

REVISED MINUTES



To: Board Members
From: Zimmerman, ext. 298; Sledge, ext. 273
Subject: Revised Minutes of the June 27, 2006
Public Roundtable Discussion on Pension and Postretirement Benefits **Date:** August 1, 2006
cc: FASB: Bielstein, Smith, MacDonald, Proestakes, Hood, Cafini, Mechanick, Cassel, Sarno, Jolla, Stevens, Sledge, Zimmerman, Carney, Allen, Polley, Gabriele, Sutay, FASB Intranet; GASB: K. Johnson; IASB: Leisenring, Upton, McGeachin, Hickey

Topic: Pension and Postretirement Benefits

Basis for Discussion: FASB Exposure Draft, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, dated March 31, 2006

Length of Discussion: Morning Session: 9:00 a.m. to 11:45 p.m.
Afternoon Session: 1:00 to 4:00 p.m.

Attendance:

Board members present: Herz, Batavick, Crooch, Schipper, Seidman, Trott, Young
Board members absent: Schipper absent from 9 a.m. to 9:45 a.m.
Other Observers: Linsmeier
Moderator: Batavick
Staff at table: Bielstein, Cassel, Hood, Mechanick, Proestakes, Strange, Zimmerman
Outside participants: See Appendix A

Summary

The following text summarizes participant responses to questions posed by Board members at the public roundtable meetings. Those questions were based on questions in the Notice for Recipients section of FASB Exposure Draft, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. This summary is organized by agenda topics (Appendix B) and has been prepared without attribution. For interested parties, complete audio files of the roundtable meetings are available at no cost on the FASB website.

Objective of Meeting:

The objective of the roundtable meetings was to listen to interested constituents' views about the Exposure Draft. The objective was accomplished.

Matters Discussed:

Phased Approach

1. Some preparers and actuaries stated that measurement should be reconsidered in Phase 1. Requiring recognition of the funded status of plans, measured using the projected benefit obligation (PBO), appears to presuppose the outcome of the Board's deliberations about measurement in Phase 2. One actuary stated that the Board would not conclude that the PBO is inappropriate in Phase 2 if the Board decided to use it to measure the pension obligation recognized on the balance sheet in Phase 1.
2. Several preparers and actuaries contended that using the PBO to calculate the funded status would be a change in measurement, contrary to the Board's stated goals of Phase 1, since the accumulated benefit obligation (ABO) is currently used to recognize the additional minimum liability.
3. However, an analyst noted that use of the PBO on the balance sheet would be consistent because it currently drives the expense recognized on the income statement. Additionally, several Board Members emphasized that this Board has not deliberated measurement, and there are many possible ways of measuring the obligation other than the ABO or PBO. Given the complexity of cash-balance plans and plans with mixed elements, measurement deliberations would take significant time. Therefore, the Board is relying on the previous Board's conclusion that the PBO is more relevant than the ABO for measuring the pension obligation in Phase 1.
4. Other preparers and actuaries urged the Board to slow down and promulgate changes in one phase (that is, a comprehensive one-step project). A phased approach would result in confusing financial statements in the timeframe between the completion of Phase 1 and Phase 2. Multiple phases could also lead to multiple large adjustments to shareholders' equity, which would result in extreme volatility, especially for book value companies.

5. Some users and auditors countered that revisiting the entire range of issues in pension accounting is complicated and would take years to complete. Although some expressed concern about using the PBO, they agreed that the Board should completely address measurement in Phase 2. Use of the PBO in Phase 1 is a pragmatic solution that would improve the transparency of financial reporting.
6. One auditor added that the Board did not yet have the building blocks in place to address measurement, such as the definition of a liability from the revised conceptual framework. The PBO is a well-understood measure that has been used for 20 years. It should continue to be used until the Board has completed some current projects that will aid its deliberations in Phase 2.

