

April 22, 2015

Mr. Russell Golden, Chairman  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

(Sent via e-mail to [director@fasb.org](mailto:director@fasb.org))

Re: File Reference No. 2016-200

Dear Mr. Golden:

The International Business Machines Corporation (“IBM” or “the company”) appreciates the opportunity to comment on the proposed Accounting Standards Update: Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Benefit Cost and Net Periodic Postretirement Cost (the “proposed amendment” or “exposure draft”), issued by the Financial Accounting Standards Board (“FASB”).

The company supports the FASB’s continuing efforts to improve the accounting related to defined benefit pensions or other postretirement benefit plans and the usefulness of financial information in financial statements. We agree with the proposal to allow only the service cost component of net benefit cost to be eligible for capitalization. However, we also view prior service cost or credit similarly and recommend the FASB include prior service cost or credit to be eligible for capitalization. In addition, it would be helpful if the Board could clarify that multi-employer plan costs would not be eligible for capitalization.

Plan amendments often include provisions that either grant increased or reduced benefits to eligible pensioners based on services rendered in prior periods. Since plan amendments are granted with the expectation that the employer will realize economic impacts in future periods, recognition during the future service periods of those eligible employees active at the date of the amendment are allowed rather than recognizing the cost of prior service entirely in one year. Prior service cost is amortized as a component of net periodic pension cost by assigning an equal amount to each future period of service of each employee active at the date of the amendment. Therefore, we believe that prior service cost is an operating component of net periodic benefit cost. We hope the Board will reconsider allowing prior service cost or credit component to be capitalized. The company views prior service cost or credit as a useful component in the analysis of an entity’s core performance as it reflects operating decisions to modify the actual benefits provided to employees. These costs essentially reflect a true-up of service cost booked in prior periods and can be material for certain companies.

Multi-employer plan costs could have service cost if the plan is still accruing costs, however, the plan can have significant non-operating costs when costs are triggered by funding requirements and not necessarily service provided by the employees in the current period. We believe that multi-employer plan costs are better presented as non-operating and excluded from capitalization.

Finally, we do not believe that disaggregation of the non-operating costs is necessary as those details are already disclosed in the financial statement footnotes.

Thank you for the opportunity to comment on the exposure draft. If you have any questions, please contact me at (914) 766-2477.

Sincerely,

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