

October 27, 2003

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

**Letter of Comment No:** 63  
**File Reference:** 1025-200  
**Date Received:** 10/27/03

Re: ED of a Proposed Statement of Financial Accounting Standards, *Employers' Disclosures about Pensions and Other Postretirement Benefits; an amendment of FASB Statements No. 87, 88, and 106 and a replacement of FASB Statement No. 132*—9/12/03  
[File Reference 1025-200]

Dear Mr. Smith:

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 above-referenced ED and is providing the following comments for your consideration, which are limited to those issues of highest concern to our constituency.

### GENERAL COMMENTS

As discussed below, TIC opposes the adoption of the proposed disclosures for nonpublic companies. TIC's opposition is based on a lack of value for users of nonpublic company financial statements. We do not believe that the additional time and effort necessary to present this additional information provides commensurate value to the user.

If the FASB does not carve out nonpublic companies from the scope of the final standard, TIC requests that the FASB reconsider the value of many of the disclosures for our constituency and require only those disclosures that would benefit most financial statement users. For example, TIC identified the disclosure in paragraph 5f of the ED as the one that is potentially the most useful to users of nonpublic financial statements. TIC therefore recommends that FASB Statement No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits*, be retained as is with the addition of only paragraph 5f (including the amendments suggested below) from the ED.

TIC also recommends extending the effective date of the final standard for nonpublic companies to fiscal years ending after December 15, 2004. We believe that December 15, 2003 will not provide adequate time for the new standard to be effectively

communicated to nonpublic companies, their accountants and their plan administrators and actuaries.

Our specific comments on the above issues are noted below.

## SPECIFIC COMMENTS

***Issue 5: This proposed Statement would retain the more limited disclosures for nonpublic entities required by Statement 132. Of the new disclosures that would be required by this proposed Statement, all would be required of nonpublic entities except for interim-period disclosure of the components of net periodic benefit cost recognized.***

**Do you agree that all disclosures that would be required by this proposed Statement, except for interim-period disclosure of the components of net periodic benefit cost recognized, should be required for nonpublic entities? Do nonpublic entities have any special circumstances affecting their ability to provide the proposed disclosures?**

**Paragraph A30 of this proposed Statement provides the basis for the Board's conclusions on this issue.**

TIC believes that current pension disclosures are adequate for nonpublic companies. TIC members have found that financial statement users with whom they come in contact are not clamoring for additional pension information. If all of the proposed disclosures are retained in the final standard, the pension footnote will be extended by one or two additional pages that, as a general rule, will not be of value to the primary users of our clients' financial statements.

Although the information needed for the disclosures would be available from an entity's plan actuary or administrator without incurring significant cost, TIC objects to the additional disclosures on the grounds that they will add little value to nonpublic company financial statements. The proposed disclosures may be important to analysts of public company financial statements but do not have the same relevance to the readers of nonpublic company financial statements. The expansion of disclosures in footnotes in an attempt to satisfy the needs of all users of all financial statements will not only create confusion among financial statement users but will also obscure the important elements of disclosure that are essential for all users to understand.

Many of the proposed disclosures request information about the type of assets held in the plan. In TIC's experience, the financial statement users who might occasionally want such information are in a position to request it directly from the company. Their needs could be met by obtaining the audit of the plan's financial statements. Having redundant disclosures in both sets of financial statements serves no purpose for nonpublic companies.

Of all the new disclosures proposed in the ED, the only one that TIC agreed might be useful to nonpublic financial statement users is in paragraph 5f:

*The employer's contributions expected to be paid to the plan during the next fiscal year beginning after the date of the latest statement of financial position, separately identifying (1) contributions required by funding regulations or laws, (2) additional discretionary contributions, and (3) the aggregate amount and description of any noncash contributions.*

However, TIC suggests that the disclosure be amended to express the expected contribution as a range. The wording in paragraph 5f implies that a single number estimate is required. TIC is concerned that a single number would give the auditor exposure if the actual contribution was not close to the estimate.

**Issues 6 through 9** discuss certain disclosures (noted below) that the FASB considered for inclusion in the Proposed ED but ultimately decided to exclude from the ED:

- Sensitivity information about changes in certain assumptions (Issue 6)
- Measurement dates used to determine pension and other postretirement benefit measurements when different from the fiscal year-end date [Exception: The measurement date disclosure would be required if economic events have occurred, or economic conditions change, in between the measurement date and the fiscal year-end that would have had a significant effect on reported amounts of plan assets and obligations had the fiscal year been used as the measurement date] (Issue 7)
- Reconciliation of beginning and ending balances of plan assets and benefit obligations (Issue 8)
- Ten other miscellaneous disclosures (Issue 9)

The Board has asked for input on the proposed exclusions. TIC agrees with the Board's rationale in paragraphs A14-A21, A25-A27, A29, A31-A33 and A35 of the ED on all of the above issues and encourages the Board to exclude the stated disclosures from the final standard.

**Issue 11:** **The provisions of this proposed Statement would be effective for fiscal years ending after December 15, 2003. The interim-period disclosures in this proposed Statement would be effective for the first fiscal quarter of the year following initial application of the annual disclosure requirements. The disclosures for earlier annual periods presented for comparative purposes would be restated for (a) the percentages of each major category of plan assets held and (b) the accumulated benefit obligation. The disclosures for earlier interim periods presented for comparative purposes would be restated for the components of net benefit cost. However, if obtaining this information relating to earlier periods is not practicable, the notes to the financial statements would include all available information and identify the information not available. All other disclosures, other**

than those identified above for restatement, would only be required to be presented as of the date of the most recent statement of financial position. Are the proposed effective date provisions and transition appropriate? If not, what alternative effective dates and transition would you suggest and why? If individual disclosures require additional time to compile, please describe the nature and extent of the effort required.

Paragraphs A38 and A39 of this proposed Statement provide the basis for the Board's conclusions on this issue.

The new standard would be effective for fiscal years ending after December 15, 2003. TIC is concerned that this date will not give plan administrators of nonpublic companies enough time to assemble the required information for the disclosures. Although information for the additional disclosures is readily obtainable, TIC members found that some of the information is not currently included in actuarial reports and confirms. The final pension disclosure standard will not be issued before auditors send out their actuarial confirmation requests for December 31 engagements. Therefore, auditors will not have time to change their list of requested items to comply with the new standard. An extension of one year, or at least a minimum of six months, is requested.

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 M. McEachern, Chair  
PCPS Technical Issues Committee

cc: PCPS Executive and Technical Issues Committees