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Technical Director
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Financial Accounting Standards Board
401 Merritt 7
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Dear FASB and Staff members:

This comment letter recommends new formats for disclosing information about pension and other benefit plans' assets, liabilities, periodic costs, and accumulated other comprehensive income. Five exhibits appear on pages 3-5.

The asset, liability, and accumulated other comprehensive income schedules (Exhibits One and Four) more completely explain periodic changes through reconciliations of beginning and ending balances.

In addition, the schedules of periodic comprehensive income and net pension cost (Exhibits Two and Three) expedite statement users' efforts to extract raw data for their analyses by clearly isolating the outdated effects of 30-year old political compromises.

The four tabulations present data taken from the Exposure Draft's example, corrected for minor errors. For clarity and consistency, all four show debit numbers as positive and credits as negative (using parentheses).

Reconciliations of benefit obligation and plan assets

Exhibit One is the same as presented in the Draft, with the exception of the debit (credit) convention.

Periodic comprehensive (income) loss

The two sections of the new schedule in Exhibit will help users understand how a company's pensions impacted real and reported income. The upper section shows how the changes in the obligation and plan assets in Exhibit One affected comprehensive income for the period. The lower section presents the amounts that flowed to the income statement (or were capitalized) and into AOCI on the balance sheet.

I believe this tabulation brings all the relevant pension-based comprehensive income information into one schedule that is readily interpretable and clearly reveals the disparity between the amount included in reported income and the income that actually happened.

Net periodic pension cost (income)

Exhibit Three is designed to replace the draft's example that uses the traditional format commonly found in practice.

Its most notable enhancement is the two-stage presentation of (1) the "unmodified net pension cost (income)," consisting of the three fundamental cost elements (service, interest, and actual return on plan assets) and (2) the smoothing modifications that reduce year-to-year volatility in reported results. This format is more convenient for users who want to include only the fundamental elements in their analyses. Specifically, it presents them with the unsmoothed net cost, thus negating their need to recalculate that amount by substituting the actual return from the plan assets reconciliation in the place of the expected return.

Change in AOCI balances

Exhibit Four presents an expanded tabulation that itemizes the changes in the components of AOCI. In addition to using parentheses to indicate the direction of each change, this exhibit improves the information's accessibility by itemizing all changes in one place. Note that the schedule disaggregates the combined actuarial gains and losses into those related to plan assets and the benefits obligation.

Again, the idea is to provide analysts with a straightforward presentation of the data, thus helping them include other comprehensive income in their analyses, or not, as they wish.

Clarifying the example

On a completely different level, I have learned through experience that an example loses effectiveness when it inadvertently contains two coincidentally equal numbers because they tend to cause readers to infer spurious connections between them. With that said, I uncovered fourteen sets of coincidentally identical numbers in the example. I have listed them in Exhibit Five to help the staff revise the example and avoid this shortcoming in the final update.

Looking ahead

In my view, the often impenetrable results produced by accounting for defined-benefit pensions and other benefit plans strongly suggest that it is more complex than necessary.

My short-term goal with this letter is to produce more complete and comprehensible disclosures.

My long-term goal is a thorough reform of pension and benefits accounting that finally dispenses with income smoothing, thereby eliminating the need for Exhibits Three and Four as well as the second section of Exhibit Two.

Sincerely,

Paul B. W. Miller
Emeritus Professor
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Exhibit One
Reconciliations of benefit obligation and plan assets

	Pension Benefits		Other Benefits	
	20X3	20X2	20X3	20X2
<i>Change in benefit obligation</i>				
Benefit obligation at beginning of year	\$ (1,246)	\$ (1,200)	\$ (742)	\$ (712)
Service cost.....	(76)	(72)	(36)	(32)
Interest cost	(90)	(88)	(55)	(55)
Plan participants' contributions.....	-	-	(20)	(13)
Amendments (increase) decrease.....	(70)	-	75	-
Actuarial (loss) gain.....	(20)	-	(25)	-
Acquisition.....	(900)	-	(600)	-
Benefits paid	125	114	90	70
Benefit obligation at end of year	<u>(2,277)</u>	<u>(1,246)</u>	<u>(1,313)</u>	<u>(742)</u>
<i>Change in plan assets</i>				
Fair value of plan assets at beginning of year	1,068	894	206	87
Actual return (loss).....	29	188	5	24
Acquisition.....	1,000	-	25	-
Employer contributions.....	75	100	137	152
Plan participants' contributions.....	-	-	20	13
Benefits paid	(125)	(114)	(90)	(70)
Fair value of plan assets at end of year	<u>2,047</u>	<u>1,068</u>	<u>303</u>	<u>206</u>
Funded status - overfunded (underfunded)	<u>\$ (230)</u>	<u>\$ (178)</u>	<u>\$ (1,010)</u>	<u>\$ (536)</u>

