A Roadmap to the Accounting and Regulatory Aspects of Postretirement Benefits

Including an Overview of Statement 158

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Executive Summary

This publication summarizes the common types of postretirement benefits, their funding requirements, and associated statutory and accounting guidance. The book is divided as follows:

Benefits and Plans

One way for employers to recruit and retain desired employees is to provide postretirement benefits. These benefits can be subdivided in two different ways: (1) defined benefit versus defined contribution and (2) pension benefits versus other postretirement benefits. This section discusses the various plans, distinguishing between them for tax, regulatory, and accounting purposes.

Funding/Management of Plan Assets

The funding of postretirement benefits continues to garner media attention because of concerns over the Pension Benefit Guaranty Corporation's deficit and the ability of employers to make good on their pension and other postretirement obligations. This section discusses the funding and management of defined contribution plans and defined benefit plans, including Internal Revenue Service and Employee Retirement Income Security Act considerations.

Statutory Considerations

A substantial body of regulation governs the funding and management of postretirement plans. Consideration should be given to these regulations in plan design as well as in any subsequent plan amendments or changes. These regulatory requirements also should be considered in determining the appropriate accounting for the benefit obligations. This section summarizes the key reference points for the regulatory requirements, including the Pension Protection Act of 2006, and the regulatory processes that underlie the U.S. system of benefit regulation.

Accounting

This section outlines the existing accounting model, including recently issued standards and implementation guidance. Also highlighted are the SEC staff's views on certain aspects of postretirement benefit accounting.

Appendixes

These are sources for the accounting and disclosure requirements of postretirement benefits and include the following:

- Interpretive questions and answers regarding FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* — an amendment of FASB Statements No. 87, 88, 106, and 132(R).
- Statement 158 implementation guidance.
- U.S. GAAP accounting and disclosure checklist for postretirement benefits.
- Comparison of the accounting for postretirement benefits under U.S. GAAP and IFRSs.

Introduction

The year 2006 brought major accounting and regulatory changes for pension and other postretirement benefits. Employers face new requirements for balance sheet reporting of pension and other postretirement benefit obligations.[1] Moreover, new laws and regulations regarding the types of **benefits**[2] that employers can provide to employees, and how these benefits must be funded, will most likely result in substantial modifications in benefit plans and in the timing of contributions to plan trusts in the immediate future.[3]

The Financial Accounting Standards Board (FASB or "Board") has already made significant changes to its standards for pension and other postretirement benefits. The standards now require recognition, in the employer's statement of financial position, of the **funded status** of a defined benefit plan and changes to amounts recognized in other comprehensive income (OCI). Another change is the requirement to measure defined benefit **plan assets** and obligations as of the date of the employer's fiscal year-end statement of financial position.[4] The Board has also made related changes to disclosure requirements.

And more changes are on the way. Issued in September 2006, Statement 158[5] was just the first step of the Board's project to comprehensively reconsider guidance in Statements 87, 88, 106, and 132(R). At the beginning of 2007, the Board incorporated the FASB Staff Implementation Guides on Statements 87, 88, and 106 as appendixes to the respective Statements, thereby elevating the Implementation Guides to Level A generally accepted accounting principles (GAAP).[6]

The second phase of the Board's project is expected to take several years to complete and will address, among other things, income recognition and displaying the cost of providing postretirement benefits, measurement of employers' benefit obligations, and whether postretirement benefit trusts should be consolidated in the financial statements of plan **sponsors.** The Board also intends to address the accounting for new types of **plans,** such as cash balance plans. While the primary focus of the changes to the literature is on pension and other postretirement benefits, these changes will also affect the accounting for postemployment benefits.[7]

[1] Companies with publicly traded equity securities were required to adopt the recognition provisions of Statement 158 as of the end of the fiscal year ending after December 15, 2006, with all other companies adopting as of the end of the fiscal year ending after June 15, 2007.

[2] Words that appear in boldface type are defined in Appendix A.

[3] The new laws and regulations discussed herein apply to domestic benefit plans and may not affect plans outside the United States.

[4] The measurement date provisions of Statement 158 are effective for fiscal years ending after December 15, 2008.

[5] Throughout this publication, short forms of the standards related to pension and other postretirement benefits are used. For the full citations, see Appendix C.

[6] The GAAP hierarchy is contained in AICPA Statement on Auditing Standards No. 69 (AU Section 411), *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles.*

[7] See Q&A 2-1 in Appendix B for more information.

Accounting for pension and postretirement obligations remains challenging for plan sponsors, particularly the determination of plan assumptions. In addition, employers are continuing to evaluate and modify their compensation practices and strategies. While standard setters and others continue to discuss these important topics, we will continue to provide you with our insights.

We hope that this Roadmap will prove a useful guide to understanding the complex and ever-changing world of pensions and postretirement benefits.

Benefits and Plans

Employers generally provide postretirement benefits as part of their total compensation package to recruit and retain desired employees. Recruiting, training, and **turnover** can be costly, so employers need to be sure that the benefits they provide are appropriate to, and understood by, their employees.

Effectively designing employee benefit plans requires an understanding of (1) the employee population and its needs, (2) other forms of compensation provided, (3) the employer's own constraints, and (4) the regulatory and financial reporting requirements.

Mistakes in design and application of the regulatory requirements can result in substantial penalties for both the employer and the employees/**retirees.** While management has the primary responsibility for plan design and regulatory compliance, these tasks are generally accomplished with the support of a multidisciplinary team comprising human resource consultants, attorneys, tax professionals, actuaries, and accountants.

Benefits are often offered and provided pursuant to a written plan, although sometimes they are provided without such a plan. The accounting literature introduced the concept of the **substantive plan.**

Sometimes benefits are provided on a one-time basis outside of a plan — for example, one-time termination benefits provided when employees are involuntarily terminated or special **termination benefits** offered in connection with workforce reductions to induce employees to resign or retire voluntarily.

Types of Benefits

Typically, benefits provided to employees after termination of employment include pensions, severance pay, postretirement medical benefits, death benefits, and long-term disability benefits. Benefits are paid in various forms. Pensions may be paid as annuities or as a single lump sum. Severance pay may be a lump sum or a series of installments over a short period. Medical benefits are provided through insurance or by reimbursement of expenses as they are incurred. Death benefits are almost always provided through life insurance. Disability benefits are provided through insurance, payment from a trust fund, or payment from the employer's general assets.

For accounting purposes, the cost of postretirement benefits is accrued during the service period of the employee. While the pattern of accrual for each benefit type may vary, the liability for the benefits should be fully recognized by the end of the employee service period.

Types of Plans

In general, the accounting requirements for employers that provide pensions[1] and postretirement benefits depend on whether benefits are provided pursuant to a plan (written or substantive) and, if so, whether the plan is a defined contribution plan or a defined benefit plan and whether it covers the employees of a single employer (or a group of affiliated employers) or of a number of unrelated employers.

The following sections provide (1) an overview of the common types of plans that fall within the scope of existing accounting literature, including some recent trends in the use of those plans, and (2) a discussion of the funding[2] and management of plan assets for plans that are funded through contributions to a separate trust fund that is beyond the reach of the employer's creditors.

The table below summarizes the common types of benefit plans, employer funding requirements for these plans, the tax effects of employer contributions, the government agencies that regulate such plans, and the primary accounting literature.

Type of Benefit	Employer Funding Requirements	Tax Effects of Employer Contributions	Regulated by	Primary Accounting Literature[3]
Qualified defined contribution plans	Contractual only; benefit = account balance	Deductible when made, subject to maximum limits	DOL,[4] IRS[5]	Statements 87, 106, 132(R), and 158
401(k) plans	Contractual only; benefit = account balance	Deductible when made; no limits on deduction of elective deferrals	DOL, IRS	Statements 87 and 132(R)
403(b) plans	Contractual only; benefit = account balance	Only tax-exempt entities can sponsor 403(b) plans	DOL, IRS	Statements 87 and 132(R)
Employee stock ownership plans	Debt service and contractual; benefit = account balance	Deductible when made, subject to maximum limits	DOL, IRS	SOP 93-6[6]
Qualified defined benefit pension plans	Statutory minimum funding standards	Deductible when made, subject to maximum limits	DOL, IRS, PBGC[7]	Statements 87, 132(R), and 158
Nonqualified retirement plans — defined benefit	Not funded	Deductible when distributed to employee	DOL, IRS	Statements 87, 132(R), and 158

[1] Throughout this publication, we use the term "pension" to refer to any plan that provides retirement income to employees.
[2] Funding is legally mandatory for most pension plans. The funding for nonpension postretirement benefits is optional but not uncommon.
[3] Refer to Appendix C for a complete list of authoritative literature and Appendix G for a U.S. GAAP accounting and disclosure compliance checklist.
[4] Department of Labor.
[5] Internal Revenue Service.
[6] AICPA Statement of Position 93-6, *Employers' Accounting for Employee Stock Ownership Plans.*
[7] Pension Benefit Guaranty Corporation.

Type of Benefit	Employer Funding Requirements	Tax Effects of Employer Contributions	Regulated by	Primary Accounting Literature
Nonqualified retirement plans — individual account (may take the form of a defined benefit or defined contribution plan for regulatory and accounting purposes)	Not funded; benefit = notional account balance (defined benefit plan); benefit = individual's account balance (defined contribution plan)	Deductible when distributed to employee	DOL, IRS	Statements 87, 132(R), and 158
Postretirement medical benefits	No requirements	Contributions to trust are deductible when made, subject to maximum limits; otherwise deductible when distributed	DOL, IRS	Statements 106, 132(R), and 158
Postretirement life insurance benefits	No requirements	Contributions to trust are deductible when made, subject to maximum limits; otherwise deductible as premiums are paid	DOL, IRS	Statements 106, 132(R), and 158
Disability benefits (not through qualified postretirement plans)	No requirements	Contributions to trust are deductible when made, subject to maximum limits; otherwise deductible when distributed	DOL, IRS	Statement 112[8]
Severance benefits	No requirements	Contributions to trust are deductible when made, subject to maximum limits; otherwise deductible when distributed	DOL, IRS	Statements 88, 132(R), and 158

Recent Trends

Employers are continuing to struggle to find the right balance of compensation and benefits for today's workforce. As a result, the benefit and plan types are changing. Currently, according to the Employee Benefits Security Administration (EBSA) of the DOL, 150 million Americans are covered by 730,000 private retirement plans and 6 million private health and welfare plans.

Over the past 10 to 15 years, the number of **defined benefit pension plans** has declined as a result of terminations and plan conversions, and many defined benefit plans have been frozen. More and more employers are offering plans that shift the risks of retirement income to their employees, as demonstrated in figures 1 and 2, and fewer and fewer employers are providing postretirement health care benefits to

[8] See Q&A 2-1 in Appendix B for additional discussion about the applicability of Statement 158 to postemployment benefit plans that measure accumulating benefits by analogizing to Statement 87 or 106.

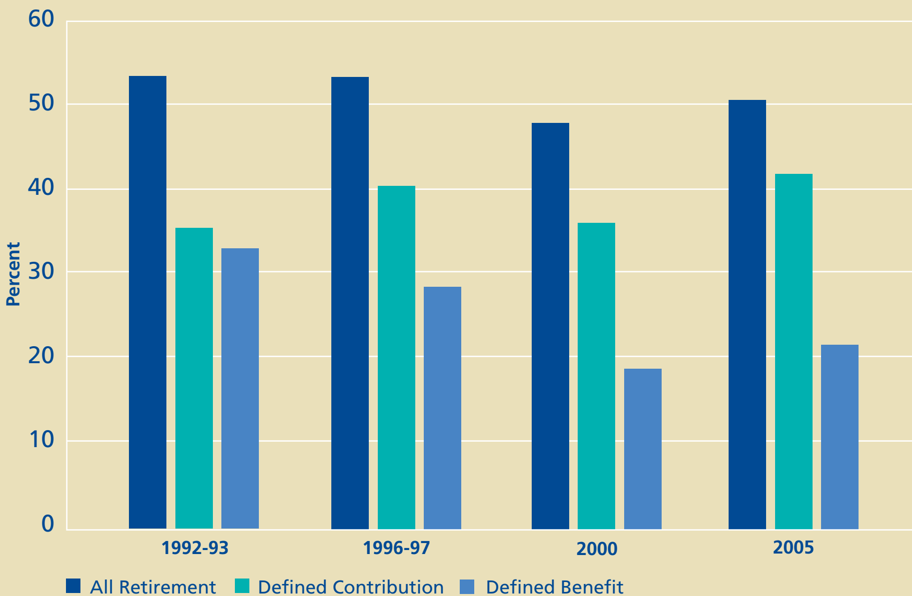
retirees. Nevertheless, as demonstrated in figures 2 and 3, defined benefit plans are still offered in large numbers, particularly in large companies.

The PBGC reports that it insures nearly 29,000 single-employer defined benefit pension plans and that the number of workers covered by these plans has declined by only 200,000 in the past year, from 34.2 million to 34 million.

The FASB acknowledged the decline in the use of defined benefit plans in paragraph B13 of Statement 158, but stated:

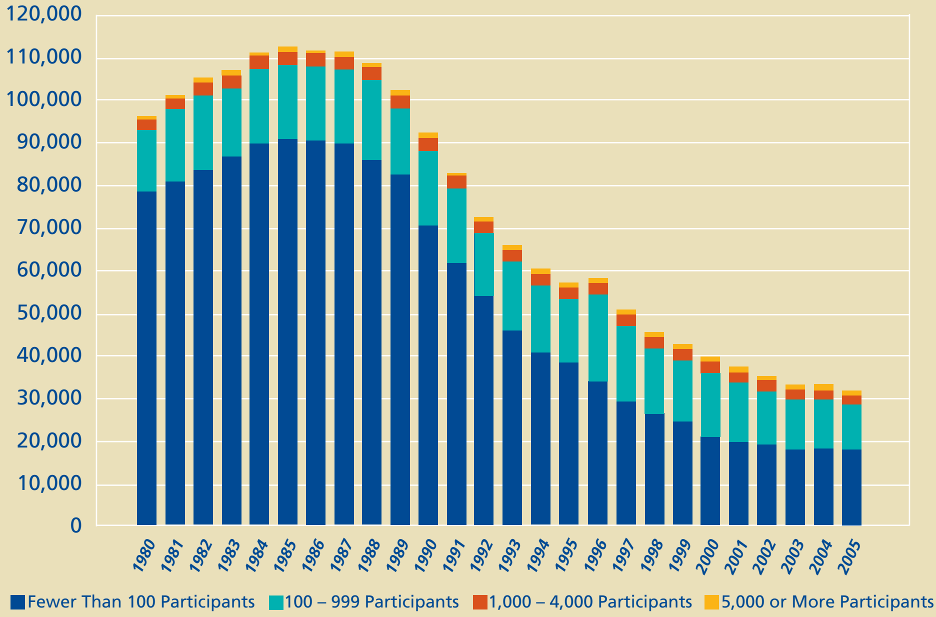
> Although the trend of sponsoring defined benefit postretirement plans, particularly defined benefit pension plans, has declined in recent years, the Board decided to address the perceived deficiencies in the accounting because of the long-term nature and magnitude of existing arrangements.

Figure 1. Participation in retirement benefits by type of plan, all private industry, 1992–93, 1996–97, 2000, and 2005.



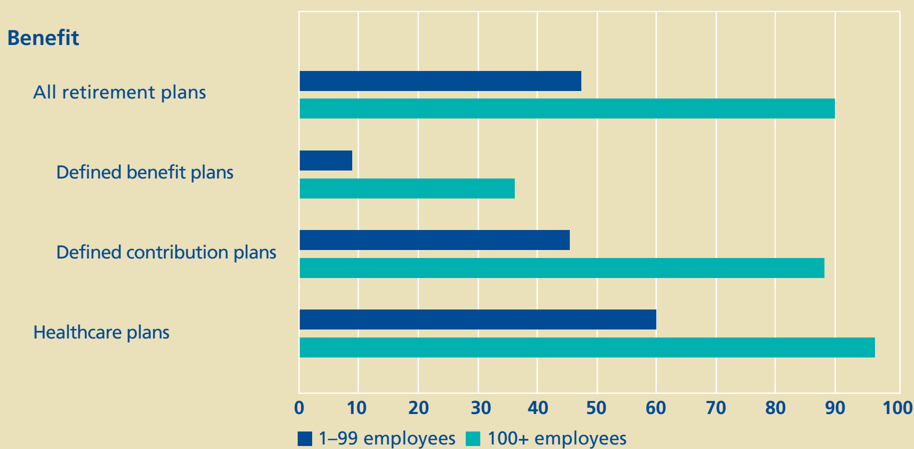
Source: Costo, Stephanie L. "Trends in Retirement Plan Coverage Over the Last Decade," *Monthly Labor Review* February 2006, p. 59. http://www.bls.gov/opub/mlr/2006/02/art5full.pdf [April 27, 2007].

Figure 2. PBGC-insured plans single-employer program.



Source: Pension Benefit Guaranty Corporation. "Recent Trends in Defined Benefit Pension Plans," *Pension Insurance Data Book: 2005*, p.8. http://www.pbgc.gov/docs/2005databook.pdf [April 27, 2007].

Figure 3. Percent of establishments offering retirement and healthcare benefits, by size of establishment, private industry, March 2006.



Source: U.S. Department of Labor, U.S. Bureau of Labor Statistics. *National Compensation Survey: Employee Benefits in Private Industry in the United States, August 2006.* http://www.bls.gov/ncs/ebs/sp/ebsm0004.pdf [April 27, 2007].

Defined Contribution Pension Plans

For statutory purposes, defined contribution plans (also known, more descriptively, as "individual account plans") maintain a separate account for each **participant,** with benefits based solely on employer and employee contributions, earnings, forfeitures, and other amounts allocable to each account. The Employee Retirement Income Security Act (ERISA) (discussed in greater detail on pages 17–18) and the Internal Revenue Code (IRC) distinguish between several types of defined contribution plans, but these distinctions have tended to grow less substantive and more formalistic over the years. Although the accounting literature generally does not observe these distinctions, awareness of them is useful in understanding tax and regulatory issues. The following discussion covers the most important plan types:

For accounting purposes, the existence of individual accounts is considered fundamental to determining whether a plan is a defined contribution plan. This point was recently reemphasized by Joseph Ucuzoglu in an SEC staff speech at the 2006 AICPA National Conference on Current SEC and PCAOB Developments: "Statements 87 and 106 are clear that a plan shall be considered a defined contribution plan only if several criteria are satisfied, one of which is the existence of an individual account for each participant. Any plan that does not meet the definition of a defined contribution plan is considered a defined benefit plan." [Footnotes omitted]

In addition, the plan must have terms that specify how contributions to the individuals' accounts are to be determined, rather than the amount of pension benefits the individuals are to receive. The expense recorded for the period is the contribution required for that period. In reviewing the attributes of the defined contribution plans discussed in this section, note that, notwithstanding the variations in contributions and the management and distribution of plan assets, in each case there is an individual account and the employer's contribution is determinable.

Profit-sharing plans. Under current law, a profit-sharing plan is any defined contribution plan that is designated as such in the plan document. Employer contributions are usually discretionary, although some plans contain mandatory contribution formulas. However contributions are determined, the plan must contain a formula for allocating them among participants' accounts. For the plan to qualify for favorable tax treatment, its allocation formula must not "discriminate" in favor of highly compensated employees and must satisfy certain other criteria. Plan assets are held in trust or, less frequently, under an **insurance contract.** Investment decisions may be made by the employer, an investment manager, or individual participants. A participant's benefit, typically distributed as a lump sum upon separation from **service,** consists of the balance of his or her account. A profit-sharing plan may include a section 401(k) cash-or-deferred arrangement, as described below.

Section 401(k) plans. Profit-sharing or stock bonus plans that include a cash-or-deferred arrangement are commonly known as "401(k) plans" after the section of the IRC that governs them. The benefit of section 401(k) is that employee contributions are excluded from taxable income (subject to a number of limitations). Employee contributions to other types of plans must be after-tax. A recent innovation (introduced in 2006) is the "Roth-401(k)": employee contributions are after-tax, but distributions of contributions and earnings are tax-free. Employers frequently make matching contributions equal to a percentage of employees' contributions. Participants are often allowed to borrow from their accounts or to receive distributions on account of hardship while still in active service.

Money purchase pension plans. A money purchase pension plan, like a profit-sharing plan, must be identified as such in the plan document. However, in a money purchase pension plan, contributions are fixed by a formula (usually a percentage of each participant's compensation) rather than discretionary. Failure to make required contributions subjects the employer to excise taxes. Money purchase plans must comply with a number of distribution requirements that otherwise apply only to defined benefit plans.

Except for a small number of grandfathered plans that predate ERISA, such plans may not include cash-or-deferred arrangements, although after-tax employee contributions are allowed. In many other respects, they follow defined benefit plan statutory requirements. Before 2002, the deduction limits for money purchase plans were higher than those for profit-sharing plans, which was the only motive for establishing them. Because that distinction has been removed, this type of plan may become obsolete.

Employee stock ownership plans. An employee stock ownership plan (ESOP)[9] operates similarly to a profit-sharing plan but must invest primarily in stock of the sponsoring employer or related corporations. ESOPs are commonly used as a corporate financing vehicle, since they are allowed to borrow funds to purchase employer stock. ESOPs are technically a type of "stock bonus" plan (a plan that makes distributions in the form of employer stock). Stock bonus plans other than ESOPs are rarely encountered.

In all defined contribution plans, the employer's sole obligation is to make any contributions required by the plan. The risks and rewards of investment performance are borne solely by the participants. Many commentators have observed that, when offered the opportunity to direct the investment of their accounts, individual participants have a propensity for less-than-optimal investment decisions, tending to hold large concentrations of employer stock and to invest the balance of their funds ultraconservatively. In response, the Pension Protection Act of 2006 (PPA) made modest efforts to encourage diversification and promote investment education.

Defined Benefit Plans

Statutory and accounting guidance provides that any plan that is not a defined contribution plan should be considered a defined benefit plan. Defined benefit plans are plans that base benefits on factors other than contributions and investment performance. These plans may provide **pension benefits** or other postretirement benefits.

Defined Benefit Pension Plans

In addition to the more common "traditional" plans, defined benefit pension plans include hybrid plans, such as "cash balance" plans[10] and "pension equity" plans. Under Statement 87, these plans are accounted for as defined benefit plans.

Defined benefit plans are funded by employer (and, in a few plans, employee) contributions to a trust fund or insurance contract. The amount that the employer must contribute is dictated by ERISA's minimum funding standards. Failure to make required contributions subjects the employer to a substantial excise tax liability. The risk/reward of investment performance lies with the employer, since the benefits the employee receives are unrelated to investment performance.

Most defined benefit plans cover only employees of a single employer and members of the same controlled group of trades and businesses, but a few provide benefits to employees of unrelated employers. For ERISA and other regulatory purposes, defined benefit plans are subdivided into **multiemployer** and **multiple-employer plans,** the distinction being that multiemployer plans are established pursuant to collective bargaining. (That distinction has no significance for accounting purposes.)

[9] ESOPs are accounted for differently than other defined contribution plans. They are subject to the requirements of AICPA Statement of Position 93-6, *Employers' Accounting for Employee Stock Ownership Plans*, which is not covered in this publication.

[10] EITF Issue 03-4 specifically addresses cash balance plans. See Appendix C for more information about this EITF Issue.

Multiple-employer plans generally function similarly to **single-employer plans** and are subject to virtually the same legal and accounting rules. The treatment of multiemployer plans differs considerably, but the differences will not be discussed in detail here.

Employers' accounting for participation in a multiemployer plan is similar to that for a defined contribution plan. That is, the expense for the period is the contribution required for that period. Employers that participate in multiple-employer plans follow accounting requirements that are virtually the same as those that apply to single-employer defined benefit plans. There have been no changes in the accounting requirements for multiemployer plans. Recent changes to regulatory requirements for multiemployer plans are covered in Deloitte Tax LLP's publication, "Securing Retirement — An Overview of the Pension Protection Act of 2006." Accounting changes described in this publication for single-employer plans would apply to multiple-employer plans as well.

Because benefits are not directly dependent on plan assets, a defined benefit plan may terminate without sufficient funds to satisfy all its benefit liabilities. In that case, a government-owned insurance company, the PBGC, may step in to pay all or a portion of the unfunded benefits. The PBGC guarantees cover nongovernmental, nonchurch defined benefit plans, with a number of exceptions, such as plans of small professional services firms. The insurance program is discussed in greater detail on pages 19–20.

The PBGC maintains a separate insurance program for multiemployer plans, under which it lends money to insolvent plans rather than assuming benefit liabilities after **plan termination.**

A "traditional" defined benefit plan provides a benefit at retirement computed by reference to such factors as length of service, compensation (averaged over the participant's entire career or a shorter period, usually the three to five years preceding retirement), and in some cases, anticipated social security benefits. The value of benefit liabilities, as measured for regulatory purposes, and consequently the employer's contribution obligation, is sensitive to interest rates and may be volatile. This volatility may increase after the reforms enacted by the PPA take effect in 2008.

Certain defined benefit plans (e.g., final-average-pay plans) concentrate the value of benefits in the final few years of employment. This characteristic provides an incentive to remain with a single employer until retirement. Participating in a series of plans, even if they are identical, typically reduces one's lifetime aggregate benefit.

A cash balance plan is a type of defined benefit plan that bases benefits on notional accounts, which in turn are based on service, age, and compensation. Each year, accounts are increased by a "service credit" (almost always a percentage of compensation, often higher for older or longer-service participants) plus "interest credits" on the existing "account balance." At retirement, the balance is converted into an actuarially equivalent annuity or paid out as a lump sum.

The PPA addressed a number of legal controversies that had hindered the adoption of cash balance plans. Many observers expect cash balance plans to become more popular, since they retain many of the advantages of the defined benefit structure but have less contribution volatility than traditional designs. They are also generally regarded as more attractive to employees who do not expect to work for one employer throughout their careers.

A pension equity plan defines the participant's benefit as a multiple of average compensation over a period of years (typically three to five) before retirement. The applicable multiple depends on length of service. Often, later years of service are associated with higher multiples than earlier ones. Like a cash balance plan, a pension equity plan explicitly defines the employer's liability, though its link to participants' compensation introduces an element of volatility.

Pension equity plans have received less attention than cash balance plans. Their principal advantage over cash balance plans is that they maintain a more predictable relationship between benefit levels and pre-retirement compensation. However, some major companies, such as IBM, have experimented with and then abandoned the concept.

History of Hybrid Plans

Cash balance and other hybrid plans were developed in the 1980s and enjoyed an initial surge of popularity that was brought to an abrupt halt by litigation. The most significant controversy was that a traditional plan "backloads" the value of benefits into the later years of participation, while accrual is spread more evenly in hybrid plans. Plaintiffs contended that the "traditional" pattern of accrual was legally mandatory under the age discrimination laws. That argument prevailed in two early cases, one of which, involving IBM's pension plan, received a great deal of publicity. That decision was, however, reversed by the Seventh Circuit Court of Appeals. The majority judicial view is that hybrid plans do not discriminate on account of age as long as the value of benefits credited to older participants is no less than that for otherwise identical younger participants. The PPA explicitly adopted that principle, resolving the question for the future.

The PPA dealt with two other hybrid plan controversies by enacting rules governing the conversion of traditional plans into hybrid plans and the calculation of lump sum distributions from cash balance plans. It also required faster vesting of benefits (no less favorable than full vesting after three years of service), clarified the determination of benefits after plan termination, and prohibited cash balance plans from crediting interest at higher than a "reasonable" rate, as determined by the IRS.

Other Types of Defined Benefit Plans

From an accounting perspective, defined benefit plans are not limited to pension plans; they also include other postretirement benefits, such as postretirement health care. Some plans are pay-related and benefits are based on **final pay** or on a **career average.** For example, the amount of termination benefits is often tied to years of service and level of compensation. Other benefits are not pay-related (e.g., most postretirement health care plans); that is, once vested, the benefits are the same regardless of years of service or compensation level. For defined benefit plans, all risks and rewards reside with the employer, although an employer may establish a cap that limits the level of risk.

Key Points

- Plans that provide postretirement benefits can be subdivided in two different ways: defined benefit versus defined contribution and pension benefits versus other postretirement benefits. Both distinctions are important for tax, regulatory, and accounting purposes.

- Defined contribution plans have separate individual accounts for participants, and benefits are based solely on employer and employee contributions, earnings, forfeiture, and other amounts allocable to each account. All other plans are defined benefit plans.

- Employer obligations to make contributions to defined contribution plans are based on the terms of the plan. There are no legally mandated minimum funding requirements. Contributions are deductible when made, subject to maximum limitations.

- Employers that maintain defined benefit pension plans must make contributions in accordance with minimum funding standards. Contributions are deductible when made, subject to maximum limitations.

- Benefits provided under qualified defined benefit pension plans are generally insured, subject to a number of limitations, by the PBGC.

Funding/Management of Plan Assets

The funding of pension and other postretirement benefits has been the focus of much media attention in recent years, particularly the significant deficit of the PBGC and the ability of employers to make good on their pension and other postretirement obligations. A number of regulations have also been enacted — most recently, the PPA, which strengthens the requirements for funding and management of pension plans.

From an accounting perspective, considerable effort has been made over the past 10 years to increase the transparency of reporting related to funding of single-employer defined benefit plans. For example, the SEC staff has pushed for more transparent disclosure in Management's Discussion and Analysis (MD&A), and Statement 132(R) resulted in increased disclosure for defined benefit pension and other postretirement plans regarding the types of plan assets held, investment policies and strategies, and expected contributions and benefit payments (see Appendixes E and F for detailed guidance).

Now, with increased responsibility to ensure appropriate funding of pension plans and with balance sheet reporting of the funded status of defined benefit pension and other postretirement benefit obligations required by Statement 158, it is more important than ever that management understand how defined benefit plans are funded and managed and the regulations that govern the funding and management of plan assets.

In addition, given the growing significance of defined contribution plans, it is important to be cognizant of the rules governing the funding of those plans as well. Although the most recently issued regulations and accounting requirements focus primarily on single-employer defined benefit plans, there have also been changes to regulations governing defined contribution plans. Accordingly, the funding and management of both types of plans are discussed below.