Measurement

7. Some preparers, actuaries, and users contended that using the PBO as the measure of the pension obligation would lead to a decline in defined benefit plans, as employers would settle or freeze plans in order to avoid recognizing a liability. Some preparers and actuaries said that the Board should not jeopardize the continuation of those plans in an effort to achieve better accounting standards.
8. One Board Member countered that current accounting standards may have a bias towards defined benefit plans, and the Board would be eliminating that bias by reporting those plans on the balance sheet. It was emphasized that decisions about whether to continue offering such plans should be driven by the underlying economics and not by the accounting treatment. Currently, information about the economic obligation is buried in the footnotes, and the assertion that recognizing those obligations on the balance sheet would influence management and investor decision making reveals the importance of the changes proposed by the limited-scope of Phase 1.
9. One of the users pointed out that not all users of financial statements have the necessary tools or resources to deal with the complexity of today's pension accounting. Therefore, there is an urgent need to close the gap between what is reported on the balance sheet and the true economic condition of the pension obligation. Several users stated that the PBO is the most valid measure from an analytical standpoint, and estimations about the future have to be made at the balance sheet date. Furthermore, the PBO captures conditional promises (embedded guarantees in pension plans based on employees' years of service and future salaries).
10. Pension and healthcare plans are viewed by one credit ratings agency as a form of deferred compensation and a call on future cash flows; other credit ratings agencies view those obligations as debt or debt-like. Some users noted that in the case of a plan takeover by the Pension Benefit Guaranty Corporation (PBGC), the settlement amount can be much higher than the ABO and sometimes even higher than the PBO.

11. Some actuaries stated that the PBO was utilized by the Board in FASB Statement No. 87, *Employers' Accounting for Pensions*, which was based on the projected unit credit method. That method was developed by actuaries to help employers smooth contributions over time. They emphasized that the previous Board decided that the PBO was the most appropriate method for matching revenues and expenses at the time, but the Board did not decide that the PBO was the appropriate balance sheet liability.
12. A FASB Staff Member disagreed with the assertion above and stated that the Board extensively deliberated measurement issues for Statement 87 and concluded at that time that the PBO was the most relevant measure of pension obligations.
13. Some preparers and actuaries commented that the PBO does not meet the definition of a liability under FASB Concepts Statement No. 6, *Elements of Financial Statements*, because estimated future salary increases are not present liabilities. One preparer contended that the world is much different now than when measurement was first debated 20 years ago because pay increases are no longer guaranteed due to global competition, in spite of inflation. Furthermore, an actuarial representative pointed out that the employer's right to walk away from a pension plan was being ignored by use of the PBO.
14. A Board Member directed constituents to the previous Board's explanation in Statement 87 of why the PBO did meet the definition of a liability. He stated that anyone who believes that future salary increases should be excluded from the pension liability should also support not including any early retirement incentives or likely future lump-sum payments, which are components of the ABO.
15. Another Board Member and an SEC Staff Member noted that if an employer has an expectation of giving small or no salary increases, it should build those assumptions into its best estimate of salary projections used to calculate the PBO, which would result in only a small difference between the PBO and the ABO.
16. A Board Member highlighted the difficulty of deciding which forward-looking information should be included in a measure of the obligation and acknowledged that it may be inconsistent to include some while excluding others. Additionally, the Board Member questioned whether that decision should be different from other entity obligations simply because the counterparties are employees. Furthermore, an SEC Staff Member indicated that the ABO discounts nominal cash flows using a discount rate that includes inflation expectations, yet excludes inflationary pay increases from the measure of the obligation. This inconsistency shows how the ABO is simply a calculation and not a logical measure of the pension liability.
17. Some preparers and actuaries strongly argued that retiree healthcare is a revocable commitment by employers because employers have the ability to walk away from postretirement healthcare plans. The employer's ability to control the commitment was cited as evidence that those plans do not give rise to a liability

or at least that the accumulated postretirement benefit obligation (APBO) overstates the liability. One actuary pointed out that the long-term nature of the healthcare obligation results in significant compounding of assumptions (the healthcare trend rate, among others), which assigns a measure that is far too large to be the economic value of the obligation.

