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Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Via email to director@fasb.org

Re: File Reference No. 2016-200

Dear Technical Director:

We are pleased to comment on the Financial Accounting Standards Board's (FASB or Board) Proposed Accounting Standards Update – *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (Proposal or Proposed ASU). While we are supportive of the FASB's continued efforts to improve the accounting related to defined benefit pension and other postretirement benefit plans, we have several concerns with respect to some of the proposed amendments for the Board to consider in its deliberations as discussed below.

Presentation of Net Benefit Cost in the Income Statement

The proposed amendments would require entities to report the service cost component of net periodic benefit cost in the same line item or items as other compensation costs arising from the services rendered by the pertinent employees during the period. Specifically, the service cost component of net periodic benefit costs would be included within a subtotal of income from operations, if such a subtotal is presented. Other components of net periodic benefit cost, including actuarial gains and losses, interest costs and investment returns are to be presented outside of a subtotal of income from operations, if such a subtotal is presented.

We understand the Board's rationale for this proposed change. However, we believe that the components of net periodic benefit costs related to the amortization of costs and benefits from deferred gains and losses from benefit level changes and transition obligations should also be included in the determination of operating income, if presented by the entity, to the extent they do not relate to financing (i.e. interest cost). Like the service cost component of net periodic benefit cost, these costs relate to the cost of the underlying service provided by participants in the plan. These components of net periodic benefit costs are a refinement of the measurement of overall service cost based on accounting guidance permitted within Topic 715.

Additionally, we suggest that the Board consider issuing guidance as to where, within the income statement, defined benefit costs not presented in the determination of operating income should be presented. Elements of the income statement outside of income from operations are important to many financial statement users and providing clarification would improve the consistency of reporting for such costs.

Transition and Effective Date

We support the prospective application of the change in the components of defined benefit costs eligible for capitalization as we believe that retrospective application would cause an undue cost on financial statement preparers compared to the benefit derived from the revisions that would result from the application of the proposed amendments. We also support the retrospective application of the guidance related to the classification of the cost components related to net periodic pension cost and net periodic post-retirement benefit in assets. However, we are aware that some debt arrangements contain financial covenants that are based, at least partially, on income or loss from operations, and other financial statement amounts that could be affected by the proposed amendments. We recommend that the Board allow at least one full year for financial statement preparers to adopt the final guidance, as some financial statement preparers may be required to work with their lenders to address the impact of these changes.

Please contact Scott Lehman (630) 474-1605 or scott.lehman@crowehorwath.com should you have any questions with respect to our response.

Sincerely,

Crowe Horwath LLP

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