In general, the plans that are funded must be funded by law, namely, pension plans. Therefore, the discussion focuses primarily on the funding and management of defined contribution plans and defined benefit plans that provide pension benefits.

Defined Contribution Plans

Defined contribution pension plans are not subject to government-imposed minimum funding requirements, although the terms of the plan may commit the employer to contribute at a prescribed level. There are several limitations on employer and employee contributions:

- Allocations to participants' accounts for any year are limited to the lesser of 100 percent of compensation or an indexed ceiling ($44,000 in 2006, $45,000 in 2007). "Catch-up" 401(k) contributions (available to individuals aged 50 and older) and earnings on assets do not count against this limit. A violation, unless corrected in accordance with IRS procedures, results in disqualification of the plan, with adverse tax consequences for participants and the employer.
- Deductible employer contributions are limited to 25 percent of the aggregate compensation of plan participants. Contributions to defined benefit plans currently reduce this limit. Under the PPA, contributions to plans insured by the PBGC will not have a negative impact, beginning in 2008. Nondeductible contributions are subject to a 10 percent excise tax. They may be carried over and deducted in later years. There is no limitation on the deduction of employees' 401(k) contributions or certain contributions to ESOPs. Contributions are generally deductible in the employer's tax year in which they are made, on a cash rather than an accrual basis. They may, however, be deducted on the preceding year's return if they are made on account of that year and no later than the tax return due date, including extensions.
- Employees' pre-tax and Roth 401(k) contributions are limited to the lesser of 100 percent of compensation or an indexed ceiling ($15,000 in 2006, $15,500 in 2007). In addition, those aged 50 and older may make catch-up contributions of up to $5,000 in 2006 and 2007 (indexed in later years). Employee contributions other than catch-up contributions count against the limit on allocations described in the first bullet above.

Except in a few unusual circumstances, all plan assets must be allocated to participants' accounts. Assets cannot be held "in suspense," awaiting allocation in later years. One exception is in a leveraged ESOP. Stock purchased with the proceeds of an ESOP loan is initially held in suspense and allocated as the loan is repaid.

Contributions may be made in cash or property. They must be held in trust or under an insurance contract. The trustee may be an institution or a committee of individuals (almost always officers of the employer). Plan assets are not subject to the claims of creditors of the employer. Participants' accounts are also broadly, though not absolutely, protected against the claims of their own creditors. Many plans, particularly section 401(k) plans, allow participants to direct the investment of their accounts, usually offering choices from a menu of mutual funds. Other common investment options are employer stock and interests in insurance-company-guaranteed income contracts. The DOL has promulgated rules for participant direction. Their use is not compulsory, though adherence to the DOL standards may reduce the likelihood of the employer's exposure to lawsuits by participants whose investment decisions turn out badly.

Plan assets must be invested in accordance with ERISA's fiduciary standards and prohibited-transaction rules. Most investments are allowed, if made prudently, but there are a few exceptions. For example, plans may not acquire debt securities of the employer that are not widely held by the public, and participant-directed accounts may not invest in "collectibles" (e.g., precious metals, most coins, alcoholic beverages, artwork). Some investments may give rise to prohibited transactions. For example, a plan may not, with very limited exceptions, hold real property that is leased to the employer maintaining the plan or to another party in interest.

Single-Employer Defined Benefit Pension Plans

Defined benefit pension plans must comply with minimum funding standards prescribed by ERISA and the IRC. Failure to make required minimum contributions subjects the employer to excise taxes and can lead to enforcement action by the DOL. The PPA substantially revised the minimum funding standards, effective in 2008. The PPA standards, unlike the ones they replace, are intended to rapidly bring plans up to full funding of benefit liabilities. The PPA eliminated many rules that let benefit increases or the effects of adverse experience be amortized over long periods. The effect will be to make contribution requirements more volatile, particularly for traditional defined benefit plans. Volatility will be somewhat less of an issue for hybrid (cash balance and pension equity) plans.

The calculation of required minimum contributions requires a valuation of the plan's assets and liabilities by an enrolled actuary. Under current law, the funding method and assumptions are determined by corporate management in consultation with the plan's actuary. The PPA greatly limits discretion in these areas, starting with plan years beginning in 2008, although limited discretion is still allowed.

Employers may contribute more than the minimum required contribution for a particular year. The law imposes maximum deduction limits that were markedly liberalized by the PPA. The timing of deductions is the same as that for defined contribution plans.

Management generally establishes policies for the investment of plan assets and selects the plan's investment managers. Asset management may be handled in-house or turned over to a bank, insurance company, registered investment company, or registered investment adviser. The plan's trustee may manage assets but more often is a "directed trustee" with no responsibility except to carry out instructions given by authorized parties. Day-to-day plan operations are normally handled by the employer's human resources department or through outsourcing to a third-party plan administrator.

Like defined contribution plans, defined benefit plans must hold their assets in trust or under an insurance contract. The investment of defined benefit plan assets is subject to more stringent restrictions than those that apply to defined contribution plans. Most significantly, employer securities may not exceed 10 percent of plan assets, and generally the only employer securities that the plan may hold ("qualifying employer securities") are publicly traded stock and debt. In general, all contributions to a defined benefit plan must consist of cash or qualifying employer securities. Contributions of other types of property are permitted only in rare circumstances.

Because benefit accrual in a defined benefit plan is not related to the value of plan assets, a plan may terminate with more or less money than is needed to satisfy all benefit liabilities. The PBGC makes up some or all of the deficit in plans that it insures. In uninsured plans, benefits must be cut back on termination to equal the available funds. Any surplus remaining after the satisfaction of all benefit liabilities may revert to the employer, if the plan so provides, but is subject to ordinary income tax, plus an excise tax that may be as high as 50 percent of the amount recovered.

The preceding discussion does not apply to plans that cover only a select group of management or highly compensated employees. Funding of those plans is not required and leads to adverse tax consequences. The employer may, however, contribute to a trust that is subject to the claims of its creditors (a "rabbi trust"). Rabbi trusts are not treated as "funded" for ERISA or IRC purposes. Recent legislation imposes limitations on using rabbi trusts to provide deferred compensation. First, the trust must be domiciled in the United States or in the foreign jurisdiction in which the deferred compensation is earned. Second, no transfers to a rabbi trust may be made (1) while the employer maintains any qualified defined benefit plan that is less than 80 percent funded, (2) while the employer is in bankruptcy, or (3) during the period beginning six months before and ending six months after the distress or involuntary termination of any defined benefit plan in the employer's controlled group.

Key Points

Defined Contribution Plans

- All contributions must be allocated among participants' accounts in accordance with a predetermined formula. The amount that may be allocated to any particular account for a year is limited by section 415 of the IRC.
- Employees' elective deferrals under 401(k) plans are subject to additional limitations.
- Employer contributions are deductible in the year made, subject to maximum limitations. No deduction limitations apply to 401(k) elective deferrals.
- All contributions must be held in trust or under an insurance contract, and must be invested in accordance with ERISA's fiduciary standards.
- Participants may manage the assets in their own accounts to the extent permitted by the plan.

Defined Benefit Plans

- Employers must comply with minimum funding standards prescribed by ERISA and the IRC.
- The PPA revised the minimum funding standards, effective 2008.
- Plan assets must be held in a trust or in an insurance contract, and must be invested in accordance with ERISA's fiduciary standards.
- Management sets the policies for asset management and selects investment managers.

Statutory Considerations

Regulatory requirements are considered in plan design, in developing changes to plans, and in determining the appropriate accounting for benefit obligations and changes in those obligations. The following discussion summarizes the regulatory requirements and processes that underlie the U.S. system of benefit regulation.

Employee Retirement Income Security Act

ERISA is the primary federal legislation that governs pension plans and welfare benefit plans, such as those providing employment-based medical and hospitalization benefits. It was passed in 1974 to address public concerns that funds of private pension plans were being mismanaged and abused. It also preempts state regulation of pension and welfare plans, except for state laws that regulate insurance policies purchased to provide benefits. ERISA completely revised the legal framework for employee benefits, which had previously been governed by state law and, so far as tax consequences were concerned, the IRC.

In broad outline, Title 1 of ERISA imposes the requirements listed below on all U.S. pension and welfare benefit plans. Fully or partially exempted are plans maintained by governmental bodies, church plans that do not affirmatively elect ERISA coverage, unfunded plans covering only a select group of management or highly compensated employees, and a few other, less significant categories.

- Plans must file annual reports (Form 5500) with the DOL and distribute information to participants through summary plan descriptions, summary annual reports, benefit statements, etc.
- Pension plans must satisfy minimum requirements concerning eligibility to participate; vesting; and distribution of benefits, including protections for participants' spouses.
- Defined benefit pension plans must be funded in accordance with minimum funding standards.
- The assets of all funded pension and welfare plans must be managed in accordance with prescribed fiduciary standards, which include per se prohibitions against sales, exchanges, loans, and other transactions between plans and parties in interest.
- ERISA provides the legal framework for the enforcement of participants' rights by participants themselves or the DOL.

Amendments to ERISA over the past 30 years have considerably expanded its scope and complexity in such areas as protection against age discrimination, enhanced spousal rights, and mandatory continuation

of health care benefit coverage. Most recently, the PPA significantly changed the minimum funding standards, among other things. (See further discussion below.)

Administration of ERISA

The administration of ERISA is divided among the DOL, the IRS, and the PBGC. The DOL has primary jurisdiction over reporting, disclosure, fiduciary standards, enforcement (other than tax matters), and issues that affect only welfare plans. The IRS is the lead agency for participation, vesting, distribution and funding issues, and all matters relating to plans' tax status and the tax effects of contributions and distributions. The PBGC administers Title IV of ERISA, which covers the insurance of defined benefit pension plans.

The Department of Labor

The DOL's regulatory functions under ERISA are carried out by the EBSA, headed by an assistant secretary of labor. As indicated in the table on pages 4–5, the DOL regulates defined contribution and defined benefit plans. The EBSA's principal duties include:

- Issuing regulations governing fiduciary responsibility, prohibited transactions, reporting and disclosure, fidelity bonds, and ERISA requirements other than those for which the primary role has been assigned to the IRS or the PBGC.
- Processing and reviewing Form 5500 annual reports (information from these reports is also used by the IRS and the PBGC).
- Conducting plan audits dealing with matters within its jurisdiction, with particular emphasis on fiduciary violations and prohibited transactions.
- Recommending cases to the solicitor of labor for enforcement action.
- Granting individual and class exemptions from the prohibited-transaction rules.
- Administering the Voluntary Fiduciary Correction Program, under which fiduciaries that have engaged in impermissible conduct may, in limited circumstances, correct their violations and be protected against further enforcement action.

The Internal Revenue Service

The IRS enforces plan qualification standards (section 401(a) of the IRC), the rules concerning the deductibility of contributions and the tax treatment of distributions to participants, and a number of requirements whose violation results in the imposition of excise taxes (e.g., minimum funding requirements and prohibited transactions involving qualified plans). The primary responsibility in this area is assigned to the Employee Plans Division, which is part of the Tax Exempt and Government Entities Division. The Office of Chief Counsel also has a unit dedicated to qualified-plan issues. Overall policy is coordinated by the Treasury Department's Employee Benefits Counsel.

The most frequent contact that plan sponsors have with the IRS is through the determination letter program. Employers may request determinations that the form of their plan documents satisfies the

qualification standards. Technically, obtaining a determination letter is not mandatory, but it is essential for ensuring compliance with a complex and inflexible regulatory structure. In 2005, the IRS revised the program so that plans ordinarily will have a one-year window every five years during which they may obtain determinations relating to all **plan amendments** adopted since the last determination letter was received.

Plans must satisfy the qualification standards in operation as well as form. Any operational defect, however minor, could lead to plan disqualification. To avoid that harsh result (so harsh that IRS agents in the past often ignored all but the most severe defects), the IRS has established the Employee Plans Compliance Resolution System (EPCRS). Under this program, plan sponsors that discover problems may correct them voluntarily, pay a fee to the IRS, and avoid any more severe sanctions.

The IRS has a regular program of plan audits, which was recently revised in an attempt to focus more sharply on the most common and serious compliance issues. Qualification problems uncovered during an audit can generally be corrected, but the fees imposed are considerably higher than when the employer initiates correction under the EPCRS.

The Pension Benefit Guaranty Corporation

The PBGC is a federal corporation that was created by ERISA and is governed by a board of directors consisting of the secretaries of labor, the treasury, and commerce. It acts as a guarantor of benefits for qualified defined benefit pension plans. As of the close of the 2006 fiscal year, the single-employer program covered 28,800 plans and 34.2 million participants. The maximum pension benefit guaranteed by the PBGC is set by law and adjusted yearly. Workers covered by plans that terminate in 2007 and who retire at age 65 are guaranteed up to $4,125 a month ($49,500 a year). The guarantee is lower for those who retire early or elect benefits in joint-and-survivor annuity form. It is higher for those who retire after age 65.

The PBGC is financed by insurance premiums paid by insured plans, investment income, assets from terminated underfunded pension plans trusteed by the PBGC, and recoveries from the companies formerly responsible for those plans. Premium revenue totaled about $1.5 billion in 2005.

PBGC insurance is mandatory for tax-qualified defined benefit pension plans, with limited exceptions. When the PBGC was established in 1974, the premium was $1 per participant. Today, insured plans pay a basic flat-rate premium of $31 per participant per year, with annual inflation indexing, plus a variable-rate premium equal to 0.9 percent of unfunded vested benefits. The PPA provides new rules for determining variable-rate premiums, to be phased beginning in 2008, that parallel the new method for valuing benefits for minimum funding purposes. A termination premium of $1,250 per participant per year, payable for a three-year period, applies to certain distress and involuntary plan terminations. At its September 30 year-end in 2006, the PBGC had an estimated deficit of more than $18 billion, with an exposure to $73 billion in underfunded obligations considered "reasonably possible." Both figures were a considerable improvement over the 2005 numbers: a deficit of almost $23 billion and $108 billion in "reasonably possible" exposure.

A plan with sufficient assets to pay all participants' accrued benefits may be terminated by its sponsor in a "standard termination." After termination, plan assets are distributed to satisfy benefit liabilities in accordance with rules administered by the PBGC.

A plan that cannot satisfy all its benefit liabilities may be terminated through "distress termination," which requires the consent of either the PBGC or a bankruptcy court, or involuntary termination, which is initiated by the PBGC and approved by a court. After a distress or involuntary termination, the PBGC becomes trustee of the plan, takes control of all plan assets, and becomes responsible for the payment of benefits and other aspects of plan administration.

The PBGC also administers an insurance program for multiemployer pension plans. Under the Multiemployer Pension Plan Amendments Act of 1980, the PBGC ensures that employers continue their obligation to fund plan benefits and do not withdraw from participation in a benefit plan.

The PBGC's Role in Acquisitions and Other Corporate Transactions

Through its Early Warning Program, the PBGC uses publicly available data to identify corporate transactions that may result in transfers of underfunded pension liabilities to weaker sponsors and that may thus create greater risks for the pension insurance program. It frequently attempts to negotiate with the parties involved to obtain greater funding for the plan or other assurance against future losses. The principal motivation for cooperating is the PBGC's authority to seek involuntary termination of plans whose continuation poses a risk of unreasonable future insurance losses. The extent to which courts must defer to the agency's determinations on this matter is controversial.

Pension Protection Act of 2006

The PPA fundamentally alters funding obligations of employers that maintain defined benefit pension plans, prospectively clarifies the rules for cash balance plans, makes permanent the revisions enacted under the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) that were set to expire in 2010, strengthens diversification rights and investment education provisions for plan participants, and encourages automatic enrollment in 401(k) plans.

Funding Requirements for Single-Employer Defined Benefit Plans

Under the PPA minimum funding standards, the employer's required annual contribution equals the present value of benefits earned by participants during the current year plus the amount needed to amortize any funding shortfall over no longer than seven years. In the case of severely underfunded (at-risk) plans, special rules increase the funding obligation. These rules will become generally effective in 2008. The PPA also extends — for 2006 and 2007 — the temporary funding provisions enacted in 2004.

The determination of whether a plan is underfunded is based on a comparison of the value of plan assets to its benefit obligations as of the valuation date (almost always the first day of the plan year). Under the PPA, plans are required to value benefit obligations using different interest rate assumptions depending on when the benefit is expected to be paid. In the determination of the appropriate interest rate, benefits are grouped into three segments: those expected to be payable (1) within five years, (2) within more than five but less than 20 years, and (3) later than 20 years from the present. The segment rates are based on a corporate bond yield curve, intended to reflect current interest rates on high-quality corporate bonds averaged over two years. Alternatively, plan sponsors may elect to use a single blended interest rate, still based on the yield curve, for valuing all benefits. That election may be revoked only with consent of the IRS. The Treasury Department will publish the interest rate assumptions monthly.

Beginning in 2008, the corporate bond yield curve method will be phased in, with full implementation beginning in 2010. During the transition period, the new rates will be blended with those calculated under the current method, which is based on the yields on 30-year U.S. Treasury bonds.

In general, plan assets must be valued at fair market value as of the valuation date. The PPA allows averaging to reduce the effect of market fluctuations, but with less flexibility than existing law allows. The PPA also reduces the longest permissible averaging period from five years to two years and requires that the value lie between 90 percent and 110 percent of fair market value on the valuation date. The use of a shorter averaging period and narrower corridor than currently permitted will lead to greater volatility in the value of plan assets.

Employers that made contributions in excess of the required minimum funding in prior years may have unused funding standard account credit balances that, under prior law, could be used to offset contributions that they would otherwise have been required to make. These balances are preserved under the new rules, but they may be used to reduce an employer's minimum required contribution only for years in which the ratio of the value of plan assets to benefit obligations is at least 80 percent.

The timing of contributions is unchanged from existing law; the minimum required contribution may be made no later than eight-and-a-half months after the end of the plan year. If the plan had a funding shortfall for the preceding year, the employer is required to make quarterly contributions. For calendar-year plans, the installments are due on April 15, July 15, October 15, and January 15 of the following year. The due dates for fiscal-year plans follow a corresponding schedule based on the plan year.

In October 2006, the FASB considered whether the passage of the PPA warranted additional disclosure requirements from an accounting perspective. The Board observed that the PPA was most likely to have a more significant effect on publicly held companies. As a result, the Board concluded that no new requirements were necessary because current disclosure requirements under U.S. GAAP, together with the SEC's disclosure requirements, should result in full disclosure of any impact of the new funding requirements on future cash flows.

Key Points

- ERISA and the tax qualification rules of the IRC are the primary federal laws governing the establishment and administration of employee benefit plans.
- These laws cover participation, vesting, participants' rights, funding, prohibited transactions, payment of benefits, benefit guarantees, disclosure, fiduciary responsibilities, and reporting requirements.
- Responsibility for administering and enforcing the laws is divided among the DOL, the IRS, and the PBGC.
- The PPA provides rules for funding of defined benefit plans and makes permanent the revisions enacted under the EGTRRA that were set to expire in 2010.

Accounting

The accounting rules applicable to employers' obligations for employee benefits continue to evolve, with two new standards issued in the past several years (Statements 132(R) and 158). Additional guidance has been provided in EITF Issues and FASB Staff Positions (see Appendix C for more information), including, most recently, FSP FAS 158-1, which amends Statements 87, 88, and 106 to incorporate the Implementation Guides as appendixes of the respective standards, thereby elevating the guides to Level A GAAP.[1] In addition, the SEC staff has weighed in on a number of issues in speeches at the annual AICPA National Conference on Current SEC and PCAOB Developments. The above accounting standards rely heavily on complex actuarial concepts and assumptions, which, in turn, increases the challenge in accounting for pensions and other postretirement benefits.

The guidance on pensions and other postretirement benefits covers a vast array of transactions, including plan initiation, amendment, **settlement, curtailment,** and termination. It also covers **plan suspensions,** early retirements, and contractual and special termination benefits.

Over the years, accounting for postretirement benefits has resulted in more transparent reporting. The current accounting standards are designed to ensure that:

- The cost of pension and other postretirement benefits is recognized during the service period of the employee.
- The balance sheet reflects the funded status of a benefit plan — measured as the difference between plan assets at fair value and the obligation for benefits earned to date, including consideration of estimated future compensation increases if benefits are tied to compensation — for example, benefits based on years of service and final pay.
- The income statement reflects the changes in the obligation for the period, without totally absorbing all gains and losses related to volatility and other changes in the obligation, such as plan amendments (OCI is used to absorb those changes).
- Disclosures provide further transparency regarding the employer's obligation and the funding of that obligation and the accounting for the components of the net amounts reported in the income statement and on the balance sheet.

The accounting literature on pensions and other postretirement benefits covers benefits provided pursuant to defined benefit plans and defined contribution plans. The standards for defined contribution plans are

[1] The GAAP hierarchy is contained in AICPA Statement on Auditing Standards No. 69 (AU Section 411), *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles.*

discussed briefly below. The remaining discussion focuses on the more complex topic of single-employer defined benefit plans, highlighting the most recent changes in pension and other postretirement defined benefit accounting required by Statement 158.

Defined Contribution Plans

The requirements for employers' accounting for defined contribution plans are relatively simple: (1) to the extent that a plan's defined contributions to an individual's account are to be made for periods in which that individual renders services, the net cost for the period is the contribution called for in that period; (2) if a plan calls for contributions for periods after an individual retires or terminates, the estimated cost is accrued during the employee's service period. Required disclosures likewise are straightforward. Paragraph 11 of Statement 132(R) states:

> An employer shall disclose the amount of cost recognized for defined contribution pension plans and for other defined contribution postretirement benefit plans for all periods presented separately from the amount of cost recognized for defined benefit plans. The disclosures shall include a description of the nature and effect of any significant changes during the period affecting comparability, such as a change in the rate of employer contributions, a business combination, or a divestiture.

See page 8 for SEC staff comments regarding the necessity of individual accounts to qualify as a defined contribution plan.

Single-Employer Defined Benefit Plans

In the accounting for the employer's obligation to provide employee benefits pursuant to a defined benefit plan, the unit of accounting is the plan, and the **benefit formula,** as reflected in the terms of the plan, is the basis for determining the employer's obligation for the benefits earned and the cost incurred in each individual period. The plan may be written or unwritten (i.e., a substantive plan). The terms of an unwritten plan are determined by reference to the mutual understanding of the arrangement between the employer and the employees and retirees.

Balance Sheet Recognition and Presentation

A unique feature of pension and postretirement benefit accounting, recently modified by Statement 158, is that the amount presented on the balance sheet is the difference between the benefit obligation (**projected benefit obligation** (PBO) for pensions and **accumulated postretirement benefit obligation** (APBO) for other postretirement benefit obligations) and the fair value of plan assets used to satisfy that obligation. In other words, the obligation and assets are presented net, rather than grossed up. Before Statement 158, Statements 87 and 106 also required that the amount reported on the balance sheet be either a net liability or a net asset, but the amount of the reported net liability or net asset did not necessarily reflect the funded status of the plan. Rather, it reflected the net amount recorded as accrued or prepaid. The funded status of the plan was disclosed in the notes to the financial statements, which presented a reconciliation of the funded status to the amount (accrued or prepaid) reported on the balance sheet.

Statement 158 requires full recognition of an asset or liability for the overfunded or underfunded status of benefit plans. This requirement applies to most public companies,[2] as defined in the Statement, for financial statements for years ending after December 15, 2006. The requirement that the funded status be reported on the balance sheet eliminates the requirement to disclose a reconciliation of the funded status to the amounts reported on the balance sheet. In Statement 158, the Board observed that the Statement's required changes will make it easier for users of financial statements "to assess an employer's financial position and ability to satisfy postretirement benefit obligations."

When presenting the pension or postretirement asset or liability on the balance sheet, employers are not permitted to aggregate plan assets and benefit obligations of overfunded plans with the plan assets and benefit obligations of underfunded plans. Instead, (1) assets derived from all overfunded plans are aggregated and recognized as an asset and (2) liabilities derived from all underfunded plans are aggregated and recognized as a liability. In addition, Statement 158 requires that if an entity presents a classified balance sheet, the current and noncurrent portions of any postretirement benefit asset or liability be reported separately and determined on a plan-by-plan basis.

A postretirement liability should be classified as noncurrent unless the fair value of the plan's assets is insufficient to cover the benefit payments expected to be made over the next 12 months or, if longer, the operating cycle. When such a deficit exists, a current liability equal to the current expected benefit payments in excess of the fair value of the plan's assets should be recognized.

Example — Classification of a Postretirement Liability

A company with a classified balance sheet sponsors a **defined benefit postretirement plan** with a funded status, resulting in a $200 postretirement liability. The fair value of the plan's assets is $100, and the plan's expected benefit payments are $50 over the next 12 months. The company classifies the entire $200 liability as a noncurrent liability, since the fair value of the plan's assets is sufficient to cover its expected benefit payments over the next 12 months.

Assume the same facts as above except that the fair value of the plan's assets is only $40. The company should record a current liability of $10 and a noncurrent liability of $190.

Statement 158 requires that postretirement assets be presented as noncurrent in a classified balance sheet.

Statement 158 Transition — Recognition Provisions

To initially recognize a plan's funded status on the balance sheet requires recognition in accumulated other comprehensive income (AOCI) of previously unrecognized amounts, namely (1) **prior service costs** and credits, (2) gains or losses, and (3) **transition obligations and assets** (see Appendix D for implementation guidance). In subsequent periods, these amounts will be reclassified from OCI and recognized in net income as components of **net periodic benefit cost** pursuant to Statements 87, 88, and 106. Amounts should be recorded net of taxes on the basis of the applicable provisions of FASB Statement No.109, *Accounting for Income Taxes*, for both the initial recognition of a plan's funded status and the subsequent reclassification from OCI to net periodic benefit cost pursuant to the recognition and amortization provisions of Statements 87, 88, and 106.

[2] Companies with publicly traded equity securities were required to adopt the recognition provisions of Statement 158 as of the end of the fiscal year ending after December 15, 2006, with all other companies adopting as of the end of the fiscal year ending after June 15, 2007.

Income Statement Recognition

The amount reported in the income statement is the net of service cost, interest cost, expected return on plan assets, amortization of the cost of plan amendments (i.e., prior service costs), amortization of the net gain or loss, and amortization of the transition obligation or loss. Unlike the balance sheet treatment of the funded status of the plan, the amount of net periodic cost recognized in the income statement is unaffected by the provisions of Statement 158. That is, certain changes in the value of the obligation and in the value of plan assets are not immediately recognized in net income. Such changes are now fully recognized in OCI (previously they were not), but they continue to be amortized into net income as part of net periodic benefit cost.

Net Periodic Benefit Cost Formula

	Service cost
+	Interest cost
+/-	Expected return on plan assets
+/-	Amortization of prior service cost
+/-	Amortization of net gains or losses
+/-	Amortization of any net transition asset or obligation existing at the date of initial application of Statements 87 and 106 and remaining in AOCI
=	**Net periodic benefit cost**

Other Comprehensive Income

Before amendment by Statement 158, Statement 87 required that amounts related to the additional minimum liability (AML) be recorded net of tax in OCI. Although, as indicated above, Statement 158 eliminated the AML requirements of Statement 87, OCI is now used to absorb the amounts that have not yet been recognized in net income. Given the importance of OCI in pension and other postretirement benefit accounting, it is not surprising that most new disclosure requirements focus on the balance in OCI and on the amounts flowing into and out of it. Appendix E includes a summary of these and other disclosure requirements.

Not-for-Profit Organizations

Statement 158's guidance for not-for-profit organizations is similar to that for business enterprises except regarding the placement of amounts that would otherwise be recorded in OCI (i.e., gains or losses and the prior service costs or credits). For not-for-profit organizations, such amounts are recognized as a separate line item or items within changes in unrestricted net assets, apart from expenses, and not as components of net periodic benefit cost.

Measurement Date

Statements 87 and 106 require that pension and postretirement obligations and plan assets be measured at least once a year. Statement 158 amended Statements 87 and 106 to require that the **measurement date** (i.e., the date as of which plan assets and obligations are measured) match the year-end balance sheet date. (The net cost for the year is also measured at least once a year.) This is a significant change for employers who had used a measurement date before the date of the financial statements in accordance with Statements 87 and 106. An entity will no longer have months to measure the funded status of its plan(s) by choosing a measurement date up to three months prior to year-end. This provision will be effective for all entities in fiscal years ending after December 15, 2008. The Board provided this extended period to give preparers and their service providers (i.e., actuaries and plan trustees) sufficient time to implement necessary reporting changes.

Statement 158 provides two transition alternatives regarding the change in measurement date provisions. The first alternative requires that an entity that uses a measurement date earlier than its year-end perform two separate measurements within a few months of each other. A second alternative[3] was developed to help reduce the costs associated with the transition. See Appendix D for further implementation guidance.

Example — Statement 158 Measurement Date Transition

In preparing to adopt the change in measurement date provisions of Statement 158, a calendar-year-end company that currently uses a September 30 measurement date will measure its plan assets and benefit obligations as of September 30, 2007, for its annual financial statements.

Alternative 1 (Paragraph 18 Transition Guidance)

The company performs another measurement on January 1, 2008, to determine the net periodic benefit cost for 2008. On January 1, 2008, the company recognizes the net periodic benefit cost[4] for the period between September 30, 2007, and January 1, 2008, net of tax, as a separate adjustment to the opening balance of retained earnings. Any change in the fair value of plan assets and benefit obligations for the period between September 30, 2007, and January 1, 2008, should be recognized, net of tax, as a separate adjustment to the opening balance of AOCI on January 1, 2008. Note that any gains and losses resulting from a settlement or curtailment that occurs in the fourth quarter of 2007 or later should be recognized in earnings in the period it was incurred and not as an adjustment to retained earnings.

