



Letter of Comment No: 73
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October 27, 2003

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

RE: File Reference 1025-001 - Proposed Statement of Financial Accounting Standards,
Employers' Disclosures about Pensions and Other Postretirement Benefits

Dear Mr. Smith:

Wachovia Corporation is pleased to comment on the Proposed Statement of Financial Accounting Standards, *Employers' Disclosures about Pensions and Other Postretirement Benefits* (the Exposure Draft). We support the Board's goal of enhancing the disclosures regarding pension plan assets, obligations, cash flows and net benefit cost, but do have the following comments and suggestions regarding the Exposure Draft.

Cash Flow Information

We understand and support the Board's desire to provide readers with additional information about cash flows relating to pension plans. However, the Exposure Draft calls for information that is not readily available, will result in additional costs to provide, and will not be easily understood by financial statement readers. Our outside actuarial firm's current processes do not identify expected benefit payments by year and they will need to make significant system modifications to provide this information. Further, the calculation of expected benefit payments proposed by the Exposure Draft is based on payment streams that underlie the project benefit obligation and accumulated benefit obligation. Traditionally, benefit payments are calculated on a present value of benefits/expected postretirement benefit obligation basis. This difference also will require system modifications, and, because users may assume that will assume that the traditional calculation is being used, the calculation proposed by the Exposure Draft is confusing and misleading.

The Board's basis for requiring these disclosures, as stated in paragraph A22 of the Exposure Draft, includes a view that financial statement users will be able to "assess the amounts, timing, and pattern of cash flows and how well asset maturities align with benefit payments." Significant

portions of most pension plans' assets are invested in equity securities that do not have stated maturities, so there is limited usefulness in a user trying to align benefit payments with these assets. We suggest that the requirement to disclose future benefit payments broken down by individual years be eliminated – disclosure of the total obligation, both on an accumulated and projected basis, is sufficient to provide users an understanding of a plan's obligations.

Similarly, we believe that the proposed disclosure of projected company contributions may not be beneficial enough to overcome the burden of providing this information. The burden is not a financial cost; rather it is the providing of an estimate that will certainly change, including a change to be reflected in the first interim report after an annual financial statement. Currently, plan sponsors receive information from the plan's actuary during a plan's fiscal year that assists management of the sponsor in determining the range of possible contributions to a plan – both the minimum required and maximum deductible contribution (although this information is not required to be finalized until eight and a half months after the end of the plan's fiscal year). For Wachovia, this information is not available in time to include a precise estimate in a sponsor's annual financial statements, but is generally available for the first interim filing. Accordingly, financial statement preparers will provide an estimate that is known to be incorrect and then revise that estimate in future filings.

In addition to this burden, we do not believe that financial statement users can fully understand the nature of the estimate, given the various intricacies regarding the tax laws and various funding alternatives that plan sponsors consider in making their plan contributions. Specifically, because of the uncertainty noted above, we anticipate that preparers will use a broad range of estimated contributions and, because of the breadth of the range, the disclosure will not be meaningful to users.

Finally, the requirement to break out the contributions between required and discretionary funding increases the impact of the uncertainties noted above. A plan sponsor may be able to determine the total amount it is willing to contribute to a plan in time for disclosure in the annual financial statements. However, the information needed to correctly state the breakout between required and discretionary will not be available until later in that subsequent year. Therefore, if the Board keeps the requirement to disclose anticipated contributions, we recommend that the requirement to split that amount be removed.

Measurement Dates

We believe the Exposure Draft's requirement to disclose the measurement date only when changing economic conditions have a significant impact on the plan assets, obligation, or net periodic pension cost is actually more burdensome to financial statement preparers than the simple disclosure of the measurement date itself. The Exposure Draft's enhanced disclosures of plan asset makeup, expected rates of returns, and plan assumptions and how they impact the recorded obligation or expense provide readers with significant insight into the factors that impact plan assets, obligations and net periodic pension cost. If readers understand the date on which the measurement of these items has been made, the reader should be able to understand the impact of changing economic conditions. The Exposure Draft essentially requires a plan sponsor that has a measurement date different from its financial statement date, which Wachovia does, to have two separate actuarial calculations performed. In today's environment, economic conditions are constantly changing and the only way to assess significance is to do the calculation a second time.

We suggest that the Board remove the requirement to update the financial information and that a plan's measurement date be disclosed in all cases.

Reconciliations of Beginning and Ending Balances of Plan Assets and Benefit Obligations

We believe that the reconciliations currently provided are useful in understanding the funding status of the plan and the impact of the plan on the financial condition and results of operations of a plan sponsor. We use information in these reconciliations to describe the impact of our plan on our financial statements. Because the disclosures have been provided in the past and because the information in the reconciliations is generated for other purposes, it is readily available. The Exposure Draft retains certain of these disclosures, but calls for them to be placed throughout the footnote disclosures. Accordingly, we believe that the Board should continue to require these disclosures in their current format, which is easily understood.

Interim Disclosures

We support the Board's efforts to increase the frequency of disclosures about net periodic pension cost. However, we are concerned that the level of detail called for by the Exposure Draft is one that is not currently calculated on an interim basis and thus will require additional effort, while not providing incremental benefit. We suggest that the Board simply require the specific disclosure of total net periodic pension cost, and not the individual components, on an interim basis. We have provided our comments on the estimated contributions above.

Transition

We support the Board's desire to quickly provide additional information regarding plan assets and obligations. However, we are concerned that the transition period does not allow sufficient time to ensure accurate calculations of the expected future benefit obligations. As noted above, this will require system modifications. Also, for plan sponsors that have a measurement date prior to year-end, the valuation process is already underway and a final statement will not be issued for at least a month. We suggest that the Board defer the disclosures regarding expected benefit payments, if they are retained in a final statement, until periods beginning after December 15, 2003.

We would be pleased to address any questions you may have regarding the comments in this letter or to discuss our position in more detail at your convenience. I can be reached at 704-383-6101 or by email at david.julian@wachovia.com.

Sincerely,

David M. Julian
Senior Vice President and Controller