18. One Board Member noted that an employee has a reasonable expectation to receive those benefits until plans are curtailed. He added that the Board received conflicting information from other groups that the healthcare cost trend rate historically used in calculating the APBO has grossly understated the experienced rate.
19. One user noted that healthcare obligations may not be so easily avoided because they must be examined in relation to the entity's work force. Another user stated that the outcome of cutting healthcare obligations should not be prejudged because cutting those obligations may result in compensating changes in other forms of employee compensation.
20. One actuary stated that there are concerns with both the ABO and the PBO. Since the Board cannot resolve those issues in Phase 1, they should use an alternate measure that expands the existing mechanics of Statement 87 to target a range of reasonable measurements between the ABO and PBO, leaving the PBO and ABO figures as supplements in the footnotes. Another actuary stated that the PBO is an awkward mixture of accrued and projected amounts, and it would be more appropriate to value accrued benefits using current settlement rates and projected benefits using projected settlement rates.

Balance Sheet Recognition

21. Some users, preparers, and auditors highlighted the importance of financial statement transparency and the necessity of recognizing pension and other postretirement benefit obligations on the balance sheet. One analyst stated that the Board's proposal is essentially a reclassification of amounts from footnotes. Additionally, a user stated that the current wave of plan changes is due to companies not being able to afford promises they made in the past.
22. Participants representing co-operative businesses stated that the proposed Statement would disadvantage companies with arrangements to buy and sell equity or membership interests at their book value. They suggested that the Board consider allowing a deferred charge or credit recognized as an asset or liability, or other classification outside shareholders' equity, as alternatives to the treatment currently proposed (that is, an increase or decrease of shareholders' equity).
23. In response, one Board Member stated that if the liability is a real economic obligation, it would be deceiving to portray the charge outside of equity. Another Board Member inquired about other adjustments co-operatives must make due to items recognized in accumulated other comprehensive income (AOCI), such as those under FASB Statement No. 115, *Accounting for Certain Investments in*

Debt and Equity Securities, and FASB Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. He noted that the effect on equity resulting from the proposed Statement is not new to GAAP.

24. A representative from a co-operative business replied that it currently has few items in other comprehensive income and that those items are not excluded from the calculation of “book value” because they are *de minimis*.
25. Some preparers suggested some phase-in transition relief (for example, recognize the funded status over 3 to 10 years) to prevent disruption to book value companies and contractual arrangements that reference book value. Such relief would be similar to the transition treatment allowed under FASB Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*.
26. A Board Member asked why contractual arrangements that reference financial metrics affected by the proposed Statement could not be amended. Additionally, an SEC Staff Member noted that firms negotiating debt covenants are aware of the potential for GAAP to change. Therefore, the burden of dealing with changes to GAAP should fall on those who made the arrangements, as opposed to the Board.
27. In response, some preparers indicated that other legal arrangements might prevent changes to the contractual arrangements.

Transition

28. Some users stated that retrospective application is preferable and more useful from a comparability standpoint. One analyst noted that while there is a substantial amount of information presented in the pension footnote, it is difficult to adjust the financials. Some users also commented that retrospective application is essential to understanding the effect of the accounting changes and is consistent with both the IASB's approach and the guidance provided in FASB Statement No. 154, *Accounting Changes and Error Corrections*.
29. Some preparers stated that if plan settlements and curtailments had occurred during the restatement period, retrospective application would be difficult. In addition, having to assess the realizability of deferred tax assets would complicate retrospective application and add undue costs to the transition. Those preparers noted that the unrecognized transition asset or obligation remaining from the initial application of Statement 87 and FASB Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, would not have a substantial effect on income statement trends. Therefore, the costs of retrospective application would exceed its marginal benefits to financial reporting.
30. Some auditors advised the Board to relax the effective date if retrospective application is required because of the complexity of eliminating the transition asset or obligation. However, several analysts responded that the transition assets or obligations that would be recognized in AOCI are minimal amounts and occur

infrequently. While the analysts preferred retrospective application, they understood the complexities associated with restating all prior periods. Yet they encouraged the Board to require restatement of at least the year prior to the initial year of application.