Alternative 2 (Paragraph 19 Transition Guidance)

The September 30, 2007, measurement is used to determine the net periodic benefit cost for the next 15 months (i.e., from October 1, 2007, through December 31, 2008). The net periodic benefit cost[5] should be proportionately allocated between amounts to be recognized as an adjustment to retained earnings and net periodic benefit cost for 2008. In this example, three-fifteenths of net periodic benefit cost determined for the 15-month period should be allocated as an adjustment to retained earnings and the remaining twelve-fifteenths should be recognized as net periodic benefit cost for 2008. The company's next measurement date is December 31, 2008. That measurement would be used to record the funded status of its plan for the December 31, 2008, financial statements and to determine the net periodic benefit cost for fiscal year 2009. In addition, any change in the fair value of plan assets and benefit obligations for the period between September 30, 2007, and December 31, 2008, is recognized in OCI on December 31, 2008. Note that any gains and losses resulting from a settlement or curtailment that occurs in the fourth quarter of 2007 or later should be recognized in earnings in the period it was incurred and not as an adjustment to retained earnings.

Sometimes it is appropriate not to align measurement and year-end dates. Statement 158 provides that (1) if a subsidiary is the plan sponsor and is consolidated using a fiscal period different from that of its parent, the parent should measure the subsidiary's postretirement benefit plan assets and benefit obligations as of the same date used to consolidate the subsidiary, or (2) if the plan is sponsored by an investee that is accounted for using the equity method of accounting and the financial statements of the investee are not available in a timely manner for the investor to currently apply the equity method, the investor should measure the investee's plan assets and benefit obligations as of the date of the investee's financial statements that were used to apply the equity method.

[3] Under this alternative, companies may take up to 15 months before performing a second measurement upon adoption of the change in measurement date provisions of Statement 158 (e.g., a calendar-year company that has a September 30 measurement date performs a measurement on September 30, 2007, and not again until December 31, 2008).

[4] The cost is exclusive of any gain or loss from a curtailment or settlement incurred in that period.

[5] See footnote 4.

Example — Aligning the Measurement Date With the Balance Sheet Date

An equity method investee and its investor each have a calendar year-end. On the basis of the timing of the availability of the equity method investee's financial statements, the investor accounts for its equity method investment on a one-month lag (i.e., the investor uses the equity method investee's November 30 financial statements to record its equity pickup in its December 31 financial statements). Under paragraph 5 of Statement 158, the equity method investor is required to measure the plan assets and benefit obligations of the investee as of November 30 for purposes of the investor's financial statements. The investee would need to measure its plan assets and benefit obligations as of December 31 for its own stand-alone financial statements.

Measuring the Benefit Obligation and Attributing the Cost

Although Statement 158 changed the measurement date requirements, the guidance on how to measure the obligation and cost remains unchanged. As the introduction to Statement 158 indicates, the FASB intends to address the benefit obligation measurement issue in the second phase of its project. This is one of the more complicated aspects of Statements 87, 88, and 106 and has drawn considerable attention from the SEC staff over the years. Among other things, the staff has spoken frequently about the importance of supporting the assumptions used in measuring the benefit obligation. In a speech given on May 27, 2004, Scott A. Taub, deputy chief accountant in the Office of the Chief Accountant of the SEC, stated the following regarding supporting the assumptions used, specifically the **discount rate** assumption:

> [W]here disclosures do not indicate what evidence a company has looked to in determining its discount rate, we do generally ask for such support as part of a review of the company's filing. Unfortunately, we are often given responses that merely refer to rates used by other companies, rather than empirical support for the company's assumption. In some cases, registrants have indicated that they relied on their actuaries to select a rate and their auditors to tell them if the rate was unreasonable. These are insufficient responses. No matter whom a company seeks out for advice in making assumptions like the discount rate, the company should have support for its assumptions that goes beyond a comparison with others.

The following paragraphs summarize the requirements for, and assumptions used in, measuring the benefit obligation.

Statements 87 and 106 refer to various measurements of the pension and postretirement obligations, including the PBO, the **accumulated benefit obligation** (ABO), and the APBO. All of these measures reflect the **actuarial present value** of benefits attributed by the plan's benefit formula to employee service rendered before the date as of which the obligation is being measured.

Statements 87 and 106 also require the use of specific actuarial methods, depending on the nature of the plan, to attribute the cost to specific periods of employee service. The objective of this **attribution** approach is to assign a level amount of benefit to each year of service for plan benefit formulas that define benefits similarly for all years of service. The attribution period is generally defined by the plan (e.g., the **credited service period**).

The measurement of pension and postretirement benefits generally requires the use of assumptions. Such assumptions may include, but are not limited to, discount rates, **expected long-term rates of return on plan assets,** turnover, mortality, and **health care cost trend rates.** The standards require use of "explicit assumptions," in which each assumption must be a "best estimate" on a stand-alone basis, rather than implicit assumptions, which together produce a reasonable result. The following paragraphs discuss the factors to consider in selecting assumptions, including the following:

- Responsibilities of the various parties involved.
- The use of computational shortcuts.
- Critical assumptions, including SEC staff comments on various assumptions.

Assumptions — Responsibilities

Management is ultimately responsible for selecting assumptions; however, management often looks to its actuaries or other advisers for assistance in developing the assumptions. Management — and auditors — must therefore understand the level of responsibility the actuaries are accepting for the assumptions selected.

To better understand the nature of the responsibility the actuary assumes in its calculations, management and auditors should consider the guidance in Actuarial Standard of Practice 27 (ASOP 27), *Selection of Economic Assumptions for Measuring Pension Obligations,* and ASOP 2, *Recommendations for Actuarial Communications Related to Statements of Financial Accounting Standards Nos. 87 and 88.*

Reducing Complexity — Use of Computational Shortcuts

To reduce the cost of applying the standards, the FASB decided to allow the use of "shortcuts." Paragraph 10 of Statement 87 and paragraph 15 of Statement 106 both provide for the use of "reasonable approximations," stating that:

> If estimates, averages, or computational shortcuts can reduce the cost of applying this Statement, their use is appropriate, provided the results are reasonably expected not to be materially different from the results of a detailed application.

Critical Assumptions

Although it is important to understand how all assumptions are selected, the discount rate, the expected long-term rate of return on plan assets, mortality table selection, and the health care cost trend rate have garnered the most attention in recent years. The SEC staff has focused on these assumptions in speeches and in inquiries of registrants.

Discount Rates

In general, the measurement of the pension and postretirement benefit obligation is sensitive to the discount rate. The discount rate is intended to represent the rate at which the benefit obligation could be settled. The literature indicates that in selecting a discount rate, employers look to either (1) rates implicit in current prices of **annuity contracts** that could be used to settle the obligation or (2) rates of return on

high-quality fixed-income investments currently available and expected to be available during the period to maturity of the pension benefits. In practice, the prices on annuity contracts are rarely used; it is common, however, to use a method that reflects the rates available on high-quality corporate bonds.

Paragraph 44A of Statement 87 (as amended by Statement 158)[6] describes the approach as follows:

> Pursuant to paragraph 44, an employer may look to rates of return on high-quality fixed-income investments in determining assumed discount rates. The objective of selecting assumed discount rates . . . is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the pension benefits when due. Notionally, that single amount, the projected benefit obligation, would equal the current market value of a portfolio of high-quality zero coupon bonds[7] whose maturity dates and amounts would be the same as the timing and amount of the expected future benefit payments. Because cash inflows would equal cash outflows in timing and amount, there would be no reinvestment risk in the yields to maturity of the portfolio. However, in other than a zero coupon portfolio, such as a portfolio of long-term debt instruments that pay semiannual interest payments or whose maturities do not extend far enough into the future to meet expected benefit payments, the assumed discount rates (the yield to maturity) need to incorporate expected reinvestment rates available in the future. Those rates should be extrapolated from the existing yield curve at the measurement date. The determination of the assumed discount rate is separate from the determination of the expected rate of return on plan assets whenever the actual portfolio differs from the hypothetical portfolio above. Assumed discount rates should be reevaluated at each measurement date. If the general level of interest rates rises or declines, the assumed discount rates should change in a similar manner.

In the recent past, some companies have constructed hypothetical portfolios using the approach described in the above paragraph; most other companies use an analysis of various factors to estimate the discount rate. The analysis supporting the discount rate involves:

- Developing the expected stream of future benefit payments underlying the benefit obligation.
- Developing the theoretical yield curve on zero-coupon, high-quality corporate bonds, or otherwise using a yield curve developed by others, as of the measurement date.
- Discounting the benefit payment stream by using the yield curve.
- Solving for the single rate — similar to an internal rate of return — that would result in the same discounted value for the benefit stream.

As an alternative, many companies consider benchmarks, such as a published index (e.g., the Citigroup Pension Liability Index discount rate), in their analyses. This is permitted, provided that the benchmark is a reasonable proxy for the plan's specific circumstances. In a speech given on May 27, 2004, Scott A. Taub, deputy chief accountant in the Office of the Chief Accountant of the SEC, acknowledged the various approaches used by companies to support the discount rate:

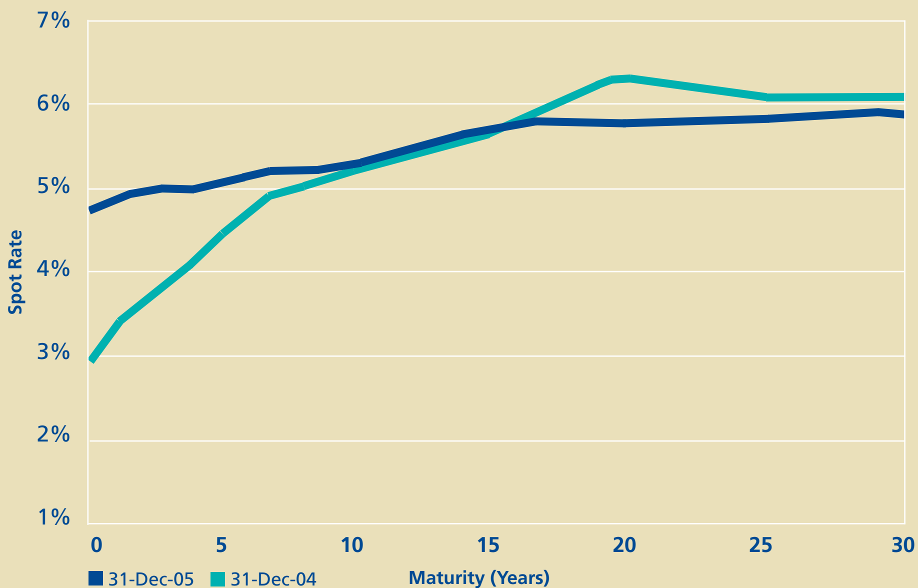
[6] Similar guidance was also added to paragraph 31A of Statement 106 (as amended by Statement 158).

[7] Bonds issued without any periodic interest payments or coupon. They are sold at a discount from par value, with the amount of the discount representing the interest due on the investment. The amount of the discount is a factor of the length of time to final maturity and the prevailing level of interest rates.

> While referring to applicable index rates would provide acceptable support, other companies might support their rate in other ways. For example, by constructing a hypothetical portfolio of high quality instruments with maturities that mirror the pension obligation. In any event, we believe that size of pension obligations and the significance of the discount rate assumption to their calculation indicate that significant thought should be given to the rate's selection.

Because the duration of a plan's benefit obligation is affected by the plan design and demographic characteristics of the plan population (e.g., average age, average service, proportion of retirees), actuaries generally expect that plans with similar plan designs and demographics would use similar discount rates. While there may be situations in which plans with dissimilar designs and demographics generate similar discount rates (e.g., a relatively flat yield curve as depicted in figure 4 below), such situations should be carefully evaluated.

Figure 4. Bloomberg composite Aa3 spot yields.



SEC Staff Positions on Discount Rates

Over the years, the SEC staff has made numerous public comments about discount rates, some of which have been formalized in the literature (e.g., EITF Topic D-36) and some in speeches. In Topic D-36, the staff suggests that high-quality corporate bonds would be those that "receive one of the two highest ratings given by a recognized ratings agency . . . (for example, a fixed-income security that receives a rating of Aa or higher from Moody's Investors Service, Inc.)." The staff also emphasizes the importance of using rates that reflect market conditions as of the measurement date.

For MD&A,[8] the SEC requires that a registrant with material defined benefit plans do the following:

> [I]nclude clear disclosure of how it determines its assumed discount rate, either in the financial statement footnotes or in the critical accounting policies sections of MD&A. That disclosure should include the specific source data used to support the discount rate. If the registrant benchmarks its assumption off of published long-term bond indices, it should explain how it determined that the timing and amount of cash outflows related to the bonds included in the indices matches its estimated defined benefit payments. If there are differences between the terms of the bonds and the terms of the defined benefit obligations (for example if the bonds are callable), the registrant should explain how it adjusts for the difference. Increases to the benchmark rates should not be made unless the registrant has detailed analysis that supports the specific amount of the increase.

Discount Rate Implementation Issues — High Quality

As indicated above, the SEC staff has said that in building a hypothetical portfolio, employers should use only fixed-income securities that have an Aa (or equivalent) rating or better. This guidance does not prohibit the selective use of such securities to achieve the highest possible discount rates. In fact, the staff has historically not objected to the selection of specific bonds to optimize the supportable discount rate as long as those securities are rated Aa or better and are not outliers (e.g., securities that are about to be downgraded). In addition, companies should consider whether there is sufficient capacity to meet the cash flow requirements of the obligation. Thus, the rate on a $100 million highly rated debt security cannot be the only security used if the cash flow it is matching is $200 million.

Discount Rate Implementation Issues — Zero-Coupon Bonds

Notwithstanding the amount of guidance on selecting the discount rate, there are still challenges. As early as January 1994, at the AICPA National Conference on Current SEC Developments, the SEC staff focused on one of these challenges — namely, that there are very few high-quality, zero-coupon bonds.

The Board anticipated the shortage of high-quality, zero-coupon bonds. Paragraph 186 of Statement 106 states, in part:

> However, in other than a zero coupon portfolio, such as a portfolio of long-term debt instruments that pay semiannual interest payments or whose maturities do not extend far enough into the future to meet expected benefit payments, the assumed discount rates (the yield to maturity) need to incorporate expected reinvestment rates available in the future. Those rates should be extrapolated from the existing yield curve at the measurement date.

The 1994 SEC staff speech suggests that the "so called bootstrap method is means by which one can transform yields to maturity of coupon instruments into counterpart yields of zero coupon instruments." The speech calls on those with acknowledged expertise in the area to "estimate and publish a yield curve for high quality zero coupon bonds that will remain outstanding until their scheduled maturities." Thus, presumably, in using a hypothetical portfolio to develop its discount rate assumption, a company could use this yield curve to estimate a discount rate for cash flows that cannot be matched with existing zero-coupon bonds. Since that time, a number of institutions have published yield curves periodically.

[8] As outlined in the November 30, 2006, *Current Accounting and Disclosure Issues in the Division of Corporation Finance.*

Discount Rate Implementation Issues — Yield Curves

Some companies have used yield curves in developing their estimate of a discount rate. It is important to understand how such yield curves were constructed, including[9] the size of the float of the securities that were used to create the curve; how the absence of securities maturing at particular points along the curve is handled; whether any "outliers" were used in constructing the curve; how the shape of the curve is determined for periods after the last security matures; and how call adjustments have been handled.

Changes in Approach to Determining the Discount Rate

In certain circumstances, an employer may change its approach to selecting an assumption. This is permitted by paragraph E57 of Statement 87 (as amended by FSP FAS 158-1) and is treated as a change in estimate rather than an accounting change. Paragraph E57 states, in part:

> The purpose of paragraph 44 is to describe the objective of selecting assumed discount rates, namely, to determine the interest rates inherent in the price at which the pension benefits could be effectively settled — currently. If an employer that previously used double A bond rates believes in a subsequent year that, in consideration of its pension plan's particular facts and circumstances, the interest rates that would be inherent in an effective settlement of the pension benefits are now more closely reflected by the rates implicit in current prices of annuity contracts, then those rates should be used and the change is viewed as a change in estimate (the estimate's being the determination of the effective settlement rates). The key is that the employer is using the rates implicit in current prices of annuity contracts as the basis to determine the best estimate of the effective settlement rates. The decision to use a particular methodology in a particular year does not mean that the employer must use that methodology in subsequent years. A change in the facts and circumstances may warrant the use of a different source that better reflects the rates at which the obligation could be effectively settled — currently. . . .
>
> As indicated above, the emphasis in selecting assumed discount rates should be the use of the *best* estimate. Changes in the methodology used to determine that best estimate should be made when facts or circumstances change (for example, a general decline or rise in interest rates that has not, as yet, been reflected in the rates implicit in the current prices of annuity contracts). If the facts and circumstances do not change from year to year, it would be inappropriate to change the basis of selection, particularly if the intent in changing the basis is to avoid a change in the assumed discount rates.

Expected Return on Plan Assets

Another assumption that has received much attention over the years is the expected return on plan assets.

Paragraph 30 of Statement 87 states:

> The expected return on plan assets shall be determined based on the expected long-term rate of return on plan assets and the market-related value of plan assets. The market-related value of plan assets shall be either fair value or a calculated value that recognizes changes in fair value in a systematic and rational manner over not more than five years. Different ways of calculating market-related value may be used for different classes of assets (for example, an employer might use fair value for bonds and a five-year-moving-average value for equities), but the manner of determining market-related value shall be applied consistently from year to year for each asset class.

[9] These same considerations would be important when constructing a hypothetical portfolio.

The use of the expected return on plan assets has permitted many companies to report positive returns on plan assets when, in fact, there were losses in recent years and for other years, these companies underreported asset performance. Statement 158 has addressed this issue from a balance sheet perspective — the balance sheet must now reflect the difference between the benefit obligation and the actual fair value of plan assets. However, there should be no change in the income statement reporting of the return on plan assets; that is, net periodic cost should continue to reflect the expected return on plan assets, not the **actual return on plan assets.**

SEC Staff Views on Rate of Return

In a speech at the 2002 AICPA National Conference on Current SEC Developments, SEC Associate Chief Accountant Todd Hardiman discussed the estimated return on plan assets. He indicated that MD&A should include adequate disclosure of the registrant's pension plan assets and the estimated return on plan assets. The starting point in evaluating the reasonableness of the return on pension plan assets is the historical return of the registrant's asset portfolio. On the basis of long-term historical rates of return on debt and equity securities, the staff is highly skeptical when registrants use an estimated rate of return on pension plan assets of greater than 9 percent. Accordingly, MD&A should clearly explain the reasons why the registrant is using such a rate.

That speech also addressed in detail MD&A disclosures for registrants that use a calculated value of the return on pension plan assets, emphasizing the need to provide information on when changes in fair value are expected to be reflected in results of operations, cash flows, and pension expense. Other disclosures should provide additional transparency regarding the direction of future estimated returns and the effect on operations and cash flows and on the method the registrant uses to determine the expected return for each significant category of plan assets, also disclosing changes in the allocation of plan assets.

See Appendix F for additional SEC MD&A disclosure guidance on pension and postretirement benefit obligations.

Mortality

In defined pension and other postretirement benefit plans, because the employer bears the risk that an employee or retiree will live longer than expected (and receives the potential benefit if the employee or retiree dies earlier than expected), the **mortality rate** is a key assumption in measuring the benefit obligation. The mortality rate is an estimate of the proportion of employee/retiree deaths that will occur in a particular group in the projected benefit period, compared with those living at the beginning of the same period. In general, published mortality tables are used in selecting an appropriate mortality rate, because most plans are too small to have credible mortality experience. Such tables are updated from time to time for changes in mortality rates.

SEC Staff Views on the Mortality Assumption

In an SEC staff speech at the 2004 AICPA National Conference on Current SEC and PCAOB Developments, Jane D. Poulin, associate chief accountant in the SEC's Office of the Chief Accountant, observed that the staff suspected that some plan valuations might be based on 20-year-old mortality tables, even though more recent tables are available. She further stated:

> In addition to using the most recent tables, it's important that the mortality tables used in benefit plan computations be reflective of the employee base covered under the plan. Since we are much more a world of service providers than we used to be when some of the common mortality tables were developed, selection of a mortality table should take this fact into consideration. If your company operates in a service industry and you use a mortality table developed from employee data in manufacturing industries, some might argue that the mortality table may not be reflective of your employee base.

Health Care Cost Trend Rate

As defined in Statement 106, the health care cost trend rate (the "trend rate") "represents the expected annual rates of change in the cost of health care benefits currently provided by the postretirement benefit plan, due to factors other than changes in the demographics of the plan participants, for each year from the measurement date until the end of the period in which benefits are expected to be paid." Incorporating past and current health care cost trends, the trend rate implicitly considers estimates of health care inflation, changes in health care utilization or delivery patterns, technological advances, and changes in the health status of plan participants.

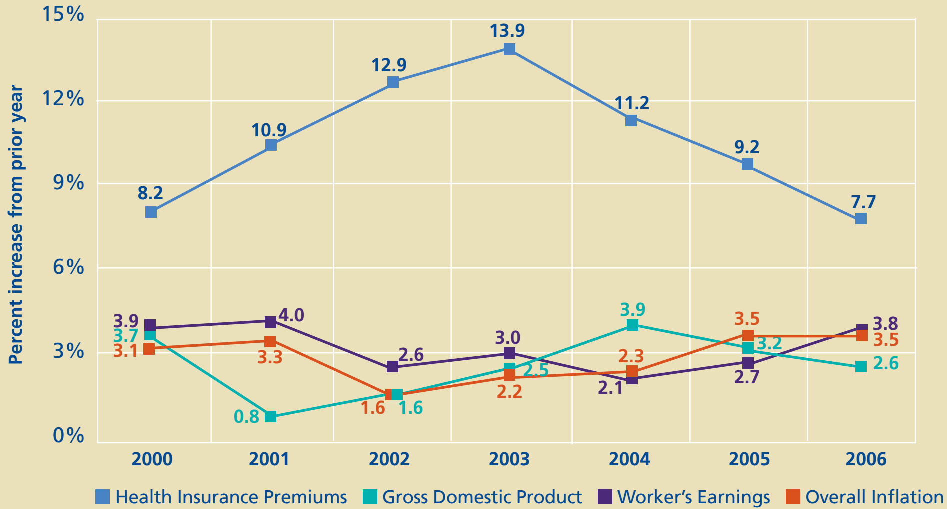
The trend rate is the only assumption for which the FASB standards require a sensitivity analysis (i.e., disclosure of the effect of a 1 percent change up and down from the ultimate rate assumed). The Board concluded that a sensitivity analysis of the trend rate is particularly relevant because of potentially unsymmetrical effects associated with increases versus decreases in the trend rate and that the "trend rate would be difficult to assess because the way in which health care cost assumptions interact with caps, cost-sharing provisions, and other factors in the plan precludes reasonable estimates of the effects of those changes." The Board also noted that the growth rate of health care costs has been decreasing for many plans; thus, the disclosure of the effects of decreases in the trend rate may provide more relevant information.

Our most recent survey, based on disclosures in financial reports for 2005, indicated that most companies assumed an initial trend rate of 9 percent to 10 percent, with an ultimate assumed rate of 5 percent.[10] In 2001, Lynn Turner, the then chief accountant of the SEC, observed that health care costs were rising and that "the staff would expect registrants to also be adjusting their health care cost rates to reflect these developments." Interestingly, a survey by the Kaiser Family Foundation and the Health Research and Educational Trust[11] indicates that, while health care costs have been rising, the health care cost trend rate has been declining, although it is still higher than inflation:

> Between spring of 2005 and spring of 2006, premiums for employer-sponsored health insurance rose by 7.7%, a slower rate than the 9.2% increase in 2005 and 11.2% increase in 2004. . . .
>
> Although the average premium increase for 2006 is 7.7%, many covered workers are in firms that experienced premium changes that were substantially above or below the average: 42% of covered workers work for firms where premiums increased by five percent or less, while 13% of covered workers work for firms where premiums increased by more than 15%. Premiums in fully insured plans grew more quickly than premium equivalents in self-funded plans (8.7% versus 6.8%).

[10] *2006 Survey of Economic Assumptions — for Statement of Financial Accounting Standards No. 87 and No. 106 Purposes* (Deloitte Consulting LLP).
[11] *Employer Health Benefits 2006 Annual Survey.*

Figure 5. Cost of health insurance premiums continues rising faster than earnings, inflation, or GDP.



NOTE: GDP figure for 2006 is as of the second quarter, annually adjusted (2000 dollars).

Source: www.allhealth.org. "Health Care Costs," *Covering Health Issues, 2006.* http://www.allhealth.org/sourcebook2006/pdfs/chapter_8.pdf.

The variability in percentage increases reinforces the point that assumptions should be based on the particular circumstances of the employer.

Other Comments on Assumptions

The determination of pension and other postretirement benefit obligations requires the use of many more assumptions, such as the salary and wage increase rate, the employee turnover rate, retirement age, average length of service, and disability rate. However, the assumptions discussed above — the discount rate, the rate of return on plan assets, mortality, and the health care cost trend rate — have garnered the most attention over the years, and there are extensive financial statement disclosure and MD&A disclosure requirements for the discount rate, rate of return on plan assets, and health care cost trend rate.

Because of the inherent subjectivity of assumptions, management should, when selecting assumptions, focus on the appropriateness and consistency of the underlying approach and the adequacy of supportive documentation. Such documentation is critical given the amount of disclosure required by the FASB standards and for MD&A.

Plan Changes or Events That Affect Employer Accounting

During the life of a defined benefit plan, there may be plan changes or events that affect the employer's accounting for its obligation under the plan. These changes or events include the following:

- Plan amendments.
- Curtailments.
- Settlements.
- Employee terminations.

A plan amendment is a change to the terms of the plan that either increases or decreases benefits. The effect of a plan amendment is recognized immediately in the net obligation/asset presented on the balance sheet and in OCI. Immediate recognition in net periodic costs is not permitted (except when the employer does not expect to realize any future economic benefits from that retroactive plan amendment, as outlined in paragraph E19 of Statement 87 and amended by Statement 158); rather, the standards require deferral and amortization over future service periods (generally expected to be until retirement for pensions and until **full eligibility** for other postretirement benefits).

A plan change that eliminates the accrual of benefits for some or all of the future service of a significant number of employees is considered a curtailment. The termination of employees' services earlier than expected (an event) is also a curtailment if it significantly reduces the expected years of future service of present employees.

A settlement occurs when the employer is irrevocably relieved of its obligation and has eliminated significant risks related to the obligation and assets used to effect the settlement.

Statement 88 provides two examples — making lump-sum cash payments to plan participants and purchasing **nonparticipating annuity contracts** to cover **vested benefits.** A settlement might also occur in an acquisition if the buyer agrees to assume the seller's pension or postretirement benefit obligation.

Termination of employees may trigger additional benefits, such as contractual termination benefits (benefits contractually required under the plan when certain events occur) or special termination benefits (benefits offered for a short time as an incentive to employees to resign or retire early). The gain or loss arising from these events is recognized immediately in income when the criteria for recognition are met.

The table below summarizes the effects of plan amendments, settlements, curtailments, and termination benefits under Statement 88, as amended by Statement 158:

Summary of Plan Changes

Change or Event	Recognized in Liability	Recognized in Income
Plan amendment (not including any amendments that result in curtailments)	When enacted	Over period beginning from date of enactment to expected date of retirement for pension/to full eligibility for other postretirement benefits; immediate recognition prohibited (except when the employer does not expect to realize any future economic benefits from that retroactive plan amendment)
Curtailment	When criteria for curtailment have been met[12]	Net gain — upon employee termination or the adoption of plan suspension or amendment Net loss — when the curtailment is probable (i.e., could be earlier than timing of gain recognition)
Settlement	When criteria for settlement have been met[13]	When criteria for settlement have been met
Contractual termination benefits	Recognized when probable that employees will be entitled to benefits and amount can be reasonably estimated	When probable that employees will be entitled to benefits and amount can be reasonably estimated
Special termination benefits	Recognized when employees accept the offer and the amount can be reasonably estimated	When employees accept the offer and the amount can be reasonably estimated

SEC Staff Views on Plan Changes

The above table shows that the timing of recognition of plan changes can vary. Statement 106 addresses the issue of simultaneous plan changes that might otherwise result in nonsimultaneous recognition of related gains and losses. In an SEC staff speech at the 2006 AICPA National Conference on Current SEC and PCAOB Developments, Joseph Ucuzoglu commented on this phenomenon as follows:

> [M]any companies are enacting changes to their pension and postretirement benefit plans in an effort to reduce their obligations and mitigate their risks with respect to these arrangements. The staff has observed that these benefit plan changes often consist of a series of interrelated actions in which the benefits offered under certain of the employer's arrangements are reduced or eliminated, while the benefits offered under other arrangements are enhanced. If the liability for each of the

[12] Refer to paragraphs 12–14 of Statement 88 for the curtailment criteria.

[13] Refer to paragraphs 9–11 of Statement 88 for the settlement criteria.

employer's arrangements was reflected in the financial statements at fair value, with any changes during the period immediately recognized in income, the increases and decreases to various benefit arrangements would naturally offset such that the net amount reflected in the income statement would represent the true economic reduction in the employer's benefit obligations. Unfortunately, the deferred recognition provisions of Statements 87 and 106 result in the recognition of certain plan changes over a future period, while changes to certain other benefit arrangements are reflected in income immediately. [Footnotes omitted]

In order to appropriately reflect the economic substance of a series of interrelated benefit plan changes, it is important to consider the totality of the actions taken. As a simple example, a company may reach an agreement with its employees to forgo paying a presently due bonus that the employees have earned, and in return will increase the benefits payable under its pension plan by an equal amount. If one were to view the two actions in isolation, the elimination of the bonus accrual would be reflected as a gain in the income statement immediately, while the benefit enhancement in the pension plan would be reflected as prior service cost and amortized over a future period. That accounting would not reflect the underlying economic substance of the exchange.

The FASB Staff Implementation Guides to Statements 87, 88 and 106 contain several examples that may assist preparers in determining the appropriate accounting for concurrently negotiated changes in various benefit plans. Consistent with that guidance, in some circumstances, it may be most appropriate to immediately recognize in income part or all of the change in the obligation under a defined benefit plan rather than reflecting such change as a positive or negative plan amendment that is amortized into income over future periods.

Termination Benefits

Termination benefits are currently addressed in Statements 88 and 106. The following table outlines the types of termination benefits that are addressed in the discussion that follows.

