states that a primary reason why plan assets are excluded from Statement 157’s disclosure requirements is because plan assets measured at fair value are netted against benefit obligations that are not measured at fair value, resulting in the recognition of the funded status on the balance sheet as a netted balance that is not measured at fair value. We are concerned that without additional clarification from the Board, constituents may conclude that any fair value measurements presented on the balance sheet net of non-fair value measures, would also be excluded from the disclosure requirements of Statement 157. For example, based on SEC staff views, many bifurcated derivatives (required to be measured at fair value under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities) are presented net with the host contract for financial statement presentation purposes. Given the objective of Statement 157, we would question the exclusion of these bifurcated derivatives for disclosure purposes.

We support the Board’s view that additional disclosures of plan assets, such as certain of those required by Statement 157, would provide useful information. We agree with the Proposed FSP’s amendments to Statement 132(R), Employers’ Disclosures about Pensions and Other Postretirement Benefits, an amendment of FASB Statements No. 87, 88, and 106 (Statement 132(R)), to include a principle for disclosing the fair value of categories of plan assets. We generally agree that disclosure of concentrations of risk arising within or across categories of plan assets would provide useful information but suggest that the objective of these disclosures should be to provide information consistent with the long-term nature of postretirement benefit plans.
Mr. Russell Golden

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We support the Proposed FSP’s amendments to include the disclosures required by Statement 157 related to the fair value hierarchy and information about the valuation techniques and inputs used to measure fair value. However, as discussed further below, we question whether the Level 3 reconciliation disclosure will provide decision-useful information. We believe the Level 3 reconciliation disclosure should not be required.

We agree with the technical amendment to Statement 132(R), which adds a subparagraph to paragraph 8 requiring nonpublic entities to disclose the amount of net periodic benefit cost recognized. We recognize that this disclosure was not originally intended to be eliminated, as illustrated in Appendix C of Statement 132(R).

The body of this letter includes our general comments and observations on the Proposed FSP. In the Attachment to this letter, we provide responses to the specific questions included in the Notice for Recipients.

**General Comments and Observations**

**Disclosures about Fair Value Measurements of Plan Assets**

Many plan sponsors have postretirement benefit plans that are a significant component of their statements of financial position. We believe the trustees of postretirement benefit plans may be exploring greater use of alternative investments, such as private equity funds. These alternative investments may have fair values measured using significant unobservable inputs, placing them into Level 3, as defined within Statement 157. The Proposed FSP would require plan sponsors that have Level 3 plan assets to provide a reconciliation of the beginning and ending balances, separately presenting the following changes during the period:

- Actual return on plan assets, separately identifying the amount related to assets sold during the period;
- Purchases, sales, and settlements (net); and
- Transfers in and/or out of Level 3.

The Level 3 reconciliation disclosure required by Statement 157 presents the effect of fair value measurements on earnings for the period. In contrast, the Level 3 reconciliation disclosure under the Proposed FSP would reflect fair value measurements reported in other comprehensive income for the period, rather than earnings. Actual returns on plan assets are recorded in other comprehensive income based on FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)*, and are not generally reflected in earnings in the period in which they arise due to the “delayed recognition” provisions of FASB Statement No. 87, *Employers' Accounting for Pensions*, and FASB Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*. Accordingly, we believe that the Level 3 reconciliation disclosure for plan assets provides less useful information than the Level 3 reconciliation disclosure required by Statement 157 because the changes in the fair value of plan assets have only an indirect effect on the required disclosures and earnings for the period.
We believe the preparation of the Level 3 reconciliation will be a significant undertaking for plan sponsors and trustees, many of whom may be unfamiliar with Statement 157's fair value hierarchy and disclosure requirements. Plan sponsors and trustees will likely need assistance from their plan asset managers for the Level 3 reconciliation. Significant coordination with these third-party service providers will likely be required. Some plans experience a constant rebalancing of assets, resulting in a significant amount of transaction activity during a given year that will make the Level 3 reconciliation more challenging to prepare. These plans will need additional time to implement appropriate processes to accurately compile the Level 3 reconciliation. We believe the costs of preparing the Level 3 reconciliation disclosure may outweigh the benefits of providing this information.

We believe the Level 3 reconciliation disclosure should not be required. Plan sponsors should evaluate the costs vs. benefits of providing the Level 3 reconciliation disclosure together with the overall decision-usefulness of the information based on the nature and amount of assets included in their postretirement benefit plans.