31. A Board Member proposed a compromise that would allow for prospective application for years ending after December 15, 2006, but would require a retrospective pro forma footnote for the year immediately preceding the initial year of application. Several users indicated that this option was reasonable and something that should be considered.

Measurement Date

32. While almost all participants agreed that a fiscal year-end measurement date for plan assets and benefit obligations was conceptually superior to an earlier measurement date (that is, up to three months earlier), some preparers and actuaries expressed the practical necessity of an earlier date to allow time to derive appropriate yield curves and receive actuarial calculations for multiple plans.
33. The actuaries described the long-term nature of postretirement benefit obligations, the relative uncertainty associated with estimating future cash flows, and the illusory improvement (false precision) associated with measuring benefit obligations as of the date of the balance sheet. Some users countered that many other liabilities have similar issues, but companies manage to value them at fiscal year-end.
34. Some preparers also indicated that it takes more time to collect information for foreign plans because it is difficult to value foreign assets and coordinate multiple actuarial firms. One actuary stated that developing the discount rate would not be a problem; however, obtaining reliable asset information for international plans and for assets without a quoted market price could be difficult.
35. Several users stated that plan assets and benefit obligations should be measured as of the balance sheet date like all other assets and liabilities. An analyst stated that the process of accounting for pensions should not be different from other complex areas, such as income taxes. Plans have been around for a long time, sponsors have been collecting data for decades, and the processes have likely become more automated since 1985 when Statement 87 was issued.
36. While acknowledging the advances in automation, some preparers and actuaries stated that assets and liabilities related to pensions and healthcare plans are indeed different from an entity's other assets and liabilities because of the massive coordination of external resources, the need to compile data, the selection of assumptions, and the complex calculations necessary.
37. Many preparers and actuaries also emphasized the need for adequate time between the measurement date and the reporting date to evaluate the calculations and have them reviewed by auditors. The increased procedures and controls that

result from the Sarbanes-Oxley Act and accelerated SEC filing deadlines also contribute to the time pressures.

38. An actuary described the increasing sophistication in discount rate selection, including extrapolation of interest rates on a yield curve, more careful matching of cash flows and bond durations, and construction of a hypothetical yield curve rather than using an index. Such procedures are reasons why the additional time associated with an earlier measurement date is needed. A FASB Staff Member stated that a large portion of companies use year-end measurement and discount rates, including a majority of large public companies.
39. Some preparers and actuaries also expressed concern that the reliability of the net asset or liability would be damaged by a rushed process. They cited delays in getting asset values for assets that do not have quoted market prices, as well as receiving asset statements, benefit claims, and actuarial calculations. Although they acknowledged that improvements in data collection processes could likely be made, they believed that an earlier measurement date or estimation was essential.
40. In response to questions, the preparers clarified that one reason they needed an earlier measurement date was because they typically do not know what investments are held in a plan until the plan trustee submits its report. Additionally, they commented that an earlier measurement date facilitates improved budgets for amounts that otherwise are volatile and difficult to forecast.
41. An actuary described the data collection and analysis process as being linear, whereby certain parts of the process must be completed before other parts can begin. Specifically, the actuary described narrowing down all of the inputs to the discount rate calculation, incorporating the census data into the calculation, getting management, auditors, and actuaries together to make decisions, and signing off on controls mandated by the Sarbanes-Oxley Act.
42. An actuary asked the Board to clarify the degree of estimation that would be acceptable. Another actuary asked the Board to permit use of a discount rate that was within an acceptable range rather than a spot rate as of the fiscal year-end.
43. Some preparers mentioned that the SEC staff permitted companies to move from a year-end measurement date to a measurement date one month earlier. An SEC Staff Member clarified that the SEC staff would not object to moving the measurement date back not more than one month during the transition to accelerated filing deadlines because it was permissible under GAAP. However, he also noted that the SEC would not object to the Board eliminating the earlier measurement date.
44. Some actuaries stated that although some companies have year-end measurement dates, it would put additional stress on actuarial resources and likely increase the cost of services if all companies were required to use year-end dates.
45. A Board Member referred to IAS No. 19, *Employee Benefits*, whereby measurements are conducted with sufficient frequency that the amounts would not

differ materially from amounts that would be determined at fiscal year-end. Others questioned how a company would know that the amounts were materially different unless they performed the year-end measurement.