Type of Benefit	Voluntary or Involuntary?	Offered Pursuant to an Existing Plan?	Vest or Accumulate	Applicable Literature
Special termination benefits	Voluntary	No, although the benefits might be provided by amending an existing plan	No	Statements 88 and 106
Contractual termination benefits	Involuntary — triggered by an event	Yes	No	Statements 88 and 106
Individual deferred compensation arrangements	Either	No, but could be subject to individual contracts	Generally, yes	Statement 106

Special Termination Benefits

Under Statements 88 and 106 (which refers to the guidance in Statement 88), special termination benefits are termination benefits that are offered only for a short time to induce *voluntary* terminations. By definition, these benefits are not offered under an existing plan (although they may be enhancements to existing plans).

Statement 88 requires that a liability and a loss be recognized when the employee accepts the offer and the amount of benefits can be reasonably estimated. The liability should include the amount of any lump-sum payments plus the present value of any expected future payments.

Contractual Termination Benefits

Contractual termination benefits are termination benefits that are required by the terms of a plan and payable only when a specified event, such as a plant closing, occurs.

Statement 88 requires that a liability and a loss be recognized when it is probable that the specified event that triggers the termination will occur and the amount of benefits can be reasonably estimated. Similarly to special termination benefits, the liability is measured at the present value of any expected future payments.

Individual Deferred Compensation Termination Benefits

Individual deferred compensation arrangements provide for benefits under individual contracts that are not, when taken together, equivalent to a plan. The benefits may be pension or other postretirement benefits, including termination benefits.

Generally, individual deferred compensation contracts are accounted for individually on an accrual basis in accordance with the terms of the underlying contract. If the terms of the contract attribute all or a portion of the benefits to a period of service greater than one year, the cost of those benefits is accrued over that period in a systematic and rational manner. At the end of the service period (the **full eligibility** date as defined in Statement 106), the amount accrued should be equal to the then present value of the benefits expected to be provided in exchange for the employee's service rendered to that date.

Key Points

- Statement 158, issued in September 2006, requires an employer that is a business entity for its defined benefit plans to:
  - Recognize the funded status of a benefit plan — measured as the difference between plan assets at fair value and the benefit obligation — in its statement of financial position.
  - Recognize as a component of OCI, net of tax, the gains or losses and prior service costs or credits that arise during the period but that are not recognized as components of net periodic benefit cost pursuant to Statement 87 or 106.
  - Subsequently recognize as a component of net periodic benefit cost — pursuant to the recognition and amortization provisions of Statements 87 and 106 — amounts recognized in AOCI.
  - Measure defined benefit plan assets and obligations as of the date of the employers' fiscal year-end statement of financial position.
  - Disclose, in the notes to the financial statements, additional information about certain effects on net periodic benefit cost for the next fiscal year.
- Statement 158 is the first step in a project to comprehensively reconsider Statements 87, 88, 106, and 132(R) and related guidance.
- FSP FAS 158-1, issued in February 2007, updates the illustrations contained in Appendix B of Statements 87 and 88 and Appendix C of Statement 106 to reflect the provisions of Statement 158. The FSP also amends the questions and answers contained in the Implementation Guides to Statements 87, 88, and 106 and incorporates them into those statements.
- The SEC staff has been active in various aspects of postretirement benefit accounting, including assumptions used in benefit obligation calculations. The staff's focus has been on discount rates, the expected long-term rate of return on plan assets, selection of mortality tables, and health care cost trend rates.
- Management should focus on the adequacy of documentation of the assumptions used in benefit obligation calculations.

Appendix A — Glossary of Terms

Most of the definitions in this glossary have been reprinted from paragraph 264 of Statement 87 (as amended by paragraph C2 of Statement 158 when applicable) and paragraph 518 of Statement 106 (as amended by paragraph D2 of Statement 158 when applicable). Modifications and attributions are indicated in brackets below. Accounting definitions may differ from those found in ERISA or other statutory source materials.

Accumulated benefit obligation — The actuarial present value of benefits (whether vested or nonvested) attributed by the pension benefit formula to employee service rendered before a specified date and based on employee service and compensation (if applicable) prior to that date. The accumulated benefit obligation differs from the projected benefit obligation in that it includes no assumption about future compensation levels. For plans with flat-benefit or non-pay-related pension benefit formulas, the accumulated benefit obligation and the projected benefit obligation are the same. [Statement 87]

Accumulated postretirement benefit obligation — The actuarial present value of benefits attributed to employee service rendered to a particular date. Prior to an employee's full eligibility date, the accumulated postretirement benefit obligation as of a particular date for an employee is the portion of the expected postretirement benefit obligation attributed to that employee's service rendered to that date; on and after the full eligibility date, the accumulated and expected postretirement benefit obligations for an employee are the same. [Statement 106]

Active plan participant — Any active employee who has rendered service during the credited service period and is expected to receive benefits, including benefits to or for any beneficiaries and covered dependents, under the postretirement benefit plan. . . . [Statement 106]

Actual return on plan assets (component of net periodic [pension or] postretirement benefit cost) — The change in the fair value of the plan's assets for a period including the decrease due to expenses incurred during the period (such as income tax expense incurred by the fund, if applicable), adjusted for contributions and benefit payments during the period. [Statement 106]

Actuarial present value — The value, as of a specified date, of an amount or series of amounts payable or receivable thereafter, with each amount adjusted to reflect (a) the time value of money (through discounts for interest) and (b) the probability of payment (for example, by means of decrements for events such as death, disability, or withdrawal) between the specified date and the expected date of payment. [Statement 106]

Amortization — Usually refers to the process of reducing a recognized liability systematically by recognizing revenues or reducing a recognized asset systematically by recognizing expenses or costs. In accounting for [pension or] postretirement benefits, amortization is also used to refer to the systematic recognition in [net pension or] postretirement benefit cost over several periods of amounts previously recognized in other comprehensive income, that is, gains or losses, prior service costs or credits, and any transition obligation or asset. [Statement 106, as amended]

Annuity contract — A contract in which an insurance company unconditionally undertakes a legal obligation to provide specified pension benefits to specific individuals in return for a fixed consideration or premium. An annuity contract is irrevocable and involves the transfer of significant risk from the employer to the insurance company. . . . [Statement 87]

Assumptions — Estimates of the occurrence of future events affecting [pension or] postretirement benefit costs, such as [mortality, withdrawal, disablement and retirement, changes in compensation and national pension benefits,] turnover, retirement age, dependency status, per capita claims costs by age, health care cost trend rates, levels of Medicare and other health care providers' reimbursements, and discount rates to reflect the time value of money. [Statement 106]

Attribution — The process of assigning pension [or postretirement] benefits or cost to periods of employee service. [Statement 87]

Benefit formula — The basis for determining benefits to which participants may be entitled under a [pension or] postretirement benefit plan. A plan's benefit formula specifies the years of service to be rendered, age to be attained while in service, or a combination of both that must be met for an employee to be eligible to receive benefits under the plan. A plan's benefit formula may also define the beginning of the credited service period and the benefits earned for specific periods of service. [Statement 106]

Benefits — The monetary or in-kind benefits or benefit coverage to which participants may be entitled under a [pension or] postretirement benefit plan. . . . [Statement 106]

Career-average-pay formula (Career-average-pay plan) — A benefit formula that bases benefits on the employee's compensation over the entire period of service with the employer. A career-average-pay plan is a plan with such a formula. [Statement 87]

Contributory plan — A pension [or postretirement] plan under which employees [or retirees] contribute part of the cost. In some contributory plans, employees [or retirees] wishing to be covered must contribute; in other contributory plans, employee contributions result in increased benefits. [Statement 87]

Cost-sharing (provisions of the plan) — The provisions of the postretirement benefit plan that describe how the costs of the covered benefits are to be shared between the employer and the plan participants. Cost-sharing provisions describe retired and active plan participants' contributions toward their postretirement health care benefits, deductibles, coinsurance, out-of-pocket limitations on participant costs, caps on employer costs, and so forth. [Statement 106]

Credited service period — Employee service period for which benefits are earned pursuant to the terms of the plan. The beginning of the credited service period may be the date of hire or a later date. For example, a plan may provide benefits only for service rendered after a specified age. Service beyond the end of the credited service period does not earn any additional benefits under the plan. . . . [Statement 106]

Curtailment — See **Plan curtailment.**

Defined benefit pension plan — A pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service, or compensation. Any pension plan that is not a defined contribution pension plan is, for purposes of [Statement 87], a defined benefit pension plan. [Statement 87]

Defined benefit postretirement plan — A plan that defines postretirement benefits in terms of monetary amounts (for example, $100,000 of life insurance) or benefit coverage to be provided (for example, up to $200 per day for hospitalization, 80 percent of the cost of specified surgical procedures, and so forth). Any postretirement benefit plan that is not a defined contribution postretirement plan is, for purposes of [Statement 106], a defined benefit postretirement plan. [Statement 106]

Defined contribution [pension or] postretirement plan — A plan that provides [pension or] postretirement benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined rather than specifies the amount of benefits the individual is to receive. Under a defined contribution . . . plan, the benefits a plan participant will receive depend solely on the amount contributed to the plan participant's account, the returns earned on investments of those contributions, and the forfeitures of other plan participants' benefits that may be allocated to that plan participant's account. [Statement 106]

Discount rates — The rates used to reflect the time value of money. Discount rates are used in determining the present value as of the measurement date of future cash flows currently expected to be required to satisfy the [pension or] postretirement benefit obligation. . . . [Statement 106]

Expected long-term rate of return on plan assets [(other postretirement benefits)] — An assumption about the rate of return on plan assets reflecting the average rate of earnings expected on existing plan assets and expected contributions to the plan during the period. [Statement 106]

Expected long-term rate of return on plan assets [(pensions)] — An assumption as to the rate of return on plan assets reflecting the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation. [Statement 87]

Expected return on plan assets — An amount calculated as a basis for determining the extent of delayed recognition of the effects of changes in the fair value of assets. The expected return on plan assets is determined based on the expected long-term rate of return on plan assets and the market-related value of plan assets. [Statement 87]

Explicit approach to assumptions — An approach under which each significant assumption used reflects the best estimate of the plan's future experience solely with respect to that assumption. . . . [Statement 87]

Fair value[1] — The amount that a plan could reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. [Statement 106]

Final-pay formula (Final-pay plan) — A benefit formula that bases benefits on the employee's compensation over a specified number of years near the end of the employee's service period or on the employee's highest compensation periods. For example, a plan might provide annual pension benefits equal to 1 percent of the employee's average salary for the last five years (or the highest consecutive five years) for each year of service. A final-pay plan is a plan with such a formula. [Statement 87]

Full eligibility (for benefits) — The status of an employee having reached the employee's full eligibility date. Full eligibility for benefits is achieved by meeting specified age, service, or age and service requirements of the . . . plan. . . . [Statement 106]

Full eligibility date — The date at which an employee has rendered all of the service necessary to have earned the right to receive all of the benefits expected to be received by that employee (including any beneficiaries and dependents expected to receive benefits). Determination of the full eligibility date is affected by plan terms that provide incremental benefits expected to be received by or on behalf of an employee for additional years of service, unless those incremental benefits are trivial. Determination of the full eligibility date is not affected by plan terms that define when benefit payments commence or by an employee's current dependency status. [Statement 106]

Funded status — Measured as the difference between the fair value of the plan assets and (a) the projected benefit obligation for pension plans or (b) the accumulated postretirement benefit obligation for any other postretirement plan.

Gain or loss [(other postretirement benefits)] — A change in the value of either the accumulated postretirement benefit obligation or the plan assets resulting from experience different from that assumed or from a change in an actuarial assumption, or the consequence of a decision to temporarily deviate from the substantive plan. Gains or losses that are not recognized in net periodic postretirement benefit cost when they arise are recognized in other comprehensive income. Those gains or losses are subsequently recognized as a component of net periodic postretirement benefit cost based on the recognition and amortization provisions of [Statement 106]. [Statement 106, as amended]

Gain or loss [(pensions)] — A change in the value of either the projected benefit obligation or the plan assets resulting from experience different from that assumed or from a change in an actuarial assumption. Gains and losses that are not recognized in net periodic pension cost when they arise are recognized in other comprehensive income. Those gains or losses are subsequently recognized as a component of net periodic pension cost based on the amortization provisions of Statement 87. [Statement 87, as amended]

[1] FASB Statement No. 157, *Fair Value Measurements*, which is effective for all companies for financial statements issued for fiscal years beginning after November 15, 2007, amends this definition. Statement 157 defines "fair value" as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date."

Gain or loss component (of net periodic pension cost) — The sum of (a) the difference between the actual return on plan assets and the expected return on plan assets and (b) the amortization of the net gain or loss recognized in accumulated other comprehensive income. The gain or loss component is the net effect of delayed recognition of gains and losses in determining net periodic pension cost (the net change in the gain or loss) in accumulated other comprehensive income except that it does not include changes in the projected benefit obligation occurring during the period and deferred for later recognition in net periodic pension cost. [Statement 87, as amended]

Gain or loss component (of net periodic postretirement benefit cost) — The sum of (a) the difference between the actual return on plan assets and the expected return on plan assets, (b) any gain or loss immediately recognized or the amortization of the net gain or loss recognized in accumulated other comprehensive income, and (c) any amount immediately recognized as a gain or loss pursuant to a decision to temporarily deviate from the substantive plan. The gain or loss component is generally the net effect of delayed recognition in determining net periodic postretirement benefit cost of gains and losses (the net change in the net gain or loss recognized in accumulated other comprehensive income) except that it does not include changes in the accumulated postretirement benefit obligation occurring during the period and deferred for later recognition in net periodic postretirement benefit cost. [Statement 106, as amended]

Health care cost trend rates — An assumption about the annual rate(s) of change in the cost of health care benefits currently provided by the postretirement benefit plan, due to factors other than changes in the composition of the plan population by age and dependency status, for each year from the measurement date until the end of the period in which benefits are expected to be paid. The health care cost trend rates implicitly consider estimates of health care inflation, changes in health care utilization or delivery patterns, technological advances, and changes in the health status of the plan participants. Differing types of services, such as hospital care and dental care, may have different trend rates. [Statement 106]

Implicit approach to assumptions — An approach under which two or more assumptions do not individually represent the best estimate of the plan's future experience with respect to those assumptions. Instead, the aggregate effect of their combined use is presumed to be approximately the same as that produced by an explicit approach. [Statement 87]

Insurance contract — A contract in which an insurance company unconditionally undertakes a legal obligation to provide specified benefits to specific individuals in return for a fixed consideration or premium. An insurance contract is irrevocable and involves the transfer of significant risk from the employer (or the plan) to the insurance company. . . . [Statement 106]

Interest cost component (of net periodic pension [or postretirement benefit] cost) — The increase in the projected benefit obligation [or accumulated postretirement benefit obligation] due to passage of time. [Statement 87]

Measurement date[2] — The date as of which plan assets and obligations are measured. [Statement 87]

[2] Upon an entity's adoption of the measurement date provisions of Statement 158, plan assets and obligations will be measured as of the date of the fiscal year-end statement of financial position, with certain exceptions. Entities that have not adopted the measurement date provisions of Statement 158 may measure plan assets and obligations as of a date not more than three months prior to the date of the fiscal year-end statement of financial position, if used consistently from year to year.

Mortality rate — The proportion of the number of deaths in a specified group to the number living at the beginning of the period in which the deaths occur. Actuaries use mortality tables, which show death rates for each age, in estimating the amount of pension benefits that will become payable. [Statement 87]

Multiemployer plan — A [pension or] postretirement benefit plan to which two or more unrelated employers contribute, usually pursuant to one or more collective-bargaining agreements. A characteristic of multiemployer plans is that assets contributed by one participating employer may be used to provide benefits to employees of other participating employers since assets contributed by an employer are not segregated in a separate account or restricted to provide benefits only to employees of that employer. A multiemployer plan is usually administered by a board of trustees composed of management and labor representatives and may also be referred to as a "joint trust" or "union plan." Generally, many employers participate in a multiemployer plan, and an employer may participate in more than one plan. The employers participating in multiemployer plans usually have a common industry bond, but for some plans the employers are in different industries and the labor union may be their only common bond. [Statement 106]

Multiple-employer plan — A [pension or] postretirement benefit plan maintained by more than one employer but not treated as a multiemployer plan. Multiple-employer plans are generally not collectively bargained and are intended to allow participating employers, commonly in the same industry, to pool their plan assets for investment purposes and to reduce the cost of plan administration. A multiple-employer plan maintains separate accounts for each employer so that contributions provide benefits only for employees of the contributing employer. Multiple-employer plans may have features that allow participating employers to have different benefit formulas, with the employer's contributions to the plan based on the benefit formula selected by the employer. [Statement 106]

Net periodic pension cost — The amount recognized in an employer's financial statements as the cost of a pension plan for a period. Components of net periodic pension cost are service cost, interest cost, actual return on plan assets, gain or loss, amortization of prior service cost or credit, and amortization of the transition asset or obligation existing at the date of initial application of [Statement 87.] [Statement 87] uses the term *net periodic pension cost* instead of *net pension expense* because part of the cost recognized in a period may be capitalized along with other costs as part of an asset such as inventory. [Statement 87, as amended]

Net periodic postretirement benefit cost — The amount recognized in an employer's financial statements as the cost of a postretirement benefit plan for a period. Components of net periodic postretirement benefit cost include service cost, interest cost, actual return on plan assets, gain or loss, amortization of prior service cost or credit, and amortization of the transition obligation or asset. [Statement 106, as amended]

Nonparticipating annuity contract — An annuity contract that does not provide for the purchaser to participate in the investment performance or in other experience of the insurance company. . . . [Statement 87]

Participant — Any employee or former employee, or any member or former member of a trade or other employee association, or the beneficiaries of those individuals, for whom there are . . . plan benefits. [Statement 87]

Pension benefit formula (plan's benefit formula or benefit formula) — The basis for determining payments to which participants may be entitled under a pension plan. Pension benefit formulas usually refer to the employee's service or compensation or both. [Statement 87]

Pension benefits — Periodic (usually monthly) payments made pursuant to the terms of the pension plan to a person who has retired from employment or to that person's beneficiary. [Statement 87]

Plan — An arrangement that is mutually understood by an employer and its employees, whereby an employer undertakes to provide its employees with benefits after they retire in exchange for their services over a specified period of time, upon attaining a specified age while in service, or a combination of both. A plan may be written or it may be implied by a well-defined, although perhaps unwritten, practice of paying . . . benefits or from oral representations made to current or former employees. . . . [Statement 106]

Plan amendment — A change in the existing terms of a plan. A plan amendment may increase or decrease benefits, including those attributed to years of service already rendered. [Statement 106]

Plan assets — Assets — usually stocks, bonds, and other investments — that have been segregated and restricted (usually in a trust) to provide . . . benefits. The amount of plan assets includes amounts contributed by the employer (and by plan participants for a contributory plan) and amounts earned from investing the contributions, less benefits, income taxes, and other expenses incurred. Plan assets ordinarily cannot be withdrawn by the employer except under certain circumstances when a plan has assets in excess of obligations and the employer has taken certain steps to satisfy existing obligations. Assets not segregated in a trust, or otherwise effectively restricted, so that they cannot be used by the employer for other purposes are not plan assets, even though it may be intended that those assets be used to provide . . . benefits. Amounts accrued by the employer as net periodic [pension or] postretirement benefit cost but not yet paid to the plan are not plan assets. Securities of the employer held by the plan are includable in plan assets provided they are transferable. If a plan has liabilities other than for benefits, those nonbenefit obligations are considered as reductions of plan assets. [Statement 106]

Plan curtailment — An event that significantly reduces the expected years of future service of present employees or eliminates for a significant number of employees the accrual of defined benefits for some or all of their future services. [Statement 87]

Plan demographics — The characteristics of the plan population including geographical distribution, age, sex, and marital status. [Statement 106]

Plan suspension — An event in which the pension plan is frozen and no further benefits accrue. Future service may continue to be the basis for vesting of nonvested benefits existing at the date of suspension. The plan may still hold assets, pay benefits already accrued, and receive additional employer contributions for any unfunded benefits. Employees may or may not continue working for the employer. [Statement 87]

Plan termination — An event in which the [pension or] postretirement plan ceases to exist and all benefits are settled by the purchase of insurance contracts or by other means. The plan may or may not be replaced by another plan. A plan termination with a replacement plan may or may not be in substance a plan termination for accounting purposes. [Statement 106]

Postretirement benefits [other than pensions] — All forms of benefits, other than retirement income, provided by an employer to retirees. Those benefits may be defined in terms of specified benefits, such as health care, tuition assistance, or legal services, that are provided to retirees as the need for those benefits arises, such as certain health care benefits, or they may be defined in terms of monetary amounts that become payable on the occurrence of a specified event, such as life insurance benefits. [Statement 106]

Postretirement health care benefits — A form of postretirement benefit provided by an employer to retirees for defined health care services or coverage of defined health care costs, such as hospital and medical coverage, dental benefits, and eye care. [Statement 106]

Prepaid pension cost — Cumulative employer contributions in excess of accrued net pension cost. [Statement 87]

Prior service cost [(pensions)] — The cost of retroactive benefits granted in a plan amendment. [Statement 87, as amended]

Prior service cost [(other postretirement benefits)] — The cost of benefit improvements attributable to plan participants' prior service pursuant to a plan amendment or a plan initiation that provides benefits in exchange for plan participants' prior service. [Statement 106, as amended]

Projected benefit obligation — The actuarial present value as of a date of all benefits attributed by the pension benefit formula to employee service rendered prior to that date. The projected benefit obligation is measured using assumptions as to future compensation levels if the pension benefit formula is based on those future compensation levels (pay-related, final-pay, final-average-pay, or career-average-pay plans). [Statement 87]

Retirees — Collectively, that group of plan participants that includes retired employees, their beneficiaries, and covered dependents [(for postretirement benefits)]. [Statement 106]

Retroactive Benefits — Benefits granted in a plan amendment (or initiation) that are attributed by the pension benefit formula to employee services rendered in periods prior to the amendment. The cost of the retroactive benefits is referred to as prior service cost. [Statement 87]

Service — Employment taken into consideration under a pension plan. Years of employment before the inception of a plan constitute an employee's past service; years thereafter are classified in relation to the particular actuarial valuation being made or discussed. Years of employment (including past service) prior to the date of a particular valuation constitute prior service; years of employment following the date of the valuation constitute future service; a year of employment adjacent to the date of valuation, or in which such date falls, constitutes current service. [Statement 87]

Service cost component (of net periodic pension cost) — The actuarial present value of benefits attributed by the pension benefit formula to services rendered by employees during that period. The service cost component is a portion of the projected benefit obligation and is unaffected by the funded status of the plan. [Statement 87]

Service cost (component of net periodic postretirement benefit cost) — The portion of the expected postretirement benefit obligation attributed to employee service during a period. [Statement 106]

Settlement — An irrevocable action that relieves the employer (or the plan) of primary responsibility for a pension [or postretirement] benefit obligation and eliminates significant risks related to the obligation and the assets used to effect the settlement. . . . [Statement 87]

Single-employer plan — A pension [or postretirement] plan that is maintained by one employer. The term also may be used to describe a plan that is maintained by related parties such as a parent and its subsidiaries. [Statement 87]

Sponsor — In the case of a pension [or postretirement] plan established or maintained by a single employer, the employer; in the case of a plan established or maintained by an employee organization, the employee organization; in the case of a plan established or maintained jointly by two or more employers or by one or more employers and one or more employee organizations, the association, committee, joint board of trustees, or other group of representatives of the parties who have established or who maintain the . . . plan. [Statement 87]

Substantive plan — The terms of the postretirement benefit plan as understood by an employer that provides postretirement benefits and the employees who render services in exchange for those benefits. The substantive plan is the basis for the accounting for that exchange transaction. In some situations an employer's cost-sharing policy, as evidenced by past practice or by communication of intended changes to a plan's cost-sharing provisions, or a past practice of regular increases in certain monetary benefits may indicate that the substantive plan differs from the extant written plan. [Statement 106]

Termination benefits — Benefits provided by an employer to employees in connection with their termination of employment. They may be either special termination benefits offered only for a short period of time or contractual benefits required by the terms of a plan only if a specified event, such as a plant closing, occurs. [Statement 106]

Transition asset — The amount, as of the date [Statement 87 or 106] is initially applied, of (a) the fair value of plan assets plus any recognized accrued [pension or] postretirement benefit cost or less any recognized prepaid [pension or] postretirement benefit cost in excess of (b) the [projected benefit obligation or the] accumulated postretirement benefit obligation. [Statement 106, as amended]

Transition obligation — The amount, as of the date [Statement 87 or 106] is initially applied, of (a) the [projected benefit obligation or the] accumulated postretirement benefit obligation in excess of (b) the fair value of plan assets plus any recognized accrued [pension or] postretirement benefit cost or less any recognized prepaid [pension or] postretirement benefit cost. [Statement 106, as amended]

Turnover — Termination of employment for a reason other than death or retirement. [Statement 87]

Unfunded accrued pension cost — Cumulative net pension cost accrued in excess of the employer's contributions. [Statement 87]

Unfunded projected benefit obligation — The excess of the projected benefit obligation over plan assets. [Statement 87]

Vested benefit obligation — The actuarial present value of vested benefits. [Statement 87]

Vested benefits — Benefits for which the employee's right to receive a present or future pension benefit is no longer contingent on remaining in the service of the employer. (Other conditions, such as inadequacy of the pension fund, may prevent the employee from receiving the vested benefit.) Under graded vesting, the initial vested right may be to receive in the future a stated percentage of a pension based on the number of years of accumulated credited service; thereafter, the percentage may increase with the number of years of service or of age until the right to receive the entire benefit has vested. [Statement 87]

Appendix B — Statement 158 Questions and Answers

Statement 158

1. This Statement results from the initial phase of a comprehensive project to improve an employer's accounting for defined benefit pension and other postretirement plans. The objectives of this Statement are for an employer to:
   a. Recognize the overfunded or underfunded status of a single-employer[1] defined benefit postretirement plan (benefit plan or plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in comprehensive income (for a business entity) or changes in unrestricted net assets (for a not-for-profit organization) in the year in which the changes occur.
   b. Measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions.

   This Statement does not change the accounting for a multiemployer plan.
2. The changes to an employer's accounting and reporting for benefit plans required by this Statement are described in paragraphs 4–22 below. The amendments to the recognition, measurement date, and disclosure requirements of FASB Statements No. 87, *Employers' Accounting for Pensions,* No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits,* No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, and No. 132 (revised 2003), *Employers' Disclosures About Pensions and Other Postretirement Benefits*, required to effect those changes are included in appendixes to this Statement. Those amendments are an integral part of this Statement. The definitions of terms used in this Statement are the same as those in Statements 87, 88, and 106 (as amended).

Footnote 1 — Consistent with paragraph 71 of FASB Statement No. 87, *Employers' Accounting for Pensions*, and paragraph 84 of FASB Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, a multiple-employer plan shall be considered a single-employer plan rather than a multiemployer plan for purposes of this Statement.

2-1: Impact of Statement 158 on Accounting for Postemployment Benefit Obligations Under Statement 112

In a speech at the 1995 AICPA National Conference on Current SEC Developments, an SEC staff member stated the following:

> When measuring accumulating benefits by analogy to Statements 87 and 106, the staff does not believe it is appropriate to selectively apply this guidance. For example, if accumulating benefit obligations are discounted based on a rate derived from a portfolio of high-quality debt instruments of similar maturities, the staff believes all other measurement provisions of Statement 87 and 106, such as those involving attribution methods and accounting for actuarial gains and losses, must be applied.

Question

Should companies that apply the measurement and recognition model of Statements 87 and 106 to their postemployment obligations under Statement 112 be required to adopt the recognition model of Statement 158?

Answer

Yes. Statement 158 amends Statements 87 and 106 and requires, among other things, that an entity recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability, respectively, in the statement of financial position, while recognizing changes in the asset and liability through comprehensive income. Companies that have applied the recognition model of Statements 87 and 106 to their Statement 112 obligations should adopt those provisions as amended by Statement 158, since upon Statement 158's effective date, the deferred recognition model under Statements 87 and 106 will no longer be acceptable.

An SEC staff member and a FASB staff member supported this view at the 2006 AICPA National Conference on Current SEC and PCAOB Developments. However, the SEC staff member suggested that if an entity had previously used the recognition model of Statements 87 and 106 for its Statement 112 plans, it should have followed all applicable provisions (including the disclosure requirements of Statement 132(R)). If the entity did not follow all such provisions when accounting for its Statement 112 plans, registrants should consider consulting with the SEC to determine whether the entity's practices would result in the need to correct an error.

Recognition of the Funded Status of a Single-Employer Defined Benefit Postretirement Plan

Statement 158

4. A business entity that sponsors one or more single-employer defined benefit plans shall:

    a. Recognize the funded status of a benefit plan — measured as the difference between the fair value of plan assets[2] and the benefit obligation — in its statement of financial position. For a pension plan, the benefit obligation shall be the projected benefit obligation; for any other postretirement benefit plan, such as a retiree health care plan, the benefit obligation shall be the accumulated postretirement benefit obligation.

    b. Aggregate the statuses of all overfunded plans and recognize that amount as an asset in its statement of financial position. It also shall aggregate the statuses of all underfunded plans and recognize that amount as a liability in its statement of financial position. A business entity that presents a classified statement of financial position shall classify the liability for an underfunded plan as a current liability, a noncurrent liability, or a combination of both. The current portion (determined on a plan-by-plan basis) is the amount by which the actuarial present value of benefits included in the benefit obligation payable in the next 12 months, or operating cycle if longer, exceeds the fair value of plan assets. The asset for an overfunded plan shall be classified as a noncurrent asset in a classified statement of financial position.

    c. Recognize as a component of other comprehensive income[3] the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost of the period pursuant to Statements 87 and 106.

    d. Recognize corresponding adjustments in other comprehensive income when the gains or losses, prior service costs or credits, and transition assets or obligations remaining from the initial application of Statements 87 and 106 are subsequently recognized as components of net periodic benefit cost pursuant to the recognition and amortization provisions of Statements 87, 88, and 106.

    e. Apply the provisions of FASB Statement No. 109, *Accounting for Income Taxes*, to determine the applicable income tax effects of items (a)–(d) above.