If the Board requires the Level 3 reconciliation disclosure for plan assets, we believe that the effective date should be deferred for all postretirement benefit plans. For the reasons stated above, we believe the Level 3 reconciliation disclosure will require significant time to prepare. In addition, the Proposed FSP would require prospective adoption; however, the presentation of the Level 3 reconciliation beginning balance is a form of retrospective application. We believe this retrospective disclosure requirement will be more difficult and take additional time to prepare for plan sponsors whose fiscal years have already begun by the date that the FSP is finalized.

If the Board does not agree with deferring the Level 3 reconciliation disclosure for all postretirement benefit plans, we suggest the Board consider a deferral for foreign plans. We understand that certain foreign plans will need additional time to prepare the Level 3 reconciliation disclosure because plan trustees and asset managers outside of the United States may not be familiar with U.S. Generally Accepted Accounting Principles. In addition, these plan sponsors may experience difficulty obtaining the information required to complete the Level 3 reconciliation.
Amended Illustrations

Appendix B to the Proposed FSP presents amendments to the Appendix C Illustrations of Statement 132(R). Proposed amendments to paragraph C2 state paragraphs 5(d)(1) and 5(d)(4) are provided only for one year, even though those paragraphs indicate that the disclosures are required to be presented as of each date for which a statement of financial position is presented. Similar proposed amendments have been reflected within paragraphs 8(c)(1) and 8(c)(4) for nonpublic entities. We believe the FASB should clarify for which years the disclosures should be provided. In addition, we suggest adding that paragraphs C2 and C3 would be applicable to public and nonpublic entities.

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We would be pleased to discuss our comments with the Board members or the FASB staff at your convenience.

Very truly yours,

Ernst & Young LLP
Attachment – Comments on Specific Questions Included in the Notice for Recipients

Question 1: *Is the principle of disclosing categories by type of plan asset understandable?*

We believe the principle of disclosing significant categories by type of plan asset is generally understandable. However, we suggest the Board clarify that plan assets should be included in the asset category that best represents the nature of the investments held. This clarification will assist plan sponsors when preparing the disclosure for plan assets that might be included in more than one asset category.

Question 2: *Are the asset categories that must be disclosed, if significant, representative of the types of assets held in postretirement benefit plans? Should any other categories be added?*

The asset categories appear to be reflective of what we are seeing in today’s economic environment. Some of these asset categories may become less significant over time, and other categories may become significant in the future. We believe that some plan sponsors may view the proposed asset categories as a complete listing of required disclosures, thus discouraging those plan sponsors from disclosing other meaningful asset categories that are not listed. We suggest the Board clarify that the listed asset categories are examples and emphasize that other categories should be disclosed, if significant. We believe plan sponsors should have the ability to exclude or modify the asset categories as necessary to be consistent with the disclosure principle.

Question 3: *Is the requirement to disclose concentrations of risk arising within or across categories of plan assets from a lack of diversification understandable, and is this information useful? Would another disclosure principle be better?*

We believe a requirement to disclose concentrations of risk arising within or across categories of plan assets will provide useful information. As a result of the current credit crisis, the funded statuses of many postretirement benefit plans may have been negatively affected by the lack of diversification.

The proposed amendment to paragraph 5(d)(1) of Statement 132(R) would require disclosure of the nature and amount of a concentration of risk arising within or across categories of plan assets. We believe these disclosures of the nature and amount of risk associated with assets held at the financial statement reporting date provide a short-term focus, which may be less meaningful than disclosures that are more consistent with the long-term nature of postretirement benefit obligations. We believe the proposed amendments to paragraphs 5(d)(2), 5(d)(3), 8(c)(2) and 8(c)(3) requiring disclosure of investment policies and strategies by asset category, as well as the basis for determining the overall expected long-term rate of return assumption, will provide more meaningful information to investors regarding concentrations of risk.

Question 4: *Would the disclosures about fair value measurements of plan assets provide decision-useful information?*
We believe the proposed disclosures related to the fair value hierarchy and information about the valuation techniques and inputs used to measure fair value would provide decision-useful information to the users of financial statements. As discussed in the General Comments and Observations section within this letter, we do not believe that the Level 3 reconciliation disclosure would provide sufficient decision-useful information to justify the costs incurred in preparing the information.

**Question 5:** Would any of the required disclosures impose excessive incremental costs? If so, please describe the nature and extent of the additional costs.

Please refer to our comments above in the General Comments and Observation section within this letter.

**Question 6:** Is the time needed to compile the information required to support annual reporting disclosures sufficient given the proposed effective date for fiscal years ending after December 15, 2008? If not, please describe the nature and extent of the effort required and the time needed.

Please refer to our comments above in the General Comments and Observation section within this letter.