Effective Date

46. Several users and auditors expressed support for the Board's efforts to make improvements to financial reporting. The users also voiced approval of the proposed effective date. The analysts noted that such sentiment was consistent with the discussion at the User Advisory Council and that there is an immediate need for transparency related to pension accounting.
47. Some preparers suggested delaying the effective date to years beginning after December 15, 2006 to allow sufficient time between the issuance of the final Statement and the effective date. In a post-Sarbanes-Oxley environment, it takes time to sufficiently plan and modify processes to successfully implement accounting changes.
48. An actuary added that the effective date should be delayed, as plan sponsors would need ample time to understand the accounting changes before making plan decisions. In addition, the proposed effective date would lead to resource constraints on actuaries, as they would need time to make changes to their valuation models.
49. If the Board determines that retrospective application is not required, and leaves the measurement date unchanged, the auditors and most preparers agreed that the proposed effective date would not be an issue. Yet some preparers and actuaries stated that a delay in the effective date is necessary to evaluate debt covenant issues and renegotiate contracts.
50. The actuaries and preparers commented that time is needed to educate many of the lenders. An actuary said that lenders have some knowledge of pension plans; however, they lack the sophistication to understand complex accounting changes. Most of the analysts disagreed, commenting that lenders are sophisticated and very capable of understanding the changes.
51. A Board Member suggested that the roundtable participants weigh the benefit of better financial reporting against the cost of renegotiating existing debt covenants. Another Board Member added that delaying more effective communication would be inconsistent with the responsibilities entrusted to a standard setter.

Disclosures

52. Analysts stated that the information necessary to analyze a company's pension obligation is available, but that disclosures could be improved. The users indicated that they would find any additional disclosure of information useful and helpful with comparability analysis.

53. The analysts communicated their desire for disclosure of the obligation's sensitivity to interest rates, given it is currently a discretionary disclosure. Some proposed that additional support of the key assumptions affecting measurement figures should also be disclosed.
54. Other users requested disclosures related to projected cash flows for future funding. In response, an actuary commented that projected cash flows related to future funding are very hard to predict. A Board Member questioned why future cash flows would be helpful to users given their unpredictability. The analysts stated that predictable or not, the figures were helpful and would be used in forecasting models.
55. Another Board Member asked the actuaries about the additional work that compiling a sensitivity analysis would entail. One actuary stated it would be a 15 percent increase, depending on the level of the analysis. However, another commented that some models already have a 1 percent adjustment built in, so a full analysis would not require much additional work—possibly six to eight hours.
56. In response to a Board Member who questioned if sensitivity analysis is helpful with understanding (a) measurement uncertainty, (b) management manipulation, or (c) comparative measures of economic conditions, the users stated that it puts the companies being analyzed and compared on a level playing field. Users are then able to ask management why different assumptions were used.
57. Regarding multiemployer plans, the analysts indicated that they would like more disclosure related to the dynamics of the plans, contributions, and funded status.

Other Issues

58. Participants representing “book value” and co-operative structured organizations stated that the proposed changes have a tremendous effect on companies that are valued by shareholders' equity. They encouraged the Board to research alternatives or allow for longer transition periods.
59. A preparer stated that additional guidance on interim reporting is necessary, including illustrations.
60. An auditor also commented that the Board should clarify balance sheet display of current and non-current assets and liabilities.
61. In FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*, not-for-profit organizations are given flexibility in their presentation of income, and many approaches are used in current practice. Some preparers suggested that the Board provide guidance on presentation for not-for-profit organizations.

Follow-up Items:

None.

General Announcements:

None.