Footnote 2 — Paragraph 49 of Statement 87 and paragraph 65 of Statement 106 address measuring plan assets at fair value. Paragraph 51 of Statement 87 and paragraph 66 of Statement 106 provide an exception to measuring plan assets at fair value. Plan assets used in plan operations shall be measured at cost less accumulated depreciation or amortization. Paragraph 61 of Statement 87 and paragraph 69 of Statement 106 also provide for a non-fair-value measurement of participation rights in certain insurance contracts.

Footnote 3 — A business entity that is not required to report other comprehensive income pursuant to FASB Statement No. 130, *Reporting Comprehensive Income*, shall apply the provisions of paragraphs 8–10 of this Statement in an analogous manner that is appropriate for its method of financial reporting.

4(a)-1: Application of Statement 158 When an Additional Minimum Liability Exists

Question

How are the additional minimum liability (AML) and related intangible asset (if any) that were recognized in accordance with Statement 87 affected by the adoption of Statement 158's recognition provisions?

Answer

Statement 158 amends Statement 87 by requiring that a liability equal to the underfunded status of the defined benefit plan be recorded (measured as the amount by which the projected benefit obligation exceeds the fair value of plan assets at the measurement date). Since the full underfunded status is recognized upon the adoption of Statement 158, it is no longer necessary to record an AML.

The AML and any recognized pension-related intangible asset (both measured and adjusted immediately before the initial adoption of Statement 158's recognition provisions) should be fully eliminated upon the adoption of Statement 158's recognition provisions. When amounts are also recorded in accumulated other comprehensive income (AOCI) resulting from the recording of an AML before the adoption of Statement 158, paragraph 16 of Statement 158 requires, as part of the initial application of its recognition provisions, that an entity consider such amounts when recording the adjustment to the ending balance of AOCI.

4(b)-1: Classification of Postretirement Benefit Assets and Liabilities in a Classified Statement of Financial Position

Question

How should the assets and liabilities recognized for the overfunded and underfunded status of an entity's defined benefit postretirement plans be classified in the statement of financial position?

Answer

If a classified statement of financial position is presented, paragraph 4(b) of Statement 158 requires that all overfunded defined postretirement benefit plans be aggregated and classified as a single noncurrent asset. All underfunded defined postretirement benefit plans must also be aggregated and a single liability recognized. The current portion of the liability is calculated as the amount by which the actuarial present value of benefits expected to be paid from the plan to its participants within the next 12 months — or operating cycle, if longer — exceeds the fair value of the plan's assets. The remaining portion of the liability must be classified as noncurrent.

Statement 158 also requires that the current and noncurrent portions of the postretirement liability be determined on a plan-by-plan basis. That is, a company cannot, to reduce the amount of current liability recorded, use the fair value of assets in excess of the upcoming year's expected benefit payments for one plan to offset the deficit of another plan.

Example — Classification of Postretirement Liability
The following table illustrates how to determine the current and noncurrent portions of the liability on a plan-by-plan basis:

	Plan A	Plan B	Total
Expected benefit payments in next 12 months (or operating cycle, if longer)	$ 250,000	$ 250,000	
Plan assets	2,700,000	100,000	
Benefit obligation	3,000,000	3,000,000	
Liability	$ 300,000	$2,900,000	$3,200,000
Current portion		$ 150,000	$ 150,000
Noncurrent portion	$ 300,000	$2,750,000	$3,050,000

As the table indicates, the total liability recorded is $3,200,000, with $150,000 classified as current and the remaining $3,050,000 as noncurrent.

It is not appropriate to combine the plan assets and expected benefit payments of Plan A with the plan assets and expected payments of Plan B when determining the current and noncurrent portions that would result in the recording of a smaller current liability.

4(d)-1: Impact of Statement 158 on Net Periodic Benefit Costs

Question

What impact will the adoption of Statement 158's recognition provisions have on an entity's net periodic benefit cost?

Answer

None. Statement 158's recognition provisions do not change how net periodic benefit cost is measured or recognized in an entity's income statement.

Statement 158 requires, among other things, that an entity recognize as an asset or liability the overfunded or underfunded status of its defined postretirement benefit plan by recording previously unrecognized amounts (i.e., prior service costs and credits, gains and losses, and transition assets and obligations) in other comprehensive income (OCI). Despite the recognition of these items in OCI, such amounts must be recognized as components of net periodic benefit cost pursuant to the current provisions of Statements 87, 88, and 106.

However, upon adoption of Statement 158's measurement date provisions (paragraphs 5 and 6), for an entity that previously used a measurement date prior to its fiscal year-end, the timing (not the amount) of the recognition of net periodic benefit cost (which includes gains and losses from settlements and curtailments) will be affected in that such costs will no longer be recognized on a lagged basis. See Q&A 18(b)-1 for more information about the timing of recognizing the effects of plan settlements and curtailments.

4(d)-2: Foreign Currency Translation of Amounts Reclassified From Accumulated Other Comprehensive Income to Net Periodic Benefit Cost

Background

Upon adoption of Statement 158, companies and their subsidiaries (domestic and foreign) are required to recognize the funded status[1] of their defined benefit plans. Previously unrecognized amounts (including gains or losses, prior service costs or credits, and transition assets or obligations) will be recorded, net of tax, as a component of AOCI. Statement 158's recognition provisions do not change how net periodic benefit cost is measured or recognized in an entity's financial statements.

After adoption of Statement 158, prior service costs or credits, and gains or losses that arise during the period and that are not immediately recognized as a component of net periodic benefit cost, will be recognized as a component of OCI. Such amounts will ultimately be reclassified to net periodic benefit cost in subsequent periods.

In consolidation, parent companies with foreign subsidiaries that sponsor defined benefit plans will need to consider the impact of FASB Statement No. 52, *Foreign Currency Translation*, on the amounts recorded in, and reclassified from, AOCI as a component of net periodic benefit cost.

Shareholders' equity accounts (e.g., retained earnings, AOCI, additional paid-in capital) are accumulated at historical rates. Many consider AOCI to be similar to retained earnings; however, the accounting literature is not explicit about the exchange rate that companies should use to translate the amounts reclassified from AOCI to net periodic benefit cost.

Question

At what exchange rate should a parent company translate the amounts that its foreign subsidiary reclassified from AOCI to net periodic benefit cost?

Answer

There are two acceptable approaches: (1) the historical exchange rate approach and (2) the current average exchange rate approach. The selection of either approach is an accounting policy election and should be applied consistently after adoption.

Historical Exchange Rate Approach

Companies that elect this approach should translate amounts reclassified from AOCI to net periodic benefit cost at the historical exchange rates in effect at the time the amounts were initially recorded.

Under this approach, AOCI is viewed similarly to retained earnings. In a manner consistent with the approach required by Statement 52, amounts accumulating in retained earnings are not retranslated at a current rate (i.e., retained earnings do not fluctuate as a result of changes in exchange rates). Similarly, the amounts reclassified from AOCI to net periodic benefit cost are not retranslated.

[1] The funded status is measured as the difference between the fair value of plan assets and the benefit obligation.

FASB Statement No. 130, *Reporting Comprehensive Income*, "uses the term *comprehensive income* to describe the total of all components of comprehensive income, including net income." Also, Statement 130 "uses the term *other comprehensive income* to refer to revenues, expenses, gains, and losses that under generally accepted accounting principles are included in comprehensive income but excluded from net income." The amounts initially recorded in OCI, which are translated either at the rate in effect at the date of the transaction or at the average rate for the period, determine the amount that will be reclassified from AOCI to net periodic benefit cost. Use of the historical rate to reclassify amounts from AOCI to net income as a component of net period benefit cost is consistent with the principles of Statement 130; comprehensive income does not change.

Current Average Exchange Rate Approach

Companies that elect this approach should translate amounts reclassified from AOCI to net periodic benefit cost at the current average exchange rate for the period in which the reclassification from AOCI is made (i.e., the exchange rate used to translate revenues and expenses).

This approach is supported by the Board's view as expressed in paragraph B36 of Statement 158, which describes the Statement's objective as follows:

> [T]he objective of this Statement [is] not to change how net periodic benefit cost is determined.

The objective of this approach is consistency with that of the approach used before Statement 158. Unrecognized prior service costs/credits, net gains or losses, and translation obligations/assets remained off-balance-sheet and were translated at the average exchange rates when these amounts were recognized in net periodic benefit costs. This is consistent with the Statement 52 approach for income statement items.

4(e)-1: Income Tax Effects on Medicare Part D Subsidy Receipts

Question

Should actuarial gains from subsidy receipts under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the "Act") be recorded net of income tax when recognizing such amounts in AOCI?

Answer

No. The subsidy received under the Act is not considered taxable income to the employer for federal income tax purposes. Paragraph 19 of FASB Staff Position No. FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," indicates that in the periods in which the subsidy affects the employer's accounting for the plan, the subsidy should have no effect on any plan-related temporary difference accounted for under FASB Statement No. 109, *Accounting for Income Taxes.* Therefore, when Statement of 158 is adopted, no deferred taxes should be recorded when recognizing in AOCI the portion of unrecognized actuarial gain that is related to the subsidy provided for by the Act.

In addition, no deferred tax assets or liabilities should be recognized when recording future actuarial gains or losses in AOCI that arise from the subsidy received or to be received under the Act in years after the adoption of Statement 158.

Measurement Date of Plan Assets and Benefit Obligations

Statement 158

5. A business entity shall measure plan assets and benefit obligations as of the date of its fiscal year-end statement of financial position unless:
   a. The plan is sponsored by a subsidiary that is consolidated using a fiscal period that differs from its parent's, as permitted by ARB No. 51, *Consolidated Financial Statements*.
   b. The plan is sponsored by an investee that is accounted for using the equity method of accounting under APB Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*, using financial statements of the investee for a fiscal period that is different from the investor's, as permitted by Opinion 18.

   In those cases, a business entity shall measure the subsidiary's plan assets and benefit obligations as of the date used to consolidate the subsidiary's statement of financial position and shall measure the investee's plan assets and benefit obligations as of the date of the investee's financial statements used to apply the equity method. For example, if a calendar year-end parent consolidates a subsidiary using the subsidiary's September 30 financial statements, the funded status of the subsidiary's benefit plan included in the consolidated financial statements shall be measured as of September 30.
6. Unless a business entity remeasures both its plan assets and benefit obligations during the fiscal year, the funded status it reports in its interim-period statement of financial position shall be the same asset or liability recognized in the previous year-end statement of financial position adjusted for (a) subsequent accruals of net periodic benefit cost that exclude the amortization of amounts previously recognized in other comprehensive income (for example, subsequent accruals of service cost, interest cost, and return on plan assets) and (b) contributions to a funded plan, or benefit payments. Sometimes, a business entity remeasures both plan assets and benefit obligations during the fiscal year. That is the case, for example, when a significant event such as a plan amendment, settlement, or curtailment occurs that calls for a remeasurement. Upon remeasurement, a business entity shall adjust its statement of financial position in a subsequent interim period (on a delayed basis if the measurement date provisions of this Statement have not yet been implemented) to reflect the overfunded or underfunded status of the plan consistent with that measurement date.

5-1 and 5-2: Plan Measurements Under Statement 158

Question

Under Statement 158, how often is an entity required to measure the fair value of its plan assets and benefit obligations?

Answer

Statement 158 does not change how often an entity is required to perform plan measurements under Statements 87, 88, and 106; rather, it changes when those measurements are required to be performed (i.e., as of the date of the entity's fiscal year-end statement of financial position), which becomes effective for fiscal years ending after December 15, 2008. An entity may measure its plan assets and benefit obligations multiple times throughout the year; however, a measurement is required to be performed at least once annually or more often when certain events occur (e.g., a plan settlement, a plan curtailment, a plan amendment considered to be material).

Question

After the adoption of Statement 158's measurement date provisions, under what circumstances would it be appropriate for a company not to align the measurement date with the date of its fiscal year-end statement of financial position?

Answer

Statement 158 contains two exceptions to the requirement for aligning the measurement date with the date of the company's fiscal year-end statement of financial position. The first exception is outlined in paragraph 5(a) of Statement 158, which provides that if a subsidiary is the plan sponsor and is consolidated by using a fiscal period different from that of its parent, the parent should measure the subsidiary's postretirement benefit plan assets and benefit obligations as of the same date used to consolidate the subsidiary. For example, if a calendar-year-end parent consolidates its subsidiary by using the subsidiary's November 30 financial statements and if the subsidiary is the plan sponsor, the funded status of that subsidiary's plan should be measured as of November 30 (i.e., the date used to consolidate the subsidiary's statement of financial position).

The second exception is outlined in paragraph 5(b) of Statement 158, which provides that if the plan is sponsored by an equity method investee and the financial statements of the equity method investee are not available in time for the investor to currently apply the equity method, the investor should measure the investee's plan assets and benefit obligations as of the date of the investee's financial statements that were used to apply the equity method. This may require the equity method investee to perform more than one measurement of its plan assets and benefit obligations in one year.

Example — Equity Method Investee

An equity method investee and its investor each have a calendar year-end. On the basis of when the equity method investee's financial statements will become available, the investor accounts for its equity method investment on a one-month lag (i.e., the investor uses the equity method investee's November 30 financial statements to record its equity pickup in its December 31 financial statements). Under paragraph 5 of Statement 158, the equity method investee is required to measure its plan assets and benefit obligations as of November 30 for the investor's financial statements and again as of December 31 for its own stand-alone financial statements.

6-1: Postretirement Benefit Plan Asset/Liability Recognition and Interim Financial Reporting

Question

For interim reporting purposes, should the asset or liability representing the funded status of a postretirement benefit plan be adjusted from the previous year-end to reflect accruals and contributions during the interim period?

Answer

Yes. In accordance with paragraph 6, the asset or liability should be adjusted for contributions made during the interim period and for those components of net periodic benefit cost not yet recognized in the asset or liability. Components that should affect the asset or liability in interim periods include service cost, interest cost, and return on plan assets (if any). The components of net periodic benefit cost that do not affect the asset or liability during an interim period because such amounts have already been recognized as part of the asset or liability include the amortization of (1) prior service costs/credits, (2) net transition obligation/asset, and (3) net gain/loss (if any is amortized). However, OCI should be adjusted each period as such amounts are amortized and included in net periodic benefit cost.

If the plan assets and benefit obligation are remeasured during the year, the asset or liability should be adjusted to reflect the updated funded status of the plan, with the related change in the unrecognized amounts being recorded in OCI as required by paragraph 4(c).

Disclosure Requirements

Statement 158

7. A business entity that sponsors one or more benefit plans shall disclose the following information in the notes to its annual financial statements, separately for pension plans and other postretirement benefit plans:
    a. For each annual statement of income presented, the amounts recognized in other comprehensive income, showing separately the net gain or loss and net prior service cost or credit. Those amounts shall be separated into amounts arising during the period and reclassification adjustments of other comprehensive income as a result of being recognized as components of net periodic benefit cost for the period.
    b. For each annual statement of income presented, the net transition asset or obligation recognized as a reclassification adjustment of other comprehensive income as a result of being recognized as a component of net periodic benefit cost for the period.
    c. For each annual statement of financial position presented, the amounts in accumulated other comprehensive income that have not yet been recognized as components of net periodic benefit cost, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation.

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d. The amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the fiscal year that follows the most recent annual statement of financial position presented, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation.
e. The amount and timing of any plan assets expected to be returned to the business entity during the 12-month period, or operating cycle if longer, that follows the most recent annual statement of financial position presented.

7-1: Statement 158 Disclosures in Interim Periods After Adoption

Question

Do the disclosures required by paragraph 7 of Statement 158 have to be carried forward in interim-period financial statements issued after the initial adoption of Statement 158's recognition and related disclosure provisions?

Answer

No. The SEC staff has generally interpreted SEC Regulation S-X, Rule 10-01(a)(5), as requiring registrants to include all disclosures required by newly adopted accounting standards so that the interim information presented is not misleading. Furthermore, if a new standard is adopted in an interim period, then the interim-period financial statements should include, to the extent applicable, all disclosures identified in the adopted standard that must be included in annual financial statements. Such disclosures should continue to be made on an interim basis until the first Form 10-K is filed after adoption. However, since the recognition and related disclosure provisions for Statement 158 are required to be adopted as of the end of the fiscal year (see paragraphs 12–13 of Statement 158), such disclosures will already have been included in a Form 10-K, thus making disclosure in subsequent interim periods unnecessary.

However, the disclosures required by paragraph 14 of Statement 158 should continue to be disclosed in any annual or interim financial statements until the recognition provisions of Statement 158 have been adopted. Paragraph 14 requires that a company without publicly traded equity securities disclose the following in its financial statements for a fiscal year ending after December 15, 2006, but before June 16, 2007:

- A brief description of Statement 158's provisions.
- The date on which adoption is required.
- The date the company plans to adopt the recognition provisions of Statement 158.

SEC filers that do not have publicly traded equity securities (e.g., companies with publicly traded debt securities) are still required to follow the disclosure requirements of SEC Staff Accounting Bulletin No. 74, codified as SAB Topic 11.M, "Disclosure of the Impact That Recently Issued Accounting Standards Will Have on the Financial Statements of the Registrant When Adopted in a Future Period," for periods prior to adoption, which, in addition to the above, would require disclosure of the estimated impact (if known) the adoption of Statement 158 will have on the company's financial statements.

Effective Dates

Statement 158

11. This Statement provides different effective dates for the recognition and related disclosure provisions and for the required change to a fiscal year-end measurement date. Also, the effective date of the recognition and disclosure provisions differs for an employer that is an issuer of publicly traded equity securities from one that is not. For purposes of this Statement, an employer is deemed to have publicly traded equity securities if any of the following conditions is met:

    a. The employer has issued equity securities that trade in a public market, which may be either a stock exchange (domestic or foreign) or an over-the-counter market, including securities quoted only locally or regionally.

    b. The employer has made a filing with a regulatory agency in preparation for the sale of any class of equity securities in a public market.

    c. The employer is controlled by an entity covered by (a) or (b).

Effective Dates for Recognition and Related Disclosure Provisions

12. An employer with publicly traded equity securities shall initially apply the requirement to recognize the funded status of a benefit plan (paragraph 4) and the disclosure requirements (paragraph 7) as of the end of the fiscal year ending after December 15, 2006. Application as of the end of an earlier fiscal year is encouraged; however, early application shall be for all of an employer's benefit plans.

13. An employer without publicly traded equity securities shall initially apply the requirement to recognize the funded status of a benefit plan (paragraphs 4 and 8) and the disclosure requirements (paragraphs 7 and 10) as of the end of the fiscal year ending after June 15, 2007. Application as of the end of an earlier fiscal year is encouraged; however, early application shall be for all of an employer's benefit plans.

14. An employer without publicly traded equity securities shall disclose the following information in the notes to the financial statements for a fiscal year ending after December 15, 2006, but before June 16, 2007, unless it has applied the recognition provisions of this Statement in preparing those financial statements:

    a. A brief description of the provisions of this Statement

    b. The date that adoption is required

    c. The date the employer plans to adopt the recognition provisions of this Statement, if earlier.

Effective Date for Measurement Date Provisions

15. The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position (paragraphs 5, 6, and 9) shall be effective for fiscal years ending after December 15, 2008, and shall not be applied retrospectively. Earlier application is encouraged; however, early application shall be for all of an employer's benefit plans. The requirement in paragraphs 5(k) and 8(j) of Statement 132(R) to disclose the measurement date is eliminated, effective in the year the employer initially adopts the measurement date provisions of this Statement.

15-1: Early Adoption of Measurement Date Provisions of Statement 158

Statement 158, issued in September 2006, requires an entity to measure plan assets and benefit obligations as of the date of its fiscal year-end balance sheet. This requirement is effective for fiscal years ending after December 15, 2008, with retrospective application prohibited; however, earlier application of the measurement date provisions is encouraged.

Question

May an entity early adopt the measurement date provisions of Statement 158 under the paragraph 19 transition guidance in its first annual financial statements for a fiscal year ending after September 29, 2006 (i.e., the issuance date of Statement 158), to align the measurement date with its fiscal year-end balance sheet?

Answer

Yes, if certain conditions are met. The entity must have adopted, or must be adopting at the same time as the measurement date provisions, the recognition provisions of Statement 158. Informal discussions with the FASB staff have indicated that applying the measurement date provisions under Statement 158 should not precede the application of the Statement's recognition provisions.

In addition, an entity may early adopt the measurement date provisions under paragraph 19 only if during the period between the prior-year measurement date and the date of the latest issued financial statements (whether interim or annual financial statements), the entity's plan has not had any significant events occur that would require a plan remeasurement (e.g., plan curtailments, settlements, or amendments) or the entity performed a voluntary plan remeasurement. The accounting effects of such events, prior to the adoption of Statement 158's measurement date provisions, would have been recognized on a lagged basis and potentially in a different reporting period. However, upon the adoption of Statement 158's measurement date provisions, such effects are recognized in the period they occur,[2] beginning with the period that begins after the measurement date that is used for the immediately preceding fiscal year-end. In addition, paragraph 19(b) specifically states, in part:

> This provision prohibits an employer from early application of the measurement date provisions when the employer has issued financial statements for the prior year without recognition of such a settlement or curtailment.

Because retrospective application of Statement 158 is not permitted, if the entity has had such an event occur during the period between the prior-year measurement date and the date of its latest issued financial statements, the earliest the entity could adopt the measurement date provisions would be in its next fiscal year-end financial statements (e.g., the 2007 year-end financial statements for a calendar-year-end company).

An entity that does not meet the conditions outlined above may change its measurement date to align with its fiscal year-end; however, the transition provisions of Statement 158 would not be available. The entity would be required to demonstrate preferability for the change in its measurement date and apply the guidance in FASB Statement No. 154, *Accounting Changes and Error Corrections*.

[2] Note that for curtailments, a loss is considered to have occurred when the loss is probable and estimable and a gain is considered to have occurred when the related employees have terminated or the plan suspension or amendment has been adopted. See paragraph 14 of Statement 88 and paragraph 99 of Statement 106.

Example — Public Entity

A calendar-year-end public entity with an annual measurement date of September 30 wants to early adopt the measurement date provisions of Statement 158 by using the paragraph 19 transition guidance to align its measurement date with its fiscal year-end balance sheet date on December 31, 2006. Assuming the entity has already issued its September 30, 2006, interim financial statements, the entity could early adopt the measurement date provisions in its December 31, 2006, financial statements if the plan has not experienced a significant event that requires accounting for a curtailment, settlement, or amendment, which required a plan remeasurement during the period from September 30, 2005, through September 30, 2006. If the plan experiences any of these events in the fourth quarter of 2006, the effects of those events should be recognized in that period.

Example — Nonpublic Entity

Assume the same facts as in the public-entity example, except that the entity is nonpublic, does not issue interim financial statements, and has issued its 2005 year-end financial statements. The entity could early adopt the measurement date provisions in its December 31, 2006, financial statements if the plan has not experienced a significant event that requires accounting for a curtailment, settlement, or amendment, which required a plan remeasurement during the period from September 30, 2005, through December 31, 2005. Since the entity does not issue interim financial statements, the entity will be recognizing the effects of such events in the reporting period in which they occur.[3] If the plan experiences any of these events during 2006, the effects of those events should be recognized in that year. In addition, the entity must early adopt Statement 158's recognition provisions as of December 31, 2006.

Transition — Recognition Provisions

Statement 158

16. An employer shall apply the recognition provisions of this Statement as of the end of the fiscal year of initial application. Retrospective application is not permitted. The amounts recognized in an employer's statement of financial position as of the end of the fiscal year before applying this Statement, including amounts required to recognize any additional minimum pension liability, shall be adjusted so that:

    a. For a business entity, gains or losses, prior service costs or credits, and transition assets or obligations that have not yet been included in net periodic benefit cost as of the end of the fiscal year in which the Statement is initially applied are recognized as components of the ending balance of accumulated other comprehensive income, net of tax. Any required adjustment shall be reported as an adjustment of the ending balance of accumulated other comprehensive income.

    b. For a not-for-profit employer, gains or losses, prior service costs or credits, and transition assets or obligations that have not yet been included in net periodic benefit cost as of the end of the fiscal year in which this Statement is initially applied are included in the ending balance of unrestricted net assets, net of tax, if any. Any required adjustment shall be reported in the statement of activities, in a separate line item or items within changes in unrestricted net assets, apart from expenses and outside a performance indicator or other intermediate measure of operations, if one is presented.

[3] Note that for curtailments, a loss is considered to have occurred when the loss is probable and estimable and a gain is considered to have occurred when the related employees have terminated or the plan suspension or amendment has been adopted. See paragraph 14 of Statement 88 and paragraph 99 of Statement 106.

16-1: Measuring AML and Recording Changes in OCI Before Adopting Statement 158

Question

Must entities measure and record changes in their AML to comprehensive income before adopting Statement 158?

Answer

Yes. When entities adopt the recognition provisions of Statement 158, they will no longer recognize an AML. Statement 158 eliminates the AML by requiring full recognition of the funded status of an entity's defined benefit pension plan as an asset or liability in its year-end balance sheet. Because the recognition provisions are to be adopted as of the end of the year, **an entity is first required to measure and record changes to its previously recognized AML[4] through comprehensive income based on its measurement date used for current year-end reporting.** An entity should apply the following two-step approach to adopting the recognition provisions of Statement 158 as of the end of its fiscal year (as required by paragraph 16 of Statement 158):

1. Follow the provisions of paragraphs 35–38 of Statement 87 (prior to amendment by Statement 158), to determine prepaid or accrued pension cost (including changes to the AML, if applicable) based on the measurement date the entity used for current year-end reporting.[5]

2. Apply Statement 158's recognition provisions to fully recognize the funded status of the defined benefit pension plan.[6]

The adjustments recorded in step 1 represent the accounting for an entity's pension plan under Statement 87 throughout the year and up to the point of adopting Statement 158 at year-end. Any adjustments to the AML that would have been recorded as a component of comprehensive income before Statement 158 is considered should continue to be recorded in comprehensive income. The adjustments in step 2 should reflect only the **incremental impact** of adopting Statement 158's recognition provisions (calculated as the difference between the plan's funded status and the amounts recognized in step 1). As paragraph 16 of Statement 158 indicates, any incremental amounts requiring recognition in AOCI under step 2 must be recorded as a **direct adjustment to the ending balance of AOCI** and not as a component of comprehensive income.

Example

A calendar-year-end entity with a December 31 measurement date adopts the recognition provisions of Statement 158 in its 2006 year-end financial statements. The table below details the amounts included in AOCI related to its pension plan for the following periods:

[4] Changes in the AML could include recording an AML for the first time.

[5] See Question 37 of FASB Staff Implementation Guide, "A Guide to Implementation of Statement 87 on Employers' Accounting for Pensions: Questions and Answers," for an illustrative example.

[6] See Example 1 in Appendix A of Statement 158 for guidance on the application of Statement 158's recognition provisions.

	December 31, 2005	December 31, 2006 (before the adoption of Statement 158)	December 31, 2006 (after the adoption of Statement 158)
AML included in AOCI[7]	$(1,000)	$(1,200)	NA
Amount included in AOCI after the adoption of Statement 158[7]	NA	NA	$(2,000)

The $200 increase in the AML included in AOCI from December 31, 2005, to December 31, 2006 (before the adoption of Statement 158), should be recorded as a component of comprehensive income (step 1). The $800 increase related to the difference between the AML included in AOCI before the adoption of Statement 158 and the amount included in AOCI after the adoption of Statement 158 is recorded as a direct adjustment to the ending balance of AOCI to fully recognize the funded status of the entity's pension plan (step 2).

Transition — Measurement Date Provisions

Statement 158

17. This Statement provides two approaches for an employer to transition to a fiscal year-end measurement date. In the first approach (paragraph 18), an employer remeasures plan assets and benefit obligations as of the beginning of the fiscal year that the measurement date provisions are applied. An employer uses those new measurements to determine the effects of the measurement date change as of the beginning of the fiscal year that the measurement date provisions are applied. In the second approach (paragraph 19), an employer continues to use the measurements determined for the prior fiscal year-end reporting to estimate the effects of the change.

18. Under the first approach, an employer shall measure plan assets and benefit obligations as of the beginning of the fiscal year that the measurement date provisions are applied. For an employer that is a business entity:

    a. Net periodic benefit cost for the period between the measurement date that is used for the immediately preceding fiscal year-end and the beginning of the fiscal year that the measurement date provisions are applied, exclusive of any curtailment or settlement gain or loss, shall be recognized, net of tax, as a separate adjustment of the opening balance of retained earnings. That is, the pretax amount recognized as an adjustment to retained earnings is the net periodic benefit cost that without a change in measurement date otherwise would have been recognized on a delayed basis during the first interim period for the fiscal year that the measurement date provisions are applied.

    b. Any gain or loss arising from a curtailment or settlement between the measurement date that is used for the immediately preceding fiscal year-end and the beginning of the fiscal year that the measurement date provisions are applied shall be recognized in earnings in that period and not as an adjustment to retained earnings. This provision prohibits an employer from early application of the measurement date provisions when the employer has issued financial statements for the prior year without recognition of such a settlement or curtailment.

[7] Amounts are net of tax.

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For example, assume an employer with a June 30 year-end that used a March 31 measurement date curtailed its benefit plan on May 31, 2006, resulting in a curtailment loss. That employer would be able to apply early the measurement date provisions in fiscal year 2007 if it recognizes the May 31, 2006 curtailment loss in its financial statements for the year ending June 30, 2006. That would not be the case if its 2006 financial statements had been issued before it wished to early adopt for fiscal year 2007.

c. Other changes in the fair value of plan assets and the benefit obligations (for example, gains or losses) for the period between the measurement date that is used for the immediately preceding fiscal year-end and the beginning of the fiscal year that the measurement date provisions are applied shall be recognized, net of tax, as a separate adjustment of the opening balance of accumulated other comprehensive income for the fiscal year that the measurement date provisions are applied.

