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

File Reference No. 2016-210

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 – Defined Benefit Plans – General (Subtopic 715), Changes to the Disclosure Requirements for Defined Benefit Plans*. I am an independent security analyst. My coverage universe is broad both in terms of industries and the number of companies that I follow. As a result, although I do look at key data points within the footnotes, I generally do not dig deeply into footnote disclosures.

Nevertheless, as a matter of policy, I believe financial statement disclosures should be geared toward users who follow companies closely to allow them to gain insights into all aspects of their subjects' performance and communicate those insights to their constituents. This should help to guarantee that the financial markets' knowledge of every company's historical financial performance and outlook is as complete as possible, which should support market efficiency.

During the course of my daily work, I review the financial statements of many public companies. I am generally knowledgeable about pension disclosures, but do not consider myself an expert on the topic. Accordingly, I will provide comments on those questions which I hope that I am qualified to answer.

As a general observation, I am concerned about the Board's attempt to adopt a rule-based mindset toward financial statement disclosures. Disclosures that are "clearly useful" in assessing prospects for cash flows are obviously important, but that should not be the sole arbiter of required disclosures. Unless the Board plans to eliminate the statements of comprehensive income and financial position, there are considerations besides cash flows that may be important. The Board should require disclosures that help users of financial statements assess the historical financial performance and future financial prospects of an enterprise.

I offer the following responses to selected questions in your exposure draft:

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**Question 1:** Would the proposed amendments result in more effective, decision-useful information about defined benefit pension and other postretirement plans? If not, please explain why. Would the proposed amendments result in the elimination of decision-useful information about defined benefit pension and other postretirement plans? If yes, please explain why.

Some of the deletions would result in less effective, decision useful information about defined benefit pension and other postretirement plans; while some of the added disclosures would enhance effectiveness.

I believe that removing the requirement to disclose the accumulated benefit obligation for defined benefit plans would be a setback for users of financial statements. Although the ABO disclosure may not be "clearly useful" in assessing cash flows in all or even most circumstances, it is useful because it helps users gauge the risks to cash flows in a downside or worst case scenario. Accordingly, the ABO disclosure can have an impact on valuation multiples and credit spreads. The Board's arguments on this issue are not convincing. For example, it discredits the ABO because projected benefit obligation is remeasured upon a settlement or curtailment, but it is likely that the revised value will be closer to the ABO than the previous PBO. I believe that the ABO is and will continue to be calculated by preparers for their own internal purposes, so the added cost to them of ABO disclosure is probably de minimis.

Given my position supporting the retention of the ABO disclosure, I would also support retaining the disclosure of the aggregate ABO and aggregate fair value of plan assets for pension plans with ABOs in excess of plan assets.

The Board has also decided to drop the amounts in AOCI expected to be recognized as components of net periodic benefit cost over the next fiscal year. Although I do not personally use this disclosure, it seems to me that the disclosure may be useful to analysts who are trying to project the full impact of pensions and other postretirement benefits on next year's income statement. Presumably, this disclosure was approved originally by the Board for this purpose. Consequently, I think that the Board should consider retaining this disclosure for users that follow companies closely, unless it can determine clearly that it is not being used. It seems to me that there is little cost to preparers of disclosing this information.

As for the remaining proposals for discontinuing disclosures, I either do not have sufficient knowledge about the importance or relevance of these disclosures or I have no opinion. I note that for several of the proposed dropped disclosures the exposure draft merely reports that the Board has decided that the disclosures are not broadly relevant without providing any discussion or analysis supporting that view. As a matter of policy, I believe that the Board should disclose its reasoning behind its conclusions for dropping disclosures.

As for the proposed added disclosures, I think that these can be helpful. Some of them, however, should or may already be included in MD&A disclosures. Accordingly, if it has not already done so, the Board should coordinate these disclosures with the SEC with an eye toward including them either in the MD&A section or in the footnotes to avoid redundancy and adding more heft to SEC filings.

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**Question 5.** Are there any other disclosure requirements retained following the review of Subtopic 715-20 that should be removed on the basis of the proposed Concepts Statement or for other reasons? Please explain why.

I personally do not find the detailed disclosures related to plan assets (including fair values) very helpful. From my perspective, these disclosures add bulk to the financial statements and offer very little value. I acknowledge that users could in theory apply assumed rates of return to each asset class to arrive at an expected rate of return for all assets which then might be compared against both the actual performance and assumed future rate of return; but these estimates are imprecise at best and it would be difficult to draw any firm conclusions from such an analysis, primarily because the actual performance of any asset class can vary sharply from benchmark returns based upon the specific investment strategies adopted by managers of those assets. In theory, these disclosures might also give the user a sense of the riskiness of the investment strategies being used by a company, but they can be misleading, because riskiness is often determined by investment selection and not necessarily by asset allocation or even the fair value hierarchy. Consequently, I do not believe that these disclosures are useful in assessing cash flows and do not provide much help in assessing a company's historical financial performance or future financial prospects. By dropping these disclosures, preparers could reduce the size of their financial statements by two or three pages without much loss to users.

Thank you for the opportunity to provide my personal perspective on this issue. If you have any questions about the comments that I have made here or wish me to elaborate further, please contact me directly.

Sincerely,



Stephen P. Percoco