Appendix A – Outside Roundtable Participants*Morning Session – 9:00 a.m. to 12:00 p.m.*

Organization	Representative
AIG Financial Products	Ryan Vetter
American Academy of Actuaries Committee on Retiree Health	Jeffrey Petertil
Aon Consulting	Tonya Manning
Associated Wholesale Grocers	Robert Walker
Bear Stearns	Janet Pegg
CIEBA	William Quinn
CFA Institute Centre for Financial Market Integrity	Georgene Palacky
College of Pension Actuaries	Ed Burrows
Deloitte and Touche	Karen Wiltsie
Edison Electric Institute	Hugh McCoy
Ernst and Young	David Holman
Financial Executives International	Cheryl Ingram
Mercer Human Resource Consulting	Jim Verlautz
Moody's Investors Services	Mark LaMonte
Nortel	Paul Karr
PCAOB	Keith Wilson (Official Observer)
SEC	Scott Taub Alison Spivey (Official Observers)
U.S. Chamber of Commerce	Aliya Wong
Watson Wyatt	John Steele

Afternoon Session – 1:00 to 4:00 p.m.

Organization	Representative
American Academy of Actuaries Committee on Pension Accounting	William Sohn
Buck Consultants	Michael Horton
CCA Strategies	John Moore
Credit-Suisse	Rhoda Dhar
Fitch Ratings	Julie Burke
IMA	Nancy Schroeder
KPMG	Jeffrey Jones
NCBA	Mary Griffin
PCAOB	Keith Wilson (Official Observer)
PepsiCo	Bruce Monte, Jr.
PricewaterhouseCoopers	Ray Beier
Principal Financial Group	Michelle Vande Loo
R.G. Associates	Jack Ciesielski
SC Johnson, Inc.	David Isaacson
SEC	Scott Taub Alison Spivey (Official Observers)
Standard and Poor's	Jonathan Nus
Towers Perrin	Diana Scott
Unified Western Grocers	Richard Martin

Appendix B – Agenda Topics

**FASB ROUNDTABLE MEETING
POSTRETIREMENT BENEFITS
DISCUSSION QUESTIONS
NORWALK, CT
JUNE 27, 2006**

This proposed Statement would improve existing reporting for defined benefit postretirement plans by requiring an employer that is a business entity to:

- a. Recognize in its statement of financial position the over- or underfunded status of a defined benefit postretirement plan measured as the difference between the fair value of plan assets and the benefit obligation. For a pension plan, the benefit obligation would be the projected benefit obligation; for any other postretirement benefit plan, such as a retiree health care plan, the benefit obligation would be the accumulated postretirement benefit obligation.
- b. Recognize as a component of other comprehensive income, net of tax, the actuarial gains and losses and the prior service costs and credits that arise during the period but pursuant to FASB Statements No. 87, *Employers' Accounting for Pensions*, and No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, are not recognized as components of net periodic benefit cost. Amounts recognized in accumulated other comprehensive income would be adjusted as they are subsequently recognized as components of net periodic benefit cost pursuant to the recognition and amortization provisions of Statements 87 and 106.
- c. Recognize as an adjustment to the opening balance of retained earnings, net of tax, any transition asset or transition obligation remaining from the initial application of Statement 87 or 106. Those amounts would not be subsequently amortized as a component of net periodic benefit cost.
- d. Measure defined benefit plan assets and defined benefit plan obligations as of the date of the employer's statement of financial position.
- e. Disclose additional information in the notes to financial statements about certain effects on net periodic benefit cost in the upcoming fiscal year that arise from delayed recognition of the actuarial gains and losses and the prior service costs and credits.

This proposed Statement also would apply to a not-for-profit organization or an entity that does not report other comprehensive income, but would tailor its requirements to reflect their alternative reporting formats. This proposed Statement would amend Statement 87, FASB Statement No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*, Statement 106, and FASB Statement No. 132 (revised 2003), *Employers' Disclosures about Pensions and Other Postretirement Benefits*, and other related accounting literature.