The guidance in this paragraph also shall apply to a not-for-profit employer, except that the adjustments that would be made to the opening balances of retained earnings and accumulated other comprehensive income shall instead be recognized as a change in unrestricted net assets in the statement of activities, net of tax, if any. Those amounts shall be reported in a separate line item or items apart from expenses and outside a performance indicator or other intermediate measure of operations, if one is presented.

19. In lieu of remeasuring plan assets and benefit obligations as of the beginning of the fiscal year that the measurement date provisions are applied, under the second approach, an employer shall use earlier measurements determined for year-end reporting as of the fiscal year immediately preceding the year that the measurement date provisions are applied. For an employer that is a business entity:

a. Net periodic benefit cost for the period between the earlier measurement date and the end of the fiscal year that the measurement date provisions are applied, exclusive of any curtailment or settlement gain or loss, shall be allocated proportionately between amounts to be recognized as an adjustment of retained earnings and net periodic benefit cost for the fiscal year that the measurement date provisions are applied. For example, a calendar-year employer that uses a September 30 measurement date and has no settlement or curtailment during the period would allocate as an adjustment of retained earnings three-fifteenths of net periodic benefit cost determined for the period from September 30, 2007, to December 31, 2008. The remaining twelve-fifteenths would be recognized as net periodic benefit cost for the fiscal year that the measurement date provisions first are applied.

b. Any gain or loss arising from a curtailment or settlement between the measurement date that is used for the immediately preceding fiscal year-end and the beginning of the fiscal year that the measurement date provisions are applied shall be recognized in earnings in that period and not as an adjustment to retained earnings. This provision prohibits an employer from early application of the measurement date provisions when the employer has issued financial statements for the prior year without recognition of such a settlement or curtailment (see paragraph 18(b)).

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c. Other changes in the fair value of plan assets and the benefit obligations (for example, gains or losses) for the period between the earlier measurement date and the end of the fiscal year that the measurement date provisions are applied shall be recognized as other comprehensive income for the fiscal year that the measurement date provisions are applied.

That approach shall be adjusted if, during the period between the earlier measurement date and the beginning of the fiscal year that the change in measurement date occurs, an employer elects to remeasure plan assets and benefit obligations or there is an event, such as a settlement or curtailment, that requires an intervening measurement. In that case, a revised net periodic benefit cost for the remainder of that period is determined by prorating the revised net periodic benefit cost for the period from the date of the intervening remeasurement to the end of the fiscal year that the measurement date provisions are applied. The guidance in this paragraph also shall apply to a not-for-profit employer, except that the adjustment that would be made to retained earnings shall instead be recognized as a change in unrestricted net assets in the statement of activities, net of tax, if any. Those amounts shall be reported in a separate line item or items apart from expenses and outside a performance indicator or other intermediate measure of operations, if one is presented. The amounts that would be recognized in other comprehensive income shall be recognized pursuant to paragraph 8 of this Statement.

18(b)-1: Recognition of Plan Settlements and Curtailments Upon Adoption of Statement 158

Question

When should the effects of settlements and curtailments be recognized upon adoption of Statement 158's measurement date provisions?

Answer

Paragraphs 18 and 19 of Statement 158 describe two methods of transition with respect to a company's adoption of the measurement date provisions and discuss when the effects of settlements and curtailments are recognized upon transition. Regardless of which method an entity elects, the gains and losses from any settlements or curtailments should be recognized in earnings as they occur,[8] beginning with the period between the measurement date that is used for the immediately preceding fiscal year-end and the beginning of the fiscal year in which the measurement date provisions are applied. Such settlement or curtailment gains and losses would no longer be recognized on a lagged basis.

Example

Before the adoption of Statement 158's measurement date provisions, a calendar-year-end company uses a measurement date of September 30 to measure the funded status of its defined benefit postretirement plan. The company adopts the measurement date provisions of Statement 158 for the

[8] Note that for curtailments, a loss is considered to have occurred when the loss is probable and estimable and a gain is considered to have occurred when the related employees have terminated or the plan suspension or amendment has been adopted. See paragraph 14 of Statement 88 and paragraph 99 of Statement 106.

fiscal year ending December 31, 2008. In this case, regardless of which transition method the company elects, any gains or losses realized from settlements or curtailments occurring in the fourth quarter of 2007 and forward are no longer recognized on a lagged basis but are recorded in earnings in the period the settlement or curtailment occurs.

19(a)-1: Transition to Fiscal Year-End Measurement Date

Question

Statement 158 provides for two methods of transition when a company adopts the measurement date provisions in paragraphs 18 and 19. Paragraph 19(a) states, in part:

> Net periodic benefit cost for the period between the earlier measurement date and the end of the fiscal year that the measurement date provisions are applied . . . shall be allocated proportionately between amounts to be recognized as an adjustment of retained earnings and net periodic benefit cost for the fiscal year that the measurement date provisions are applied.

If a company elects to follow the transition guidance provided in paragraph 19 when adopting the measurement date provisions, when is the adjustment to retained earnings (referred to in paragraph 19(a)) recorded? That is, is the adjustment recorded to the opening or closing balance of retained earnings?

Answer

Statement 158 does not provide explicit guidance on when the adjustment to retained earnings should be recorded when a company applies the transition guidance under paragraph 19. However, we believe that it would be acceptable to make the adjustment to either the opening or closing balance of retained earnings (e.g., as of January 1, 2008, or as of December 31, 2008, for a calendar-year-end entity that adopts the measurement date provisions for its fiscal year ending after December 15, 2008 — see paragraph 15 of Statement 158).

Regardless of whether the adjustment is recorded to the opening or closing balance of retained earnings, an entity should consider the additional disclosure required under SEC Staff Accounting Bulletin No. 74, codified as SAB Topic 11.M, "Disclosure of the Impact That Recently Issued Accounting Standards Will Have on the Financial Statements of the Registrant When Adopted in a Future Period," regarding the known impact on retained earnings. The entity should also consider, among other things, disclosing the potential impact of other significant matters that it believes might result from the adoption of the new standard (e.g., technical violations of debt covenant agreements, planned or intended changes in business practices) in its filings for periods prior to the adoption of the measurement date provisions.

If the adjustment is made to the closing balance of retained earnings, SAB 74 disclosures would continue to be required in interim-period filings during the year of adoption of the measurement date provisions (e.g., during 2008 for a calendar-year-end entity that adopts the measurement date provisions for its fiscal year ending after December 15, 2008).

Appendix C — Authoritative Literature on Pension, Postretirement, and Termination Benefits

This appendix includes a comprehensive list and select summaries of the current U.S. generally accepted accounting principles applicable to pension, postretirement, and termination benefits:

FASB Statement No. 87, *Employers' Accounting for Pensions*

FASB Statement No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*

FASB Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*

FASB Statement No. 132(R), *Employers' Disclosures About Pensions and Other Postretirement Benefits*

FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension Plans and Other Postretirement Plans* — an amendment of FASB Statements No. 87, 88, 106, and 132(R)

FASB Staff Implementation Guide, "A Guide to Implementation of Statement 87 on Employers' Accounting for Pensions — Questions and Answers"[1]

FASB Staff Implementation Guide, "A Guide to Implementation of Statement 88 on Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits — Questions and Answers"[2]

FASB Staff Implementation Guide, "A Guide to Implementation of Statement 106 on Employers' Accounting for Postretirement Benefits Other Than Pensions — Questions and Answers"[3]

[1] This guidance has been amended and incorporated as an appendix to the respective Standard by FASB Staff Position (FSP) No. FAS 158-1, "Conforming Amendments to the Illustrations in FASB Statements No. 87, No. 88, and No. 106 and to the Related Staff Implementation Guides." The guidance in the FSP is effective as of the effective dates of Statement 158.

[2] See footnote 1.

[3] See footnote 1.

FASB Technical Bulletin No. 85-4, *Accounting for Purchases of Life Insurance*

AFFECTS: Entities that own life insurance contracts.

SUMMARY: Requires entities to record their investments in life insurance on the basis of the amount that could be realized under the insurance contract as of the balance sheet date. Any change in cash surrender value or contract value during the period is reflected in the contract expense or income recognized for the period.

FASB Staff Position (FSP) No. FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003"

AFFECTS: Sponsors of single-employer defined benefit postretirement health care plans that provide prescription drug benefits in which "(a) the employer has concluded that prescription drug benefits available under the plan to some or all participants for some or all future years are 'actuarially equivalent' to Medicare Part D and thus qualify for the subsidy" under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the "Act"), and "(b) the expected subsidy [provided by the Act] will offset or reduce the employer's share of the cost of the underlying postretirement prescription drug coverage on which the subsidy is based."

SUMMARY: In accordance with Statement 106, measures of the accumulated postretirement benefit obligation (APBO) and net periodic postretirement benefit cost on or after the date of enactment should reflect the effects of the Act. The FSP also provides disclosure guidance relating to the effects of the subsidy when the employer has not yet determined actuarial equivalency.

FASB Staff Position (FSP) No. FAS 158-1, "Conforming Amendments to the Illustrations in FASB Statements No. 87, No. 88, and No. 106 and to the Related Staff Implementation Guides"

AFFECTS: Entities that sponsor pension or postretirement benefit plans.

SUMMARY: This FSP updates the illustrations contained in Statements 87, 88, and 106 to reflect the provisions of Statement 158. The FSP also amends the questions and answers contained in the FASB Staff Implementation Guides for Statements 87, 88, and 106 to reflect the provisions of Statement 158. The questions and answers have been incorporated as appendixes into the respective Statements.

EITF Issue No. 86-27, "Measurement of Excess Contributions to a Defined Contribution Plan or Employee Stock Ownership Plan"

AFFECTS: Employers who terminate a defined benefit plan and contribute the assets withdrawn to a "defined contribution plan or an employee stock ownership plan (ESOP) and the amount contributed is in excess of the employer's required annual contribution to the plan." The assets in excess of the required contribution are maintained in a suspense account pending allocation to individual participant accounts.

SUMMARY: If assets are contributed to a defined contribution plan, the employer should (1) treat the excess contribution not allocated to participant accounts "as if it were part of the employer's investment portfolio and recorded as an asset," (2) record compensation expense "at the time the allocation is made by the plan based on the fair market value of the assets at that time," and (3) report the unallocated assets of the plan that consist of employer stock as treasury stock in its financial statements.

The issuance of AICPA Statement of Position 93-6, *Employers' Accounting for Employee Stock Ownership Plans*, nullified the consensuses reached in this Issue related to contributions to an ESOP.

EITF Issue No. 88-1, "Determination of Vested Benefit Obligation for a Defined Benefit Pension Plan"

AFFECTS: Sponsors of defined benefit pension plans (typically foreign plans) in which "the actuarial present value of benefits to which an employee is entitled if the employee terminates immediately may exceed the actuarial present value of benefits to which the employee is entitled at expected date of separation based on service to date."

SUMMARY: The employer may determine the vested benefit obligation as either "the actuarial present value of the vested benefits to which the employee is entitled if the employee separates immediately . . . or the actuarial present value of the vested benefits to the which the employee is currently entitled but based on the employee's expected date of separation or retirement."

EITF Issue No. 88-23, "Lump-Sum Payments Under Union Contracts"

AFFECTS: Employers that make lump-sum payments to union employees in lieu of all or a portion of an increase in their base wage rate.

SUMMARY: The employer may defer and amortize all or a portion of a lump-sum payment "only when it is clear that the payment will benefit a future period in the form of a lower base wage rate than otherwise would have existed." The amortization period "should not extend beyond the contract period."

EITF Issue No. 90-3, "Accounting for Employers' Obligations for Future Contributions to a Multiemployer Pension Plan"

AFFECTS: An employer who enters into an existing multiemployer defined benefit pension plan or improves existing benefits under the plan and unconditionally promises to pay certain future contributions to the plan. In addition, the employer "executes an agreement that specifies the amounts of those future contributions."

SUMMARY: The employer is not required to record a benefit liability beyond the amount of contributions currently due and unpaid to the plan.

EITF Issue No. 91-7, "Accounting for Pension Benefits Paid by Employers After Insurance Companies Fail to Provide Annuity Benefits"

AFFECTS: Employers that settle pension obligations through the purchase of annuity contracts from insurance companies that are unable to meet their obligations under the annuity contracts and the employer decides to make up all or a portion of any deficiency in annuity payments to the retirees.

SUMMARY: A loss is recognized, at the time the deficiency is assumed, at "the lesser of (1) any gain recognized on the original settlement or (2) the amount of the benefit obligation assumed by the employer. The excess of the obligation assumed by the employer over the loss recognized should be accounted for as a plan amendment or plan initiation in accordance with paragraphs 24 through 28 of Statement 87."

EITF Issue No. 92-12, "Accounting for OPEB Costs by Rate-Regulated Enterprises"

AFFECTS: Rate-regulated entities that record a regulatory asset for the Statement 106 costs for which rate recovery has been deferred.

SUMMARY: For continuing other postemployment benefit (OPEB) plans, "a regulatory asset related to Statement 106 costs should not be recorded if the regulator continues to include OPEB costs in rates on a pay-as-you-go basis." A regulatory asset should be recognized "for the difference between the Statement 106 costs and the OPEB costs included in the enterprises rates" if certain criteria are met.

For discontinued plans, "a regulatory asset related to Statement 106 costs should be recorded if it is probable that future revenue in an amount at least equal to any deferred Statement 106 costs will be recovered in rates within approximately 20 years following the adoption of Statement 106."

If an enterprise does not initially meet the criteria to recognize a regulatory asset but meets those criteria in a subsequent period, then a regulatory asset related to Statement 106 costs should be recognized in the period the criteria are met.

EITF Issue No. 92-13, "Accounting for Estimated Payments in Connection With the Coal Industry Retiree Health Benefit Act of 1992"

AFFECTS: Enterprises that are subject to the Coal Industry Retiree Health Benefit Act of 1992 (the "Coal Act").

SUMMARY: "Enterprises that currently have operations in the coal industry should account for their obligation under the [Coal] Act either as participation in a multiemployer plan or a liability imposed by the [Coal] Act. Enterprises that currently have operations in the coal industry that decide to account for their obligation as a liability and enterprises that no longer have operations in the coal industry should account for their entire obligation under the [Coal] Act as a loss in accordance with Statement 5." The loss is reported as an extraordinary item.

EITF Issue No. 93-3, "Plan Assets Under FASB Statement No. 106"

AFFECTS: Employers that have established trusts to fund their postretirement benefit obligations.

SUMMARY: It is not necessary to determine whether a trust is bankruptcy-proof (that is, the trust assets are insulated from the claims of general creditors in bankruptcy) for the assets of the trust to qualify as plan assets under Statement 106; however, "assets held in a trust that explicitly provides that such assets are available to the general creditors of the employer in the event of the employer's bankruptcy would not qualify as plan assets under Statement 106."

EITF Issue No. 96-5, "Recognition of Liabilities for Contractual Termination Benefits or Changing Benefit Plan Assumptions in Anticipation of a Business Combination"

AFFECTS: Enterprises that are considering a plan to terminate certain employees if a business combination is consummated.

SUMMARY: The "liability for the contractual termination benefits and the curtailment losses under the employee benefit plans . . . should be recognized when the business combination is consummated."

EITF Issue No. 03-2, "Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities"

AFFECTS: An employer that has an employees' pension fund (EPF) plan established under the Japanese Welfare Pension Insurance Law (JWPIL).

SUMMARY: Plans established under the JWPIL "are composed of (a) a substitutional portion based on the pay-related part of the old-age pension benefits prescribed by the JWPIL . . . and (b) a corporate portion based on a contributory defined benefit pension arrangement established at the discretion of the employer." Employers/EPFs can separate the substitutional portion and transfer the obligation to the Japanese government. An employer should account for the separation process once the entire four-phase separation process has been completed and the plan assets have been transferred to the government.

EITF Issue No. 03-4, "Determining the Classification and Benefit Attribution Method for a 'Cash Balance' Pension Plan"

AFFECTS: Entities with hybrid (also known as cash balance) pension plans.

SUMMARY: A "cash balance plan should be considered a defined benefit plan for purposes of applying Statement 87." This consensus is limited to the example provided in the Issue summary and concludes that "the appropriate cost attribution approach is . . . the traditional unit credit method. . . . The determination of whether a plan is pay-related and the appropriate benefit attribution approach for a 'cash balance' plan with other characteristics or for other types of defined benefit pension plans depend on the evaluation of the specific features of those benefit arrangements."

EITF Issue No. 05-5, "Accounting for Early Retirement or Postemployment Programs With Specific Features (Such as Terms Specified in Altersteilzeit Early Retirement Arrangements)"

AFFECTS: U.S. companies with German subsidiaries or non-U.S. companies that provide benefit arrangements for employees under an Altersteilzeit (ATZ) early retirement program or an arrangement with the same terms.

SUMMARY: Salary payments should be recognized ratably over the portion of the ATZ period when the employee is providing active services (the "active service period"). Accruals for the termination benefit when the participant works full-time for half of the ATZ period and then does not work for the remaining half, and receives 50 percent of his or her salary each year during the entire ATZ period, should be accrued ratably from the date the employee signs the ATZ contract to the end of the active service period. The government subsidy should be recognized when the criteria to receive it have been met.

EITF Issue No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements"

AFFECTS: Entities with endorsement split-dollar life insurance arrangements that provide a specified benefit to an employee that is not limited to the employee's active service period. Thus, the accounting for certain company-owned life insurance or bank-owned life insurance policies would be affected.

SUMMARY: An employer should recognize a liability for future benefits on the basis of the substantive agreement (often an agreement to keep an insurance policy in force during the period after retirement) with the employee, since the postretirement benefit obligation is not effectively settled through the purchase of the endorsement split-dollar life insurance policy.

EITF Issue No. 06-5, "Accounting for Purchases of Life Insurance — Determining the Amount That Could Be Realized in Accordance With FASB Technical Bulletin No. 85-4, *Accounting for Purchases of Life Insurance*"

AFFECTS: Entities with life insurance policies, including company-owned life insurance or bank-owned life insurance.

SUMMARY: The amount that could be realized under an insurance contract should (1) be determined by considering any additional amounts (beyond cash surrender value) included in the contractual terms of the policy and (2) be based on assumed surrender at the individual policy or certificate level, unless all policies or certificates are required to be surrendered as a group. Fixed amounts recoverable in future periods in excess of one year should be recorded at their present values.

EITF Issue No. 06-10, "Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements"

AFFECTS: Entities participating in collateral assignment split-dollar life insurance arrangements that provide an employee benefit extending into an employee's postretirement period.

SUMMARY: A liability should be recognized "for the postretirement benefit related to a collateral assignment arrangement in accordance with either Statement 106 (if, in substance, a postretirement plan exists) or Opinion 12" (if not part of a plan) if, based on the substantive agreement with the employee, the employer has agreed to maintain a life insurance policy during the postretirement period or provide a death benefit. An entity should measure and recognize the associated asset on the basis of the terms of the collateral assignment arrangement.

EITF Topic No. D-27, "Accounting for the Transfer of Excess Pension Assets to a Retiree Health Care Benefits Account"

AFFECTS: Employers that transfer excess pension assets of a defined benefit plan (other than a multiemployer plan) to a health care benefits account.

SUMMARY: Any transfer of excess pension assets to a retiree health care benefits account is a negative contribution to the pension plan and a positive contribution to the retiree health benefits account. The associated transfer does not result in a gain or loss.

EITF Topic No. D-36, "Selection of Discount Rates Used for Measuring Defined Benefit Pension Obligations and Obligations of Postretirement Benefit Plans Other Than Pensions"

AFFECTS: Employers with defined benefit plans accounted for under Statement 87.

SUMMARY: Paragraph 44A of Statement 87 (as amended by Statement 158) provides guidance on selecting discount rates to measure defined benefit pension obligations.[4]

[4] Paragraph 31A of Statement 106 (as amended by Statement 158) provides similar guidance for selecting discount rates to measure postretirement benefit obligations.

Appendix D — Statement 158 Implementation Guidance

The following implementation guidance is reprinted from paragraphs A1 through A31 of Appendix A of Statement 158.

Introduction

A1. This appendix is an integral part of this Statement. It provides guidance illustrating the transition provisions of this Statement in simplified situations. Applying those provisions to actual situations will require judgment; this appendix is intended to aid in making those judgments. Certain assumptions, including benefit payments, employer contributions, and obligations settled, have not been included because those transactions are not affected by the provisions of this Statement. Therefore, the examples do not include all the assumptions necessary to reconcile between various stated assumptions or the beginning and ending balances of plan assets or benefit obligations. Examples 1 and 2 provide implementation guidance for a business entity that sponsors a defined benefit postretirement plan. Example 3 provides guidance for a not-for-profit organization that sponsors a defined benefit postretirement plan. [Editor's Note: Example 3 has been excluded from this appendix.]

Example 1 — Application of the Recognition Provisions of This Statement

A2. Company A adopts the recognition and disclosure requirements of this Statement as of the end of its fiscal year (December 31, 2006). For simplicity, this example assumes that Company A's annual report includes a statement of financial position and a statement of changes in stockholders' equity. An income statement is not presented in this example because it is not affected by the recognition provisions of this Statement. Additionally, this example does not consider the effects on financial reporting for interim periods. In applying the recognition provisions of this Statement for transition, Company A adjusts the amounts recognized in the statement of financial position as of December 31, 2006, prior to application of this Statement, so that gains or losses, prior service costs or credits, and the transition asset or obligation that have not yet been included in net periodic benefit cost as of December 31, 2006, are recognized as a component of the ending balance of accumulated other comprehensive income, net of tax (illustrated in paragraph A4). The adjustment is reported as an adjustment of the ending balance of accumulated other comprehensive income (see paragraph A7).

A3. The funded status of Company A's defined benefit pension plan and the amounts not yet recognized as components of net periodic pension cost as of December 31, 2006, and December 31, 2007, are shown below. Company A measures plan assets and benefit obligations as of the date of its financial statements. Under the prior provisions of FASB Statement No. 87, *Employers' Accounting for Pensions*, Company A did not have an additional minimum pension liability at December 31, 2006.

Company A is not required to amortize the cumulative net loss because it is less than 10 percent of the greater of the projected benefit obligation or the market-related value of plan assets for all years presented. No plan amendments affect the period from January 1, 2006, to December 31, 2007. Company A's applicable tax rate for 2006 and 2007 is 40 percent. All deferred tax assets recognized are evaluated by Company A, and no valuation allowance is considered necessary at any time. Under the prior provisions of Statement 87, Company A had a recognized liability of $45,000 at December 31, 2006, for the amount that past net periodic pension costs exceeded past contributions to the plan.

	12/31/06	12/31/07
	(in thousands)	
Projected benefit obligation	$(2,525)	$(2,700)
Plan assets at fair value	1,625	1,700
Funded status	$ (900)	$(1,000)
Items not yet recognized as a component of net periodic pension cost:		
Transition obligation	$ 240	$ 200
Prior service cost	375	350
Net loss	240	260
	$ 855	$ 810

A4. At December 31, 2006, Company A recognizes a liability for the underfunded status of its defined benefit pension plan and adjusts ending accumulated other comprehensive income, net of tax, for the transition obligation, prior service cost, and net loss that have not been recognized as a component of net periodic pension cost. The journal entry is shown below:

Accumulated other comprehensive income	855	
Deferred tax asset	342	
Deferred tax benefit — accumulated other comprehensive income		342
Liability for pension benefits		855

A5. The following table illustrates the adjustments made to Company A's statement of financial position for December 31, 2006. The table is not intended to illustrate the disclosure requirements of this Statement (see paragraph A6). This illustration assumes that plan assets exceed the actuarial present value of benefits to be paid over the next fiscal year. Therefore, the entire liability for pension benefits is classified as a long-term liability.

Company A Statement of Financial Position December 31, 2006 (in thousands)	Before Application of Statement 158	Adjustments	After Application of Statement 158
Current assets			
Cash	$ 40,000	$ 0	$ 40,000
Inventory	720,500	0	720,500
Total current assets	760,500	0	760,500
Intangible assets	100,000	0	100,000
Total assets	$860,500	$ 0	$860,500
Current liabilities	$ 60,000	$ 0	$ 60,000
Liability for pension benefits	45	855	900
Other long-term liabilities	99,955	0	99,955
Deferred income taxes	20,000	(342)	19,658
Total liabilities	180,000	513	180,513
Common stock	150,000	0	150,000
Paid-in capital	300,000	0	300,000
Retained earnings	205,500	0	205,500
Accumulated other comprehensive income	25,000	(513)	24,487
Total stockholders' equity	680,500	(513)	679,987
Total liabilities and stockholders' equity	$860,500	$ 0	$860,500

A6. The following table illustrates the disclosures required by paragraph 20 of this Statement in the year that the recognition provisions are initially adopted.

Incremental Effect of Applying FASB Statement No. 158 on Individual Line Items in the Statement of Financial Position December 31, 2006 (in thousands)			
	Before Application of Statement 158	Adjustments	After Application of Statement 158
Liability for pension benefits	$ 45	$ 855	$ 900
Deferred income taxes	20,000	(342)	19,658
Total liabilities	180,000	513	180,513
Accumulated other comprehensive income	25,000	(513)	24,487
Total stockholders' equity	680,500	(513)	679,987

A7. Company A's statement of changes in stockholders' equity for the year ended December 31, 2006, which includes the effects of applying the provisions of this Statement, follows. Brackets are used to highlight those effects. The table is not intended to illustrate the disclosure requirements of this Statement.

Company A Statement of Changes in Stockholders' Equity Year Ended December 31, 2006 (in thousands)						
	Total	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income	Common Stock	Paid-in Capital
Balance at December 31, 2005	$612,979		$137,988	$ 24,991	$150,000	$300,000
Comprehensive income Net income for 2006	67,512	$67,512	67,512			
Other comprehensive income, net of tax Foreign currency translation gain	15	15				
Unrealized hold loss arising during period	(6)	(6)				
Other comprehensive income		9		9		
Comprehensive income		$67,521				
Adjustment to initially apply FASB Statement No. 158, net of tax	[(513)]			[(513)]		
Balance at December 31, 2006	$679,987		$205,500	$24,487	$150,000	$300,000

A8. In applying this Statement in 2007, Company A:

a. Adjusts other comprehensive income, net of tax, to recognize the amortization of the transition obligation in net periodic pension cost

b. Adjusts other comprehensive income, net of tax, to recognize the amortization of prior service cost in net periodic pension cost

c. Recognizes a pension liability for the additional net loss arising during the year, and a corresponding decrease in other comprehensive income, net of tax

d. Recognizes a pension liability and net periodic pension cost, net of tax, for the service cost, interest cost, and expected return on plan assets.

A9. The components of projected net periodic pension cost for the year ended December 31, 2007, are:

Service cost	$120
Interest cost	95
Expected return on plan assets	(80)
Amortization of prior service cost	25
Amortization of the transition obligation	40
Amortization of net (gain) loss	0
Net periodic benefit cost	$200

A10. For the year ending December 31, 2007, Company A makes the following journal entries in applying the recognition provisions of this Statement:

a. Recognize net periodic pension cost and a corresponding increase in other comprehensive income, net of tax, for amortization of the transition obligation (see paragraph A9):

Net periodic pension cost	40	
Deferred tax benefit — other comprehensive income	16	
Deferred tax benefit — net income		16
Other comprehensive income		40

b. Recognize net periodic pension cost and a corresponding increase in other comprehensive income, net of tax, for amortization of prior service cost (see paragraph A9):

Net periodic pension cost	25	
Deferred tax benefit — other comprehensive income	10	
Deferred tax benefit — net income		10
Other comprehensive income		25

c. Recognize a pension liability and net periodic pension cost, net of tax, for the service cost of $120, interest cost of $95, and the expected return on plan assets of $(80) (see paragraph A9):

Net periodic pension cost	135	
Deferred tax asset	54	
Deferred tax benefit — net income		54
Liability for pension benefits		135

d. Recognize a pension liability for the additional net loss arising during the year and a corresponding decrease in other comprehensive income, net of tax (this is the increase in net loss from $240 to $260 shown in paragraph A3):

Other comprehensive income	20	
Deferred tax asset	8	
Deferred tax benefit — other comprehensive income		8
Liability for pension benefits		20

Example 2(a) — Change in the Measurement Date and Plan Settlement

A11. Company B adopted the recognition provisions of this Statement in its December 31, 2006 financial statements. As required by this Statement, Company B changes the measurement date for its defined benefit pension plan from September 30 to December 31 for its 2008 financial statements. Company B elects to implement that change by remeasuring plan assets and obligations as of December 31, 2007 (see paragraph 18). Company B has a plan settlement on November 30, 2007, and remeasures its plan assets and benefit obligations as of November 30, 2007, resulting in a settlement loss before taxes of $60,000, which is a portion of the net loss in accumulated other comprehensive income. However, the effects of remeasuring plan assets and obligations as of November 30, 2007, on the funded status reported in Company B's statement of financial position are not recognized until the following fiscal year because the change in measurement date has not been adopted at November 30, 2007. In recognizing the effects of the plan settlement and change in measurement date, Company B:

a. Recognizes the settlement loss in net income in the fourth quarter of 2007 and a corresponding decrease in the cumulative net loss in other comprehensive income (illustrated in paragraph A14)

b. Recognizes the net periodic pension cost incurred from October 1, 2007, to December 31, 2007, net of tax, as an adjustment to beginning retained earnings and beginning accumulated other comprehensive income for 2008 (illustrated in paragraph A15(a))

c. Recognizes any gains or losses arising during the period from October 1, 2007, to December 31, 2007, net of tax, as an adjustment to beginning accumulated other comprehensive income for 2008 (illustrated in paragraph A15(b))

d. Recognizes corresponding changes in its pension liability and deferred tax accounts for the above items.

A12. The funded statuses of Company B's plan as of September 30, 2007, November 30, 2007, December 31, 2007, and December 31, 2008, and amounts included in accumulated other comprehensive income to be recognized as a component of net periodic pension cost are shown below. Company B has no remaining transition asset or obligation. Company B is not required to amortize the cumulative net loss because it is less than 10 percent of the greater of the market-related value of plan assets or the projected benefit obligation for all years presented. Company B's applicable tax rate for 2007 and 2008 is 40 percent. All deferred tax assets recognized are evaluated by Company B, and no valuation allowance is considered necessary at any time.