Exhibit Two
Periodic comprehensive (income) loss

	Pension Benefits		Other Benefits	
	20X3	20X2	20X3	20X2
<i>(Income) loss from benefit obligation</i>				
Service cost.....	\$ 76	\$ 72	\$ 36	\$ 32
Interest cost	90	88	55	55
Amendment loss (gain).....	70	-	(75)	-
Actuarial loss (gain).....	20	-	25	-
<i>(Income) loss from plan assets</i>				
Actual (return) loss on plan assets	(29)	(188)	(5)	(24)
Total comprehensive (income) loss	<u>\$ 227</u>	<u>\$ (28)</u>	<u>\$ 36</u>	<u>\$ 63</u>
<i>Presentation</i>				
Net periodic pension cost (income).....	\$ 101	\$ 100	\$ 69	\$ 74
Amount added to (deducted from) AOCI	126	(128)	(33)	(11)
Total comprehensive (income) loss	<u>\$ 227</u>	<u>\$ (28)</u>	<u>\$ 36</u>	<u>\$ 63</u>

Exhibit Three
Net periodic pension cost (income)

	20X3	20X2	20X3	20X2
<i>Unmodified net pension cost (income)</i>				
Service cost.....	\$ 76	\$ 72	\$ 36	\$ 32
Interest cost	90	88	55	55
Actual (return) loss on plan assets	(29)	(188)	(5)	(24)
Unmodified net pension cost (income)	<u>137</u>	<u>(28)</u>	<u>86</u>	<u>63</u>
<i>Modifications</i>				
Actual return (deficiency) excess	(56)	112	(12)	16
Prior service cost (credit) amortization	20	16	(5)	(5)
Recognition of prior years' unrecognized (gains) losses	-	-	-	-
Total modifications	<u>(36)</u>	<u>128</u>	<u>(17)</u>	<u>11</u>
Net periodic pension cost (income).....	<u>\$ 101</u>	<u>\$ 100</u>	<u>\$ 69</u>	<u>\$ 74</u>

Exhibit Four
Change in Accumulated Other Comprehensive Income balances

	<u>Pension Benefits</u>		<u>Other Benefits</u>	
	20X3	20X2	20X3	20X2
<i>Accumulated unrecognized (gain) loss</i>				
Beginning balance	\$ 18	\$ 130	\$ (48)	\$ (32)
Actual return deficiency (excess)	56	(112)	12	(16)
Actuarial (gain) loss on liability	20	-	25	-
Recognition of prior years' unrecognized gains (losses)	-	-	-	-
Ending balance.....	<u>94</u>	<u>18</u>	<u>(11)</u>	<u>(48)</u>
<i>Prior service cost (credit)</i>				
Beginning balance	160	176	(22)	(27)
New prior service costs (credit).....	70	-	(75)	-
Prior service (cost) credit amortization	(20)	(16)	5	5
Ending balance.....	<u>210</u>	<u>160</u>	<u>(92)</u>	<u>(22)</u>
Total AOCI at end of year.....	<u>\$ 304</u>	<u>\$ 178</u>	<u>\$ (103)</u>	<u>\$ (70)</u>

Exhibit Five
Coincidental Numbers in Example

Amount	Pension Benefits		Other Benefits	
	Item	Year	Item	Year
\$5			PSC amortization	20X2
			PSC amortization	20X3
			Actual return	20X3
\$11			Ending balance	
			unrecognized (gain) loss	20X3
			Net change in AOCI	20X2
\$16	PSC amortization	20X2	Excess return on assets	20X2
\$20	PSC amortization	20X3	Participants' contributions	20X3
	Actuarial loss	20X3		
\$25			Actuarial loss	20X3
			Acquired plan assets	20X3
\$32			Service cost	20X2
			Beginning balance	
			unrecognized (gain) loss	20X2
\$36	Total modifications to net pension cost	20X3	Service cost	20X3
			Total comprehensive loss	20X3
\$55			Interest cost	20X2
			Interest cost	20X3
\$70	Amendment	20X3	Benefits paid	20X2
			Ending AOCI	20X2
\$75	Employer contributions	20X3	Plan amendment	20X3
\$90	Interest cost	20X3	Benefits paid	20X3
\$100	Employer contributions	20X2		
	Net pension cost	20X2		
\$137	Unmodified pension cost	20X3	Employer contributions	20X3
\$178	Funded status	20X2		
	Ending AOCI	20X2		