Costs of Implementing the Proposed Statement's Requirement to Recognize a Plan's Over- or Underfunded Status in the Employer's Statement of Financial Position

Issue 1: The Board concluded that the costs of implementing the proposed requirement to recognize the over- or underfunded status of a defined benefit postretirement plan in the employer's statement of financial position would not be significant. That is because the amounts that would be recognized are presently required to be disclosed in notes to financial statements, and, therefore, new information or new computations, other than those related to income tax effects, would not be required.

Do you agree that implementation of this proposed Statement would not require information (other than that related to income tax effects) that is not already available, and, therefore, the costs of implementation would not be significant? Why or why not? (See paragraphs B20–B34 for the basis for the Board's conclusions.)

The Employer's Measurement Date

Issue 2: Unless a plan is sponsored by a subsidiary that is consolidated using a fiscal period that differs from the parent's, this proposed Statement would require that plan assets and benefit obligations be measured as of the date of the employer's statement of financial position. This proposed Statement would eliminate the provisions in 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 statement of financial position.

Are there any specific implementation issues associated with this requirement that differ significantly from the issues that apply to other assets and liabilities that are recognized as of the date of the statement of financial position? (See paragraphs B36–B40 for the basis for the Board's conclusions.)

Effective Dates and Transition

Recognition of the Over- or Underfunded Status

Issue 3(a): The Board's goal is to issue a final Statement by September 2006. The proposed requirement to recognize the over- or underfunded statuses of defined benefit postretirement plans would be effective for fiscal years ending after December 15, 2006. Retrospective application would be required unless it is deemed impracticable for the reason discussed below.

An entity would be exempt from retrospective application only if the entity determines that it is impracticable to assess the realizability of deferred tax assets that would be recognized in prior periods as a result of applying the proposed Statement.

Should the Board provide an impracticability exemption related to the assessment of the realizability of deferred tax assets? Why or why not? Are there other reasons that retrospective application might be impracticable that the Board should be aware of? (See paragraphs B61–B64 for the basis for the Board's conclusions.)

Issue 3(b): Some nonpublic entities (and possibly some public entities) may have contractual arrangements other than debt covenants that reference metrics based on financial statement amounts, such as book value, return-on-equity, and debt-to-equity.

The calculations of those metrics are affected by most new accounting standards, including this proposed Statement.

The Board is interested in gathering information for use in determining the time required to implement this proposed Statement by entities that have such arrangements other than debt covenants. That information includes (a) the types of contractual arrangements that would be affected and what changes to those arrangements, if any, would need to be considered, (b) how the economic status of postretirement plans that is presently included in note disclosures is currently considered in those arrangements, and (c) how the effects of the current requirement in Statement 87 to recognize a minimum pension liability previously were addressed for those contractual arrangements. (See paragraph B65 for the basis for the Board's conclusions.)

Measurement Date

Issue 4: This proposed Statement would require a public entity that currently measures plan assets and benefit obligations as of a date other than the date of its statement of financial position to implement the change in measurement date as of the beginning of the fiscal year beginning after December 15, 2006. If that entity enters into a transaction that results in a settlement or experiences an event that causes a curtailment in the last quarter of the fiscal year ending after December 15, 2006, the gain or loss would be recognized in earnings in that quarter. Net periodic benefit cost in the year in which the measurement date is changed would be based on measurements as of the beginning of that year.

Are there any specific impediments to implementation that would make the proposed effective date impracticable for a public entity? How would a delay in implementation to fiscal years ending after December 15, 2007, alleviate those impediments? (See paragraphs B66–B69 for the basis for the Board's conclusions.)

Not-for-Profit Organizations and Other Entities That Do Not Report Other Comprehensive Income

Issue 5: This proposed Statement would apply to not-for-profit organizations and other entities that do not report other comprehensive income in accordance with the provisions of Statement 130. Paragraphs 7–13 of this proposed Statement provide guidance for reporting the actuarial gains and losses and the prior service costs and credits by those organizations and entities.

Do you agree that those standards provide appropriate guidance for such entities? If not, what additional guidance should be provided? (See paragraphs B53–B58 for the basis for the Board's conclusions.)