	9/30/07	11/30/07	12/31/07	12/31/08
	(in thousands)			
Projected benefit obligation	$(3,660)	$(3,200)	$(3,210)	$(3,700)
Plan assets at fair value	2,600	2,200	2,225	2,200
Funded status	$(1,060)	$(1,000)	$ (985)	$(1,500)
Items not yet recognized as a component of net periodic pension cost:				
Prior service cost	$ 380	$ 360	$ 350	$ 230
Net loss	265	220	315	365
	$ 645	$ 580	$ 665	$ 595

A13. Based on actuarial valuations performed as of September 30, 2007, and November 30, 2007, Company B determines its net periodic pension cost for the two-month period from October 1, 2007, to November 30, 2007, and for the one-month period from December 1, 2007, to December 31, 2007, respectively, to be:

Net Periodic Pension Cost for:	2 Months	1 Month	Total
Service cost	$ 25	$ 15	$ 40
Interest cost	30	15	45
Expected return on plan assets	(30)	(15)	(45)
Total service cost, interest cost, and expected return on plan assets	25	15	40
Amortization of prior service cost	20	10	30
Amortization of net loss	0	0	0
Total amortization	20	10	30
Net periodic benefit cost	$ 45	$ 25	$ 70

A14. In the fourth quarter of 2007, Company B makes the following journal entry to recognize the settlement loss:

Net periodic pension cost (settlement loss)	60	
Deferred tax benefit — other comprehensive income	24	
Deferred tax benefit — net income		24
Other comprehensive income		60

A15. In 2008, Company B makes the following journal entries in applying the measurement date provisions of this Statement:

a. Adjust the beginning balances of retained earnings, accumulated other comprehensive income, pension liability, and deferred tax accounts for the amortization of prior service cost and the service cost, interest cost, and expected return on plan assets (see paragraph A13):

Retained earnings	70	
Deferred tax asset ($40 × 40%)	16	
Deferred tax benefit — accumulated other comprehensive income ($30 × 40%)	12	
Deferred tax benefit — retained earnings ($70 × 40%)		28
Accumulated other comprehensive income		30
Liability for pension benefits		40

b. Adjust the beginning balances of accumulated other comprehensive income, pension liability, and deferred tax accounts for the net loss arising during the period:

Accumulated other comprehensive income	110[a]	
Deferred tax asset	44	
Deferred tax benefit — accumulated other comprehensive income		44
Liability for pension benefits		110

A16. Company B's statement of changes in stockholders' equity for 2007 and 2008, which shows the effects of the settlement loss and change in measurement date, follows. Brackets are used to highlight those effects. The table is not intended to illustrate the disclosure requirements of this Statement.

[a] This is the net change in the cumulative net loss after recognition of the settlement loss, calculated as follows: Net loss at 12/31/07 of $315 – Net loss at 9/30/07 of $265 + Plan settlement loss of $60 = $110.

Company B **Statement of Changes in Stockholders' Equity** **Year Ended December 31, 2007, and 2008** **(in thousands)**						
	Total	**Comprehensive Income**	**Retained Earnings**	**Accumulated Other Comprehensive Income**	**Common Stock**	**Paid-in Capital**
Balance at December 31, 2006	$289,140		$55,000	$(360)	$195,000	$39,500
Comprehensive income						
Net income for 2007	5,464	[$5,464[b]]	5,464			
Other comprehensive income, net of tax						
Settlement loss (see paragraph A14)	[36]	[36]				
Prior service cost	72	72				
Net loss	(99)	(99)				
Other comprehensive income		9		9		
Comprehensive income		$ 5,473				
Balance at December 31, 2007	294,613		60,464	(351)	195,000	39,500
Effects of changing pension plan measurement date pursuant to FASB Statement No. 158						
Service cost, interest cost, and expected return on plan assets for October 1–December 31, net of tax (see paragraph A15(a))	[(24)]		[(24)]			
Amortization of prior service cost for October 1–December 31, net of tax (see paragraph A15(a))	0		[(18)]	[18]		
Additional loss for October 1–December 31, net of tax (see paragraph A15(b))	[(66)]			[(66)]		
Beginning balance, as adjusted	294,523		60,422	(399)	195,000	39,500
Comprehensive income						
Net income for 2008	12,000	$12,000	12,000			
Other comprehensive income, net of tax						
Prior service cost	72	72				
Net loss	(30)	(30)				
Other comprehensive income		42		42		
Comprehensive income		$12,042				
Balance at December 31, 2008	$306,565		$72,422	$(357)	$195,000	$39,500

[b] Includes the settlement loss of $60 ($36, net of tax).

Example 2(b) — Change in the Measurement Date (Alternative Method)

A17. Company C adopted the recognition provisions of this Statement in its December 31, 2006 financial statements. As required by this Statement, Company C changes the measurement date for its defined benefit pension plan from September 30 to December 31 for its 2008 financial statements. Company C elects the alternative transition method (see paragraph 19). Based on the measurement of plan assets and benefit obligations as of September 30, 2007, Company C's actuary prepares a 15-month projection of net periodic pension cost to December 31, 2008. In recognizing the effects of the change in measurement date for its 2008 financial statements, Company C:

a. Allocates the net periodic pension cost for the 15-month period from October 1, 2007, to December 31, 2008, net of tax, proportionately between amounts to be recognized as an adjustment of retained earnings and net periodic pension cost for 2008 (illustrated in paragraphs A19, A20(a), and A20(b))

b. Recognizes any net gain or loss arising during the period from October 1, 2007, to December 31, 2008, net of tax, in other comprehensive income for 2008 (illustrated in paragraph A21)

c. Recognizes corresponding changes in its pension liability and deferred tax accounts for the above items.

A18. The funded statuses of Company C's plan as of September 30, 2007, and December 31, 2008, and amounts included in accumulated other comprehensive income to be recognized as components of net periodic pension cost are shown below. Company C has no remaining transition asset or obligation. Company C is not required to amortize the cumulative net loss because it is less than 10 percent of the greater of the market-related value of plan assets or the projected benefit obligation for all years presented. Company C's applicable tax rate for 2007 and 2008 is 40 percent. All deferred tax assets recognized are evaluated by Company C, and no valuation allowance is considered necessary at any time.

	9/30/07	12/31/08
	(in thousands)	
Projected benefit obligation	$(3,200)	$(3,500)
Plan assets at fair value	2,200	2,330
Funded status	$(1,000)	$(1,170)
Items not yet recognized as a component of net periodic pension cost:		
Prior service cost	$ 400	$ 275
Net loss	265	315
	$ 665	$ 590

A19. Based on an actuarial valuation performed as of September 30, 2007, Company C determines its net periodic pension cost for the 15-month period from October 1, 2007, to December 31, 2008, and allocates its net periodic pension cost proportionately between amounts to be recognized as an adjustment of retained earnings and net periodic pension cost for 2008 as follows:

Net Periodic Pension Cost for:	15 Months	3 Months	12 Months
Service cost	$130		
Interest cost	150		
Expected return on plan assets	(105)		
Total service cost, interest cost, and expected return on plan assets	175	$35	$140
Amortization of prior service cost	125		
Amortization of net loss	0		
Total amortization	125	25	100
Net periodic pension cost	$300	$60	$240

A20. In 2008, Company C makes the following journal entries in applying the measurement date provisions of this Statement:

a. Adjust retained earnings, accumulated other comprehensive income, pension liability, and deferred tax accounts for three-fifteenths of the net periodic pension cost projected for the 15-month period from October 1, 2007, to December 31, 2008 (see paragraph A19):

Retained earnings	60	
Deferred tax assets ($35 × 40%)	14	
Deferred tax benefit — accumulated other comprehensive income ($25 × 40%)	10	
Deferred tax benefit — retained earnings ($60 × 40%)		24
Accumulated other comprehensive income		25
Liability for pension benefits		35

b. Recognize net periodic pension cost for twelve-fifteenths of the net periodic pension cost projected for the 15-month period from October 1, 2007, to December 31, 2008, and make corresponding changes to the pension liability and deferred tax accounts (see paragraph A19):

Net periodic pension cost	240	
Deferred tax assets ($140 × 40%)	56	
Deferred tax benefit — other comprehensive income ($100 × 40%)	40	
Deferred tax benefit — net income ($240 × 40%)		96
Other comprehensive income		100
Liability for pension benefits		140

A21. In 2008, Company C adjusts other comprehensive income and pension liability for the entire net loss arising during the period from October 1, 2007, to December 31, 2008, because net gains or losses cannot be readily identifiable as arising in certain periods. The journal entry is as follows:

Other comprehensive income	50[a]	
Deferred tax assets	20	
Deferred tax benefit — other comprehensive income		20
Liability for pension benefits		50

A22. Company C's statement of changes in stockholders' equity for 2007 and 2008, which shows the effects of the change in measurement date, follows. Brackets are used to highlight those effects. The table is not intended to illustrate the disclosure requirements of this Statement.

[a] This is the net change in the cumulative net loss, calculated as follows: Net loss at 12/31/07 of $315 – Net loss at 9/30/07 of $265 = $50.

Company C
Statement of Changes in Stockholders' Equity
Years Ended December 31, 2007, and 2008
(in thousands)

	Total	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income	Common Stock	Paid-in Capital
Balance at December 31, 2006	$559,800		$30,000	$(200)	$400,000	$130,000
Comprehensive income						
Net income for 2007	10,500	$10,500	10,500			
Other comprehensive income, net of tax						
Prior service cost	60	60				
Net loss	(39)	(39)				
Other comprehensive income		21		21		
Comprehensive income		$ 10,521				
Balance at December 31, 2007	570,321		40,500	(179)	400,000	130,000
Comprehensive income						
Net income for 2008 (see paragraph A20(b))	11,856	[$11,856[b]]	11,856			
Other comprehensive income, net of tax						
Prior service cost (see paragraph A20(b))	[60]	[60]				
Net loss (see paragraph A21)	[(30)]	[(30)]				
Other comprehensive income		30		30		
Comprehensive income		$11,886				
Effects of changing the pension plan measurement date pursuant to FASB Statement No. 158						
Service cost, interest cost, and expected return on plan assets for October 1–December 31, 2007, net of tax (see paragraph A20(a))	[(21)]		[(21)]			
Amortization of prior service cost for October 1–December 31, 2007, net of tax (see paragraph A20(a))	0		[(15)]	[15]		
	(21)		(36)	15		
Balance at December 31, 2008	$582,186		$52,320	$(134)	$400,000	$130,000

[b] Includes the net periodic pension cost of $240 ($144, net of tax).

Example 2(c) — Change in the Measurement Date (Alternative Method) and Plan Settlement

A23. Company D adopted the recognition provisions of this Statement in its December 31, 2006 financial statements. As required by this Statement, Company D changes the measurement date for its defined benefit pension plan from September 30 to December 31 for its 2008 financial statements. Company D elects the alternative transition method (see paragraph 19). As of September 30, 2007, Company D's actuary prepares a 15-month projection of net periodic pension cost to December 31, 2008. Company D has a plan settlement on November 30, 2007, resulting in new measurements of plan assets and obligations and recognition of a loss before taxes of $90,000, which is a portion of the net loss in accumulated other comprehensive income. As a result of the plan settlement, the actuary prepares a new projection of net periodic pension cost for the 13 months to December 31, 2008. Pursuant to paragraph 19, the loss from the plan settlement is recognized in the last quarter of 2007. However, the effects of remeasuring plan assets and obligations as of November 30, 2007, on the funded status reported in Company D's statement of financial position are not recognized until the following fiscal year because the change in measurement date has not been adopted at November 30, 2007. In recognizing the effects of the plan settlement and change in measurement date, Company D:

a. Recognizes the settlement loss in net income in the fourth quarter of 2007 and a corresponding decrease in the cumulative net loss in other comprehensive income (illustrated in paragraph A25)

b. Determines the net periodic pension cost for the period between September 30, 2007, and December 31, 2007, net of tax, to be recognized in 2008 as an adjustment of retained earnings by proportionately allocating projections of net periodic pension cost for 15 months and 13 months made as of September 30, 2007, and November 30, 2007, respectively (illustrated in paragraphs A27, A28(a), and A28(c))

c. Recognizes any net gain or loss arising during the period from October 1, 2007, to November 30, 2007, net of tax, as an adjustment of accumulated other comprehensive income and recognizes any net gain or loss arising during the period from December 1, 2007, to December 31, 2008, net of tax, as an adjustment of other comprehensive income for 2008 (illustrated in paragraphs A28(b) and A29)

d. Recognizes corresponding changes in its pension liability and deferred tax accounts for the above items.

A24. The funded statuses of Company D's plan as of September 30, 2007, November 30, 2007, and December 31, 2008, and amounts previously included in accumulated other comprehensive income that are to be recognized as a component of net periodic pension cost are shown below. Company D has no remaining transition asset or obligation. Company D is not required to amortize the cumulative net loss because it is less than 10 percent of the greater of the market-related value of plan assets or the projected benefit obligation for all years presented. Company D's applicable tax rate for 2007 and 2008 is 40 percent. All deferred tax assets recognized are evaluated by Company D, and no valuation allowance is considered necessary at any time.

	9/30/07	11/30/07	12/31/08
		(in thousands)	
Projected benefit obligation	$(3,550)	$(3,600)	$(3,610)
Plan assets at fair value	2,500	2,525	2,510
Funded status	$(1,050)	$(1,075)	$(1,100)
Items not yet recognized as a component of net periodic pension cost:			
Prior service cost	$ 400	$ 380	$ 250
Net loss	200	250	300
	$ 600	$ 630	$ 550

A25. In the fourth quarter of 2007, Company D makes the following journal entry to recognize the settlement loss:

Net periodic pension cost (settlement loss)	90	
Deferred tax benefit — other comprehensive income	36	
Deferred tax benefit — net income		36
Other comprehensive income		90

A26. Based on actuarial valuations performed as of September 30, 2007, and November 30, 2007, Company D determines its net periodic pension cost for the 2-month period from October 1, 2007, to November 30, 2007, and 13-month period from December 1, 2007, to December 31, 2008, respectively, to be:

Net Periodic Pension Cost for:	2 Months	13 Months
Service cost	$ 17	$ 110
Interest cost	20	140
Expected return on plan assets	(14)	(100)
Total service cost, interest cost, and expected return on plan assets	23	150
Amortization of prior service cost	20	130
Amortization of net (gain) loss	0	0
Total amortization	20	130
Net periodic pension cost	$ 43	$ 280

A27. Company D allocates its net periodic pension cost proportionately between the amounts to be recognized as an adjustment of retained earnings and net periodic pension cost for 2008 as follows:

Adjustment to Retained Earnings:	2 Months	13 Months (above) × (1/13)	Total
Service cost	$ 17	$ 8	$ 25
Interest cost	20	11	31
Expected return on plan assets	(14)	(7)	(21)
Total service cost, interest cost, and expected return on plan assets	23	12	35
Amortization of prior service cost	20	10	30
Amortization of net (gain) loss	0	0	0
Total amortization	20	10	30
Net periodic pension cost	$ 43	$ 22	$ 65

Adjustment to Net Periodic Pension Cost:	13 Months (above) × (12/13)
Service cost	$ 101
Interest cost	129
Expected return on plan assets	(92)
Total service cost, interest cost, and expected return on plan assets	138
Amortization of prior service cost	120
Amortization of net (gain) loss	0
Total amortization	120
Net periodic pension cost	$258

A28. In 2008, Company D makes the following journal entries in applying the measurement date provisions of this Statement:

a. Adjust retained earnings, accumulated other comprehensive income, pension liability, and deferred tax accounts for the net periodic pension cost for the 2-month period from October 1, 2007, to November 30, 2007, and one-thirteenth of the net periodic pension cost projected for the 13-month period from December 1, 2007, to December 31, 2008 (see paragraph A27):

Account	Debit	Credit
Retained earnings	65	
Deferred tax assets ($35 × 40%)	14	
Deferred tax benefit — accumulated other comprehensive income ($30 × 40%)	12	
Deferred tax benefit — retained earnings ($65 × 40%)		26
Accumulated other comprehensive income		30
Liability for pension benefits		35

b. Adjust accumulated other comprehensive income, pension liability, and deferred tax accounts for the net loss arising during the two-month period from October 1, 2007, to November 30, 2007:

Account	Debit	Credit
Accumulated other comprehensive income	140[a]	
Deferred tax assets	56	
Deferred tax benefit — accumulated other comprehensive income		56
Liability for pension benefits		140

c. Recognize net periodic pension cost, pension liability, and deferred tax assets for twelve-thirteenths of the net periodic pension cost projected for the 13-month period from December 1, 2007, to December 31, 2008 (see paragraph A27):

Account	Debit	Credit
Net periodic pension cost	258	
Deferred tax assets ($138 × 40%)	55	
Deferred tax benefit — other comprehensive income ($120 × 40%)	48	
Deferred tax benefit — net income ($258 × 40%)		103
Other comprehensive income		120
Liability for pension benefits		138

A29. In 2008, Company D adjusts other comprehensive income and pension liability for the entire net loss arising during the period from December 1, 2007, to December 31, 2008, because net gains and losses cannot be readily identifiable as arising in certain periods. The journal entry is as follows:

Account	Debit	Credit
Other comprehensive income	50[b]	
Deferred tax asset	20	
Deferred tax benefit — other comprehensive income		20
Liability for pension benefits		50

[a] This is the net change in the cumulative net loss after recognition of the settlement loss, calculated as follows: Net loss at 11/30/07 of $250 – Net loss at 9/30/07 of $200 + Plan settlement loss of $90 = $140.

[b] This is the net change in the cumulative net loss, calculated as follows: Net loss at 12/31/08 of $300 – Net loss at 11/30/07 of $250 = $50.

A30. The following is Company D's statement of changes in stockholders' equity for 2007 and 2008 that shows the effects of the change in measurement date. Brackets are used to highlight those effects. The table is not intended to illustrate the disclosure requirements of this Statement.

Company D
Statement of Changes in Stockholders' Equity
Years Ended December 31, 2007, and 2008
(in thousands)

	Total	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income	Common Stock	Paid-in Capital
Balance at December 31, 2006	$659,100		$100,000	$(900)	$500,000	$60,000
Comprehensive income						
Net income for 2007	20,446	[$20,446[c]]	20,446			
Other comprehensive income, net of tax						
Settlement loss (see paragraph A25)	[54]	[54]				
Prior service cost	72	72				
Net loss	(60)	(60)				
Other comprehensive income		66		66		
Comprehensive income		$20,512				

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[c] Includes the settlement loss of $90 ($54, net of tax).

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	Total	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income	Common Stock	Paid-in Capital
Balance at December 31, 2007	679,612		120,446	(834)	500,000	60,000
Comprehensive income						
Net income for 2008 (see paragraph A28(c))	11,845	[$11,845[d]]	11,845			
Other comprehensive income, net of tax						
Prior service cost	72	72				
Net loss (see paragraph A29)	[(30)]	[(30)]				
Other comprehensive income		42		42		
Comprehensive income		$11,887				
Effects of accounting change regarding pension plan measurement date pursuant to FASB Statement No. 158						
Service cost, interest cost, and expected return on plan assets for October 1–December 31, 2007, net of tax (see paragraph A28(a))	[(21)]		[(21)]			
Additional net loss for October 1–November 30, 2007 (see paragraph A28(b))	[(84)]			[(84)]		
Amortization of prior service cost for October 1–December 31, 2007, net of tax (see paragraph A28(a))	0		[(18)]	[18]		
	(105)		(39)	(66)		
Balance at December 31, 2008	$691,394		$132,252	$(858)	$500,000	$60,000

[d] Includes the net periodic pension cost of $258 ($155, net of tax).

A31. If Company D issues financial information about its financial position as of a date in 2008 but prior to December 31, 2008, the effects of remeasuring plan assets and obligations as of November 30, 2007, on the funded status reported in Company D's statement of financial position would be recognized prior to issuing that information as follows:

a. Adjust other comprehensive income for amortization of prior service cost:

Retained earnings	20	
Deferred tax benefit — other comprehensive income	8	
Deferred tax benefit — retained earnings		8
Other comprehensive income		20

b. Recognize the additional loss in other comprehensive income:

Other comprehensive income	140	
Deferred tax asset	56	
Deferred tax benefit — other comprehensive income		56
Liability for pension benefits		140

Appendix E — Sample Disclosures Under Statement 132(R) (as Amended by Statement 158)

The material below is reprinted from Appendix C of Statement 132(R) (as amended by Statement 158).

C1. This appendix illustrates the following pension and other postretirement benefit disclosures:

a. Illustration 1 — Disclosures about Pension and Other Postretirement Benefit Plans in the Annual Financial Statements of a Publicly Traded Entity

b. Illustration 2 — Interim-Period Disclosures of a Publicly Traded Entity

c. Illustration 3 — Interim-Period Disclosures of a Nonpublic Entity in a Complete Set of Financial Statements.

The financial statements of a nonpublic entity would be similarly presented but would not be required to include the information contained in paragraphs 5(a)–(c), 5(h), 5(m), and 5(o)–(r) of this Statement. The items presented in these examples have been included for illustrative purposes. Certain assumptions have been made to simplify the computations and focus on the disclosure requirements. Illustration 1 replaces Illustrations 1, 2, and 3 in Statement 132, which superseded Illustration 6 in Statement 87 and Illustration 7 in Statement 106.

Illustration 1 — Disclosures About Pension and Other Postretirement Benefit Plans in the Annual Financial Statements of a Publicly Traded Entity

C2. The following illustrates the fiscal 20X3 financial statement disclosures for an employer (Company A) with multiple defined benefit pension plans and other postretirement benefit plans. Narrative descriptions of the basis used to determine the overall expected long-term rate-of-return-on-assets assumption (paragraph 5(d)(3)) and investment policies and strategies for plan assets (paragraph 5(d)(2)) are not included in this illustration. These narrative descriptions are meant to be entity-specific and should reflect an entity's basis for selecting the expected long-term rate-of-return-on-assets assumption and the most important investment policies and strategies.

C3. During 20X3, Company A acquired FV Industries and amended its plans.

Notes to Financial Statements

Pension and Other Postretirement Benefit Plans

Company A has both funded and unfunded noncontributory defined benefit pension plans that together cover substantially all of its employees. The plans provide defined benefits based on years of service and final average salary.

Company A also has other postretirement benefit plans covering substantially all of its employees. The health care plans are contributory with participants' contributions adjusted annually; the life insurance plans are noncontributory. The accounting for the health care plans anticipates future cost-sharing changes to the written plans that are consistent with the company's expressed intent to increase retiree contributions each year by 50 percent of health care cost increases in excess of 6 percent. The postretirement health care plans include a limit on the company's share of costs for recent and future retirees.

Company A acquired FV Industries on December 27, 20X3, including its pension plans and other postretirement benefit plans. Amendments made at the end of 20X3 to Company A's plans increased the pension benefit obligations by $70 and reduced the other postretirement benefit obligations by $75.

Obligations and Funded Status at December 31				
	Pension Benefits		Other Benefits	
	20X3	20X2	20X3	20X2
Change in benefit obligation				
Benefit obligation at beginning of year	$1,246	$1,200	$ 742	$712
Service cost	76	72	36	32
Interest cost	90	88	55	55
Plan participants' contributions			20	13
Amendments	70		(75)	
Actuarial loss	20		25	
Acquisition	900		600	
Benefits paid	(125)	(114)	(90)	(70)
Benefit obligation at end of year	2,277	1,246	1,313	742

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Obligations and Funded Status at December 31				
	Pension Benefits		Other Benefits	
	20X3	20X2	20X3	20X2
Change in plan assets				
Fair value of plan assets at beginning of year	1,068	894	206	87
Actual return on plan assets	29	188	5	24
Acquisition	1,000		25	
Employer contribution	75	100	137	152
Plan participants' contributions			20	13
Benefits paid	(125)	(114)	(90)	(70)
Fair value of plan assets at end of year	2,047	1,068	303	206
Funded status at end of year	$ (230)	$ (178)	$(1,010)	$(536)

Note: Nonpublic entities are not required to provide information in the above tables; they are required to disclose the employer's contributions, participants' contributions, benefit payments, and the funded status.

Amounts recognized in the statement of financial position consist of:

	Pension Benefits		Other Benefit	
	20X3	20X2	20X3	20X2
Noncurrent assets	$ 227	$ 127	$ 0	$ 0
Current liabilities	(125)	(125)	(150)	(150)
Noncurrent liabilities	(332)	(180)	(860)	(386)
	$(230)	$(178)	$(1,010)	$(536)

Amounts recognized in accumulated other comprehensive income consist of:

	Pension Benefits		Other Benefits	
	20X3	20X2	20X3	20X2
Net loss (gain)	$ 94	$ 18	$ (11)	$(48)
Prior service cost (credit)	210	160	(92)	(22)
	$304	$178	$(103)	$(70)

The accumulated benefit obligation for all defined benefit pension plans was $1,300 and $850 at December 31, 20X3, and 20X2, respectively.

Information for Pension Plans With an Accumulated Benefit Obligation in Excess of Plan Assets

	December 31	
	20X3	20X2
Projected benefit obligation	$263	$247
Accumulated benefit obligation	237	222
Fair value of plan assets	84	95

Components of Net Periodic Benefit Cost and Other Amounts Recognized in Other Comprehensive Income

	Pension Benefits		Other Benefits	
	20X3	20X2	20X3	20X2
Net periodic benefit cost				
Service cost	$ 76	$ 72	$36	$ 32
Interest cost	90	88	55	55
Expected return on plan assets	(85)	(76)	(17)	(8)
Amortization of prior service cost	20	16	(5)	(5)
Amortization of net (gain) loss	0	0	0	0
Net periodic benefit cost	$101	$100	$69	$ 74
Other changes in plan assets and benefit obligations recognized in other comprehensive income				
Net loss (gain)	$ 76	$112	$37	$(48)
Prior service cost (credit)	70	0	(75)	(27)
Amortization of prior service cost	(20)	(16)	5	5
Total recognized in other comprehensive income	126	96	(33)	(70)
Total recognized in net periodic benefit cost and other comprehensive income	$227	$196	$36	$ 4

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are $4 and $27, respectively. The estimated prior service credit for the other defined benefit postretirement plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is $10.

Note: Nonpublic entities are not required to separately disclose components of net periodic benefit cost.

Assumptions

Weighted-Average Assumptions Used to Determine Benefit Obligations at December 31	Pension Benefits		Other Benefits	
	20X3	20X2	20X3	20X2
Discount rate	6.75%	7.25%	7.00%	7.50%
Rate of compensation increase	4.25	4.50		

Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost for Years Ended December 31	Pension Benefits		Other Benefits	
	20X3	20X2	20X3	20X2
Discount rate	7.25%	7.50%	7.50%	7.75%
Expected long-term return on plan assets	8.00	8.50	8.10	8.75
Rate of compensation increase	4.50	4.75		

(Entity-specific narrative description of the basis used to determine the overall expected long-term rate of return on assets, as described in paragraph 5(d)(3), would be included here.)

Assumed Health Care Cost Trend Rates at December 31	20X3	20X2
Health care cost trend rate assumed for next year	12%	12.5%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	6%	5%
Year that the rate reaches the ultimate trend rate	20X9	20X9

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total of service and interest cost	$ 22	$ (20)
Effect on postretirement benefit obligation	173	(156)

Note: Nonpublic entities are not required to provide the above information about the impact of a one-percentage-point increase and one-percentage-point decrease in the assumed health care cost trend rates.

Plan Assets

Company A's pension plan weighted-average asset allocations at December 31, 20X3, and 20X2, by asset category are as follows:

	Plan Assets at December 31	
Asset Category	**20X3**	**20X2**
Equity securities	50%	48%
Debt securities	30	31
Real estate	10	12
Other	10	9
Total	100%	100%

(Entity-specific narrative description of investment policies and strategies for plan assets, including weighted-average target asset allocations [if used as part of those policies and strategies] as described in paragraph 5(d)(2), would be included here.)

Equity securities include Company A common stock in the amounts of $80 million (4 percent of total plan assets) and $64 million (6 percent of total plan assets) at December 31, 20X3, and 20X2, respectively.

Company A's other postretirement benefit plan weighted-average asset allocations at December 31, 20X3, and 20X2, by asset category are as follows:

	Plan Assets at December 31	
Asset Category	**20X3**	**20X2**
Equity securities	60%	52%
Debt securities	30	27
Real estate	5	13
Other	5	8
Total	100%	100%

Equity securities include Company A common stock in the amounts of $12 million (4 percent of total plan assets) and $8 million (4 percent of total plan assets) at December 31, 20X3, and 20X2, respectively.

Cash Flows

Contributions

Company A expects to contribute $125 million to its pension plan and $150 million to its other postretirement benefit plan in 20X4.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension Benefits	Other Benefits
20X4	$ 200	$150
20X5	208	155
20X6	215	160
20X7	225	165
20X8	235	170
Years 20X9–20Y3	1,352	984

Illustration 2 — Interim-Period Disclosures of a Publicly Traded Entity

C4. The following illustrates the disclosures of a publicly traded entity for the first fiscal quarter beginning after December 15, 20X3.

Components of Net Periodic Benefit Cost Three Months Ended March 31				
	Pension Benefits		Other Benefits	
	20X4	20X3	20X4	20X3
Service cost	$35	$19	$16	$ 9
Interest cost	38	23	23	14
Expected return on plan assets	(41)	(21)	(6)	(4)
Amortization of prior service cost	7	5	(3)	(1)
Amortization of net (gain) loss	2	0	0	0
Net periodic benefit cost	$41	$26	$30	$18

Employer Contributions

Company A previously disclosed in its financial statements for the year ended December 31, 20X3, that it expected to contribute $125 million to its pension plan in 20X4. As of March 31, 20X4, $20 million of contributions have been made. Company A presently anticipates contributing an additional $120 million to fund its pension plan in 20X4 for a total of $140 million.

Illustration 3 — Interim-Period Disclosures of a Nonpublic Entity in a Complete Set of Financial Statements

C5. The following illustrates the disclosures for a nonpublic entity (Entity A) for the first fiscal quarter beginning after December 15, 20X3.

