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Susan M. Cospers, Technical Director
Financial Accounting Standards Board
Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

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Dear Ms. Cospers:

I am pleased to have the opportunity to comment on the FASB's exposure draft: *Proposed Accounting Standards Update, Compensation – Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. I am an independent security analyst. During the course of my daily work, I review public company financial statements. I am generally knowledgeable about pension disclosures, but do not consider myself an expert on the topic. Accordingly, I will provide comments (or perhaps ask questions) on those areas and questions to which I believe that I am qualified to answer.

Question 1: Should the service cost component be reported in the income statement apart from the other components of net benefit cost as defined in paragraphs 715-30-35-4 and 715-60-35-9 and be the only component eligible to be capitalized in assets? Why or why not?

Frankly, I do not think that it makes much difference. There is sufficient disclosure in the current benefit plan footnotes for users to make these adjustments already. I personally do not see a problem with the existing standard.

The amounts in question here are generally small. My quick study indicates that service costs are usually less than 2% of total operating costs and net benefit cost is lower for those companies whose plans are well funded. I do not make such adjustments in my own analysis and do not know of anyone who does. Consequently, I do not believe that there is much demand for the change that you are proposing within the user community.

Since these costs are small as a percent of total operating costs, I wonder whether companies will be able to opt out of the accounting standard, if they deem the amounts in question to be immaterial.

Also, I do not know of any company that has disclosed whether they capitalize any portion of net benefit cost. Although you are narrowing the scope of what can be capitalized, I will be surprised if we will be able to see much difference, because I do not anticipate any improvement in disclosure.

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As a matter of policy, disaggregating an expense category, like net benefit cost, adds to the complexity of the analysis for users. Despite your assertions to the contrary, I think that such disaggregation places an added burden on the user community. For that reason, I would prefer that the FASB be more selective about making such changes to its accounting standards.

Question 2. Would it be useful to require presentation of the prior service cost or credit component separately from the other components? Should all of the components of net benefit cost other than the service cost component (for example, the prior service cost or credit component) be presented outside a subtotal of income from operations, if one is presented? Why or why not?

As noted, I think that sufficient disclosure exists already for those users who want to make such adjustments to do so on their own. I do not believe that it would be especially useful to require separate presentation. Although the FASB's proposal is more pure ideologically, I think that the non-service components represent an indirect cost of maintaining the workforce; so there is a reasonable basis for leaving the existing accounting standard unchanged.

Since I do not believe that the Board is about to mandate that all companies report income from operations, I do not think that it can require that the non-service components be reported below the operating income line. For most companies, these costs should be included in other income/expense, which is usually reported below the operating income line for those companies that report operating income. If the Board does go ahead with this proposal, it should not require a separate line item for non-service components, unless they are material.

Question 3. Would it be useful to require presentation of the net amount of the interest cost component and expected return on plan assets separately from the other components of net benefit cost to improve convergence with International Financial Reporting Standards (IFRS) or for other purposes? Why or why not?

I am not familiar with the IFRS standard, but if you are asking whether the interest cost component and expected return on plan assets should be included as part of financing costs, my vote would be no. I believe that these items are different from the cost of financing the enterprise. Including them as part of financing costs would make it even more difficult to gauge the actual cost of financing the enterprise. If both of these items were included in financing costs, many analysts would want sufficient disclosure to disaggregate them. This would place an added burden on the user community.

Question 4. Would the proposed amendments improve the usefulness of financial information provided to users? Why or why not?

I do not believe that the proposed amendments would improve the usefulness of financial information, primarily because the existing footnote disclosures allow users to make adjustments, if they want to do so. The amounts in question are generally small. Except for the change to costs that can be capitalized, they will not impact reported net income. Since I have never seen a disclosure related to capitalization of net benefit costs, I do not believe that the proposed amendments will lead to improved disclosures in that regard.

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Question 5. Should the proposed amendments be different for rate-regulated entities? Why or why not?

I am sure that the Board knows that recovery of pension costs is typically included in the rate base of rate-regulated entities, so funding deficiencies are usually recorded as a regulatory asset. Except for that difference, I believe that all other accounting related to benefit plans is similar to non-regulated companies; but I do not have sufficient knowledge of the details of accounting procedures to know whether or how the proposed amendments should be different for rate-regulated utilities.

Thank you for the opportunity to comment. If you have any questions about the comments that I have made here or wish me to elaborate further, please contact me directly.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen P. Percoco". The signature is written in a cursive, flowing style.

Stephen P. Percoco