xerox

Technical Director
File Reference Number No. 2016-200
FASB
401 Merritt 7
P O Box 5116
Norwalk, CT 06856-5116

Xerox Corporation ("we") appreciates the opportunity to comment on the proposed Accounting Standards Update – Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (the "proposed ASU").

Xerox Corporation had revenues of $18.0 billion and 143,600 employees for the year ended December 31, 2015. We sponsor numerous defined benefit pension and other post-retirement benefit plans both in the U.S. and internationally. Our total projected benefit obligation for all defined benefit plans is approximately $11.5 billion and our average annual cost over the past three years is about $170 million. Accordingly, the presentation of defined benefit costs is an important topic to us.

We agree with the Board's decision to move away from net reporting of defined benefit costs, which previously was a fundamental aspect of pension accounting as noted in the Basis for Conclusions. However, we believe the Board should consider the alternative to include the amortization of prior service cost/credit together with the service cost component in reporting employees' compensation. In our view, the amortization of prior service cost/credit represents the impacts of a current period decision to adjust the benefits of the active plan participants. For example, a current period decision to provide additional incremental benefits to plan participants is a current period benefit that increases the obligation to participants and, therefore that additional cost should be reflected along with normal service costs as employee services are provided. This approach is also consistent with the original conclusion of the Board when SFAS No. 87 "Employer's Accounting for Pensions" regarding the nature of plan amendments and the conclusion that the impacts of plan amendments should be recognized over the remaining "service" period of "active" employees. In addition, we disagree with the Board's assessment that prior service cost/credit is not expected to arise frequently in the future; continued amendments to defined benefit plans are likely to continue if not increase in the future as companies continually review employee benefits programs in light of changes in workforce dynamics and other benefit costs such as healthcare.

Finally, although the Board is not actively working with the IASB, we were pleased that the proposed ASU found some areas of convergence. We are hopeful that both Boards will continue to seek eliminating differences where practical.

Thank you for the opportunity to comment on the proposed ASU. If you have any questions, please contact me at 203.849.2533 or Joseph.Mancini@xerox.com.

Regards,

Joseph H. Mancini, Jr.
Vice President and Chief Accounting Officer