Entity A previously disclosed in its financial statements for the year ended December 31, 20X3, that it expected to contribute $125 million to its pension plan in 20X4. As of March 31, 20X4, $20 million of contributions have been made. Entity A presently anticipates contributing an additional $120 million to fund its pension plan in 20X4 for a total of $140 million.

Appendix F — SEC Management's Discussion and Analysis Disclosure Guidance

The material below is reprinted from Section II (J)(2) of the SEC's *Current Accounting and Disclosure Issues in the Division of Corporation Finance* (as updated November 30, 2006). The section outlines certain SEC staff views regarding Management's Discussion and Analysis (MD&A) disclosure requirements for pension and other postretirement benefits.

Disclosure

Item 303(a) of Regulation S-K requires the disclosure of any known trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way, or which would cause reported financial information not to be necessarily indicative of future operating performance or future financial condition. The discussion of employee benefit plans in MD&A should provide readers with information regarding the following to the extent material:

- the nature of the plans,
- the character of deferred gains and losses,
- the degree to which important assumptions have coincided with actual experience, and
- the timing and amounts of future funding requirements.

The discussion and analysis of employee benefits should also provide readers with information regarding the following to the extent material:

- the effects of accounting for the registrant's benefit plans and
- the funding of the accumulated and projected benefit obligations on the registrant's financial condition and operating performance.

Assumptions and Estimates

The accounting for employee benefit plans typically involves numerous assumptions and estimates, and frequently the use of experts such as actuaries in determining asset allocations and quantifying benefit obligations, funding requirements, and compensation expense. The accounting standards for pension and post-retirement plans also involve mechanisms that serve to limit the volatility in earnings, which would otherwise result from recording changes in the value of plan assets and benefit obligations in the financial statements in the periods in which such changes occur.

MD&A should identify the following:

- material assumptions underlying the accounting for benefit plans, and
- changes to those assumptions having a material effect on financial condition and operating performance.

Registrants should ensure that the disclosure of their accounting policies and other footnote disclosure in the financial statements are comprehensive and minimize unnecessary repetition of information in MD&A.

Changes to Assumptions and Estimates

A registrant should consider the impact of its various assumptions, to determine the extent to which the assumptions or changes in the assumptions have a material effect, including those concerning:

- the long-term rates of return on plan assets,
- discount rates used for projecting benefit obligations,
- methods of deriving market-related value,
- average remaining service period,
- average remaining life expectancy, and
- any alternate methods of amortizing gains and losses selected.

While some of these assumptions are subject to frequent revision, others may be relatively static. In describing material changes to the assumptions, it may be necessary to indicate how often revisions are made.

Comparison of Actual and Expected Results

Accounting for employee benefit plans is largely dependent on the assumptions concerning the periods of attribution (the process of assigning the cost of benefits to period of employee service) and the calculation and amortization of gains and losses. Therefore, MD&A should address the material trends or patterns of amounts reflected in the financial statements, significant assumptions and any material variations between the results based on those assumptions, and the registrant's actual experience. For example, when results of operations are materially impacted by benefit plans, the registrant should disclose the material underlying assumptions and their effect to sufficiently address the quality of the registrant's earnings. In addition, when material deviations between the actual and expected long-term rates of return on plan assets arise, those amounts should be disclosed, as should any material deferred gains or losses that result. Under these circumstances, a registrant should quantify the amounts, and indicate the periods in which these will be reflected in the results of operations.

When addressing the expected and actual long-term rates of return on plan assets, registrants should disclose, where material:

- the various categories of investments held as plan assets,
- the relative asset allocations or holdings in each category, and
- any reasonably likely changes in the allocation of plan assets.

A sensitivity analysis, demonstrating how a change in the assumed long-term rates of return would impact the results of operations, may also be necessary to sufficiently convey the quality of the registrant's earnings and the degree of uncertainty. If deferred gains and losses are material, a registrant should discuss the amortization periods, while differentiating between gains and losses that are subject to amortization and those that are not.

Other disclosures in MD&A related to benefit plans, including those related to exposure, recognition and funding obligations, should follow a similar approach. MD&A should build on and not unnecessarily repeat information disclosed in the notes to the financial statements. Registrants should disclose material assumptions and changes in assumptions, the resulting material effect on financial condition and operating performance, material deviations between results based on the assumptions used by registrants and actual plan performance, and the known material trends and uncertainties relating to plans, including those caused by these deviations. For example, registrants should consider whether disclosure of the historical pattern of expense recognition and the periods over which any amounts deferred in other comprehensive income will be recognized in results of operations is necessary.

Funding Obligations

If there are material funding obligations, a registrant should:

- quantify the amounts of the funding obligations,
- address the material known trends or uncertainties relating to paying such amounts (for example, if the registrant expects to pay them over a specified period of time, or if there are known material uncertainties concerning payment),
- address the material impact of future payments on future cash flows, and
- address any material uncertainty in the funding obligation itself (for example, uncertainty introduced by significant differences between the duration of debt instruments included in plan assets, or changing demographics in the workforce, and the expected timing of future benefit payments).

The funding of pension obligations is influenced by several factors, among them, voluntary contributions and funding requirements determined by ERISA and the IRS. The required contribution is a calculated amount, which increases for certain underfunded plans in the form of a deficit reduction contribution and could be decreased if excess funding credits are available. Registrants who are experiencing financial difficulty may conclude that there is significant uncertainty surrounding future funding of pension obligations, primarily due to the possibility of bankruptcy which in turn could result in the termination of the pension plan. Registrants whose future funding is uncertain due to financial difficulty should disclose the nature of the uncertainty and a range of reasonably possible future funding, which may include disclosure of the statutory termination obligation.

Appendix G — U.S. GAAP Accounting and Disclosure Compliance Checklist

This checklist summarizes accounting and disclosure requirements for pensions and other postretirement benefits. Most of the language in the checklist comes directly from the underlying standards (indicated in brackets). Although this checklist is designed to help readers comply with those pronouncements, it is not a substitute for understanding them or for the exercise of judgment.

The information in this checklist reflects pronouncements that are effective as of December 31, 2006. Readers should also consider pronouncements issued or effective subsequently that may apply to the financial statements, as well as other professional literature, such as AICPA Statements of Position and Audit and Accounting Guides.

Thorough knowledge of the pronouncements is presumed. Readers should refer to them as necessary in considering the application of particular items in this checklist. Individual section headings provide references to the *Accounting Standards, Current Text*, 2006/2007 edition, published by the Financial Accounting Standards Board ("Current Text") (e.g., "C38 — Compensation to Employees: Deferred Compensation Agreements" refers to section C38 of the Current Text). References in this checklist are to the applicable sections of *Original Pronouncements 2006/2007: Accounting Standards* (e.g., [Statement 106.13]).

C38 — Compensation to Employees: Deferred Compensation Agreements			
Accounting:	**Yes**	**No**	**NA**
1. If the company has deferred compensation contracts (other than contracts that, if taken together, are equivalent to a postretirement income plan or a postretirement health or welfare benefit plan), are the estimated amounts to be paid under each contract accrued in a systematic and rational manner: [Statement 106.13]			
a. To the extent the terms of the contract attribute all or a portion of the expected future benefits to an individual year of the employee's service, are the costs of those benefits recognized in that year?	__	__	__
b. To the extent the terms of the contract attribute all or a portion of the expected future benefits to a period of service greater than one year, are the costs of those benefits accrued over that period of an employee's service? [Note that the amounts accrued periodically shall result in an accrued amount at the full eligibility date (as defined in Statement 106) equal to the then present value of all future benefits expected to be paid.] [Opinion 12.6A]	__	__	__
2. If the deferred compensation contract provides for periodic payments to employees or their surviving spouse for life with a provision for a minimum lump-sum settlement in the event of the early death of one or all of the beneficiaries, is the estimated amount of future payments to be made accrued over the period of active employment from the time the contract is entered into? [Opinion 12.7]	__	__	__
3. If the company has deferred compensation contracts where amounts earned by an employee are invested in a "Rabbi Trust," are those arrangements accounted for in accordance with EITF Issue No. 97-14, "Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested"?	__	__	__
Has the entity complied with the following Issues discussed by the Emerging Issues Task Force, when applicable?	__	__	__
06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements" — The issue is whether the benefit associated with an endorsement split-dollar life insurance arrangement is effectively settled in accordance with either Statement 106 or Opinion 12 upon entering into such an arrangement. This Issue is effective for fiscal years beginning after December 15, 2007, with earlier application permitted.			
96-5, "Recognition of Liabilities for Contractual Termination Benefits or Changing Benefit Plan Assumptions in Anticipation of a Business Combination" — The Task Force reached a consensus that the liability for the contractual termination benefits and the curtailment losses under employee benefit plans that will be triggered by the consummation of the business combination should be recognized when the business combination is consummated (rather than when probable).			

C38 — Compensation to Employees: Deferred Compensation Agreements			
Accounting:	**Yes**	**No**	**NA**
93-3, "Plan Assets Under FASB Statement No. 106" — This Issue interprets paragraphs 308 and 518 of Statement 106. The Task Force reached a consensus that it is not necessary to determine that a trust is bankruptcy-proof for the assets of the trust to qualify as plan assets under Statement 106. The Task Force also reached a consensus that assets held in a trust that explicitly provides that such assets are available to the general creditors of the employer in the event of the employer's bankruptcy would not qualify as plan assets under Statement 106.			
86-27, "Measurement of Excess Contributions to a Defined Contribution Plan or Employee Stock Ownership Plan" — This Issue interprets paragraph 105 of Statement 106. This Issue determines the accounting treatment for excess contributions to a defined contribution or employee stock ownership plan that are not allocated to individual participant accounts.			

P16 — Pension Costs			
Accounting:	**Yes**	**No**	**NA**
FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* — an amendment of FASB Statements No. 87, 88, 106, and 132(R), was issued in September 2006. The recognition and related disclosure provisions of Statement 158 are effective as of the end of the fiscal year ending after December 15, 2006, for an employer with publicly traded equity securities and as of the end of the fiscal year ending after June 15, 2007, for all other entities. Retrospective application is prohibited. Application as of the end of an earlier fiscal year is permitted; however, early application shall be for all of an employer's benefit plans. The measurement date provisions of Statement 158 are effective for fiscal years ending after December 15, 2008, for all entities and shall not be applied retrospectively. Earlier application is permitted; however, early application shall be for all of an employer's benefit plans.			
Prior to adoption of Statement 158, only Section I below should be completed. Upon adoption, only Section II below should be completed.			
Section I			
1. If a defined benefit plan(s) exists, have the following requirements with respect to assumptions been met: [Statement 87.43–.48]			
a. Each assumption represents the best estimate for that assumption and assumes the plan will continue in effect in the absence of evidence that it will not continue? [Statement 87.43]	__	__	__
b. Assumed discount rates reflect the rates at which the pension benefits could be effectively settled? [Statement 87.44]	__	__	__
c. The expected long-term rate of return on plan assets reflects the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation (PBO)? [Statement 87.45]	__	__	__

P16 — Pension Costs			
Accounting:	**Yes**	**No**	**NA**
d. The service cost component of net periodic pension cost and the PBO reflect future compensation levels to the extent that the pension benefit formula defines pension benefits wholly or partially as a function of future compensation levels? [Statement 87.46]	__	__	__
e. The service cost component of net periodic pension cost and the PBO reflect future increases in service cost for which a present substantive commitment exists? [Statement 87.41, .46]	__	__	__
f. Assumed compensation levels reflect an estimate of the actual future compensation levels of the individual employees involved, including future changes attributed to general price levels, productivity, seniority, promotion, and other factors? [Statement 87.46]	__	__	__
g. All assumptions that reflect expectations of the same future economic conditions, such as future rates of inflation, are consistent? [Statement 87.46]	__	__	__
h. The accumulated benefit obligation (ABO) is measured based on employees' history of service and compensation without an estimate of future compensation levels? [Statement 87.18, .47]	__	__	__
i. In measuring the ABO, projected years of service are included only in determining employees' eligibility for particular benefits, such as increased benefits based on a specified number of years of service, early retirement benefits, death benefits, and disability benefits? [Statement 87.47]	__	__	__
j. Automatic benefit increases specified by the plan that are expected to occur are included in measurements of the projected accumulated and vested benefit obligations and the service cost component required by Statement 87? [Statement 87.48]	__	__	__
k. Retroactive plan amendments are included in the computation of the projected and accumulated and vested benefit obligations once they have been contractually agreed to, even if some provisions take effect only in future periods? [Statement 87.48]	__	__	__
2. For pension plan benefit obligations and assets:			
a. Is the PBO measured using an assumption as to future compensation levels if the pension benefit formula is based on those future compensation levels? [Statement 87.17]	__	__	__
b. Have plan assets been segregated and restricted and do they include amounts contributed by the employer (and employees if a contributory plan) and amounts earned from investing the contributions, less benefits paid? [Statement 87.19]	__	__	__
c. Have the plan assets and benefit obligations been measured as of the date of the annual financial statements, or if used consistently from year to year, as of a date not more than three months prior to that date? [Statement 87.52]	__	__	__
3. If the company has two or more defined benefit plans:			

P16 — Pension Costs			
Accounting:	**Yes**	**No**	**NA**
a. Have net periodic pension cost, liabilities, and assets been determined separately for each plan? [Statement 87.55]	__	__	__
b. If the employer does not have the right to use the assets of one plan to pay the benefits of another, have the unfunded accrued pension cost, prepaid pension cost, and recognition of an additional minimum liability, if required by paragraph 35 or 36 of Statement 87, been determined separately for each plan? [Statement 87.55]	__	__	__
4. If benefits are covered by annuity or other insurance contracts, has the accounting conformed to the provisions of Statement 87? [Statement 87.57–.62]	__	__	__
5. If the company has a defined contribution plan(s):			
a. Has the required contribution for the period in which an individual renders service been recognized as net pension cost? [Statement 87.64]	__	__	__
b. If the plan calls for contributions after an individual retires or terminates, has a portion of the cost been accrued for employee service during the current period? [Statement 87.64]	__	__	__
6. If the company participates in a multiemployer plan(s):			
a. Has the required contribution for the period been recognized as net pension cost? [Statement 87.68]	__	__	__
b. Has a liability been recognized for any unpaid contributions required for the period? [Statement 87.68]	__	__	__
c. If withdrawal from a multiemployer plan under circumstances that would give rise to an obligation is probable or reasonably possible, has the company complied with the provisions of Statement 5? [Statement 87.70]	__	__	__
7. For employers with multiple-employer plans, has the employer's accounting been based on its respective interest in the plan? [Statement 87.71]	__	__	__
8. Have non-U.S. plans that are in substance similar to U.S. plans been accounted for in accordance with Statement 87? [Statement 87.72 and .73]	__	__	__
9. Business combinations — Have amounts assigned to individual assets acquired and liabilities assumed, except goodwill, been determined in accordance with the following general guide? (Among other sources of relevant information, independent appraisals and actuarial or other valuations may be used as an aid in determining the estimated fair values of assets acquired and liabilities assumed.)	__	__	__
a. A liability (asset) for the PBO in excess of (less than) plan assets of a single-employer defined benefit pension plan?	__	__	__
b. Also, if it is expected that the plan will be terminated or curtailed, have the effects of those actions been considered in measuring the PBO? [Statement 141.37, Statement 87.74]	__	__	__

P16 — Pension Costs			
Accounting:	**Yes**	**No**	**NA**
10. Does the gain or loss component of net periodic pension cost consist of (a) the difference between the actual return on plan assets and the expected return on plan assets and (b) amortization of the unrecognized net gain or loss from previous periods (if any is required pursuant to paragraph 32 of Statement 87)? [Statement 87.31 and .32, .34]	__	__	__
11. Has the unrecognized transition net asset or obligation been amortized in accordance with Statement 87 in determining net periodic pension cost? [Statement 87.20, .77]	__	__	__
12. Has the unrecognized prior service cost or credit been amortized in accordance with Statement 87 in determining net periodic pension cost? [Statement 87.20, .24–.28]	__	__	__
13. Regarding the recognition of pension assets and liabilities:			
a. Has a liability been recognized if the net periodic pension cost recognized pursuant to Statement 87 exceeds amounts the employer has contributed to the plan? [Statement 87.35]	__	__	__
b. Has an asset been recognized if net periodic pension cost recognized is less than the amounts the employer has contributed to the plan? [Statement 87.35]	__	__	__
c. If the ABO exceeds the fair value of plan assets, has a minimum liability (including unfunded accrued pension cost) been recognized that is at least equal to the unfunded ABO? [Statement 87.36]	__	__	__
d. If recognition of an additional minimum liability is required pursuant to paragraph 36 of Statement 87, has an equal amount been recognized as an intangible asset, not to exceed the total unrecognized prior service costs and unrecognized transition obligation, with any excess being reported in other comprehensive income (OCI) (net of tax)? [Statement 87.37]	__	__	__
14. If the company had a settlement: [Statement 88.3 and .4, .7, .9–.11, .21b]			
a. Has the amount of the maximum gain or loss included any unrecognized net gain or loss plus any remaining unrecognized transition asset? [Statement 88.9]	__	__	__
(1) If the entire PBO was settled, has the maximum amount been recognized? [Statement 88.9]	__	__	__
(2) If only part of the PBO was settled, has only a pro rata portion of the maximum amount, equal to the percentage reduction in the PBO, been recognized? [Statement 88.9]	__	__	__
b. If the settlement occurred due to the purchase of a participating annuity contract, has the maximum gain been reduced by the cost of the participation right before determining the amount to be recognized in earnings? [Statement 88.10]	__	__	__

P16 — Pension Costs			
Accounting:	**Yes**	**No**	**NA**
c. Has the accounting policy adopted for recognition of settlement gains and losses when the costs for the year are less than or equal to the sum of the service and interest cost components for the year been followed consistently? [Statement 88.11]	___	___	___
d. If the gain or loss on the settlement is directly related to the disposal of a component of an entity, is the amount included in determining the gain or loss associated with that event? [Statement 144.44(c)]	___	___	___
15. If the company had a curtailment: [Statement 88.6, .12–.14, .21]			
a. Has the unrecognized prior service cost associated with years of service no longer expected to be rendered been recognized as a loss? [Statement 88.12]	___	___	___
(1) Has the unrecognized prior service cost included the cost of retroactive amendments and any remaining unrecognized net obligation? [Statement 88.12]	___	___	___
b. Has the PBO been increased (loss) or decreased (gain) by the effects of the curtailment? [Statement 88.13]	___	___	___
(1) Has any remaining unrecognized transition asset that existed at initial application of Statement 87 been treated as an unrecognized net gain and combined with the unrecognized net gain or loss arising after the transition to Statement 87? [Statement 88.13]	___	___	___
(2) Has the increase (loss) in the PBO been offset against any gain as measured in (b)(1) above to the extent the PBO increase (loss) exceeds the gain measured in (b)(1) above? [Statement 88.13]	___	___	___
(3) Has the decrease (gain) in the PBO been offset against any loss as measured in (b)(1) above to the extent the PBO decrease (gain) exceeds the loss measured in (b)(1) above? [Statement 88.13]	___	___	___
c. Has the net amount calculated in (b)(2) or (b)(3) been combined with the prior service cost loss? [Statement 88.13]	___	___	___
d. If the total of the effects of (a), (b), and (c) above is a net loss, has it been recognized when it is probable that a curtailment will occur and the net effect is reasonably estimable? [Statement 88.14]	___	___	___
e. If the total of the effects of (a), (b), and (c) above is a net gain, has it been recognized when the related employees terminated or the plan suspension or amendment was adopted? [Statement 88.14]	___	___	___
f. If the gain or loss on the curtailment is directly related to the disposal of a component of an entity, is the amount included in determining the gain or loss associated with that event? [Statement 144.44(c)]	___	___	___
16. If the company provided benefits to employees in connection with their termination of employment (special termination benefits or contractual termination benefits): [Statement 88.15]			

P16 — Pension Costs			
Accounting:	**Yes**	**No**	**NA**
a. For special termination benefits, has a liability and a loss been recognized when the employees accepted the offer and the amount can be reasonably estimated?	__	__	__
b. For contractual termination benefits, has a liability and a loss been recognized when it is probable that employees will be entitled to benefits and the amount can be reasonably estimated?	__	__	__
c. Has the cost of termination benefits recognized as a liability and a loss included the amount of any lump-sum payments and the present value of any expected future payments?	__	__	__
d. If the termination benefits are directly related to disposal of a component of an entity, is the cost included in determining the gain or loss associated with that event? [Statement 144.44(c)]	__	__	__
Has the entity complied with the following Issues discussed by the Emerging Issues Task Force, when applicable?	__	__	__
05-5, "Accounting for Early Retirement or Postemployment Programs With Specific Features (Such as Terms Specified in Altersteilzeit [ATZ] Early Retirement Arrangements)" — This Issue addresses (1) how to account for the bonus feature and additional contributions into the German government pension scheme under a Type II arrangement and (2) how to account for the government subsidy under Type I and Type II ATZ arrangements.			
03-4, "Determining the Classification and Benefit Attribution Method for a 'Cash Balance' Pension Plan" — This Issue addresses (1) whether, for purposes of applying Statement 87, cash balance plans should be considered defined benefit plans or defined contribution plans and (2) if that cash balance plan is determined to be a defined benefit plan, the nature of the benefit promise and the appropriate benefit attribution approach based on that promise.			
03-2, "Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities" — This Issue addresses how an employer should account for the separation of the substitutional portion of the benefit obligation of an employees' pension fund plan from the corporate portion and the transfer of the substitutional portion and related assets to the Japanese government.			
96-5, "Recognition of Liabilities for Contractual Termination Benefits or Changing Benefit Plan Assumptions in Anticipation of a Business Combination" — This Issue addresses whether a liability for the contractual termination benefits and the curtailment losses under employee benefit plans that will be triggered by the consummation of the business combination should be recognized when (1) it is probable that the business combination will be consummated or (2) the business combination is consummated.			

P16 — Pension Costs			
Accounting:	**Yes**	**No**	**NA**
93-3, "Plan Assets Under FASB Statement No. 106" — This Issue addresses whether a trust established to pay postretirement benefits must be determined to be bankruptcy-proof in order for the assets in the trust to qualify as plan assets under FASB Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*.			
92-12, "Accounting for OPEB Costs by Rate-Regulated Enterprises" — This Issue addresses what criteria or evidence is needed for a rate-regulated enterprise to satisfy the *requirements* of FASB Statement No. 71, *Accounting for the Effects of Certain Types of Regulation*, to recognize a regulatory asset for Statement 106 costs.			
91-7, "Accounting for Pension Benefits Paid by Employers After Insurance Companies Fail to Provide Annuity Benefits" — This Issue addresses how an employer should account for the cost of making up a deficiency in annuity payments to the retirees due to an insurance company becoming insolvent or unable to make the payments.			
90-3, "Accounting for Employers' Obligations for Future Contributions to a Multiemployer Pension Plan" — This Issue addresses whether an employer that participates in a multiemployer pension plan must record a liability for the total future payments for prior service costs pursuant to an agreement at the date the employer enters the plan or improves *benefits* under the plan.			
88-23, "Lump-Sum Payments Under Union Contracts" — This Issue relates to a lump-sum cash payment or payments in lieu of all or a portion of an increase in a union member's base wage rate and whether the lump-sum payment or payments should be (1) charged to expense immediately or (2) amortized over all or some portion of the contract period.			
88-1, "Determination of Vested Benefit Obligation for a Defined Benefit Pension Plan" — This Issue addresses whether the vested benefit obligation is the actuarial present value of the vested benefits to which the employee is entitled if the employee separates immediately or the actuarial present value of the vested benefits to which the employee is currently entitled but based on the employee's expected date of separation or retirement.			
86-27, "Measurement of Excess Contributions to a Defined Contribution Plan or Employee Stock Ownership Plan" — This Issue addresses how an employer accounts for excess contributions not allocated to individual participants' accounts in defined contribution plans or employee stock ownership plans.			
D-106, "Clarification of Q&A No. 37 of FASB Special Report, *A Guide to Implementation of Statement 87 on Employers' Accounting for Pensions*"— This Issue revised the answer to Q&A 37, which addresses how an employer should determine *whether* an additional minimum liability is required if it has a measurement date earlier than its financial report date.			
D-36, "Selection of Discount Rates Used for Measuring Defined Benefit Pension Obligations and Obligations of Postretirement Benefit Plans Other Than Pensions" — This Issue provides guidance for selecting discount rates.			

P16 — Pension Costs			
Accounting:	**Yes**	**No**	**NA**
D-27, "Accounting for the Transfer of Excess Pension Assets to a Retiree Health Care Benefits Account" — This Issue states that the transfer of excess pension assets to a retiree health care benefit account should be recognized as a negative contribution to (withdrawal of funds from) the pension plan and a positive contribution to the retiree health care plan. No gain or loss arises from the transfer of the excess pension assets.			
For enterprises that have adopted any of the provisions of Statement 158, the following section should be completed.			
Section II			
1. If a defined benefit plan(s) exists, have the following requirements with respect to assumptions been met: [Statement 87.43–48]			
a. Each assumption represents the best estimate for that assumption and assumes the plan will continue in effect in the absence of evidence that it will not continue? [Statement 87.43]	__	__	__
b. Assumed discount rates reflect the rates at which the pension benefits could be effectively settled? [Statement 87.44]	__	__	__
c. The expected long-term rate of return on plan assets reflects the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the PBO? [Statement 87.45]	__	__	__
d. The service cost component of net periodic pension cost and the PBO reflect future compensation levels to the extent that the pension benefit formula defines pension benefits wholly or partially as a function of future compensation levels? [Statement 87.46]	__	__	__
e. The service cost component of net periodic pension cost and the PBO reflect future increases in service cost for which a present substantive commitment exists? [Statement 87.41, .46]	__	__	__
f. Assumed compensation levels reflect an estimate of the actual future compensation levels of the individual employees involved, including future changes attributed to general price levels, productivity, seniority, promotion, and other factors? [Statement 87.46]	__	__	__
g. All assumptions that reflect expectations of the same future economic conditions, such as future rates of inflation, are consistent? [Statement 87.46]	__	__	__
h. The ABO is measured based on employees' history of service and compensation without an estimate of future compensation levels? [Statement 87.18, .47]	__	__	__
i. In measuring the ABO, projected years of service are included only in determining employees' eligibility for particular benefits, such as increased benefits based on a specified number of years of service, early retirement benefits, death benefits, and disability benefits? [Statement 87.47]	__	__	__

P16 — Pension Costs			
Accounting:	**Yes**	**No**	**NA**
j. Automatic benefit increases specified by the plan that are expected to occur are included in measurements of the projected, accumulated and vested benefit obligations and the service cost component required by Statement 87? [Statement 87.48]	__	__	__
k. Retroactive plan amendments are included in the computation of the projected and ABOs once they have been contractually agreed to, even if some provisions take effect only in future periods? [Statement 87.48]	__	__	__
2. For pension plan benefit obligations and assets:			
a. Is the PBO measured using an assumption as to future compensation levels if the pension benefit formula is based on those future compensation levels? [Statement 87.17]	__	__	__
b. Have plan assets been segregated and restricted and do they include amounts contributed by the employer (and employees if a contributory plan) and amounts earned from investing the contributions, less benefits paid? [Statement 87.19]	__	__	__
c. Have the plan assets and benefit obligations been measured as of the date of the annual financial statements except in specific situations outlined in paragraph 52 of Statement 87 (as amended)?	__	__	__
[Note that if the entity has not adopted the measurement date provisions of Statement 158 (which are effective for fiscal years ending after December 15, 2008 for all entities), the entity may use a measurement date as of a date not more than three months prior to its fiscal year-end, if it is used consistently from year to year, until the entity adopts Statement 158's measurement date provisions.] [Statement 158.C2(p), Statement 87.52]			
3. If the company has two or more defined benefit plans:			
a. Have net periodic pension cost, liabilities, and assets been determined separately for each plan? [Statement 87.55]	__	__	__
b. If the employer does not have the right to use the assets of one plan to pay the benefits of another, have the net periodic pension cost and the recognition of an underfunded pension liability or an overfunded pension asset, as required by paragraph 35 of Statement 87, been determined separately for each plan? [Statement 87.55]	__	__	__
4. If benefits are covered by annuity or other insurance contracts, has the accounting conformed to the provisions of Statement 87? [Statement 87.57–.62]	__	__	__
5. If the company has a defined contribution plan(s):			
a. Has the required contribution for the period in which an individual renders service been recognized as net pension cost? [Statement 87.64]	__	__	__
b. If the plan calls for contributions after an individual retires or terminates, has a portion of the cost been accrued for employee service during the current period? [Statement 87.64]	__	__	__

P16 — Pension Costs			
Accounting:	**Yes**	**No**	**NA**
6. If the company participates in a multiemployer plan(s):			
a. Has the required contribution for the period been recognized as net pension cost? [Statement 87.68]	__	__	__
b. Has a liability been recognized for any unpaid contributions required for the period? [Statement 87.68]	__	__	__
c. If withdrawal from a multiemployer plan under circumstances that would give rise to an obligation is probable or reasonably possible, has the company complied with the provisions of Statement 5? [Statement 87.70]	__	__	__
7. For employers with multiple-employer plans, has the employer's accounting been based on its respective interest in the plan? [Statement 87.71]	__	__	__
8. Have non-U.S. plans that are in substance similar to U.S. plans been accounted for in accordance with Statement 87? [Statement 87.72 and .73]	__	__	__
9. Business combinations — Have amounts assigned to individual assets acquired and liabilities assumed, except goodwill, been determined in accordance with the following general guide? (Among other sources of relevant information, independent appraisals and actuarial or other valuations may be used as an aid in determining the estimated fair values of assets acquired and liabilities assumed.)			
a. A liability (asset) for the PBO in excess of (less than) plan assets of a single-employer defined benefit pension plan?	__	__	__
b. Also, if it is expected that the plan will be terminated or curtailed, have the effects of those actions been considered in measuring the PBO? [Statement 141.37, Statement 87.74]	__	__	__
10. Does the gain or loss component of net periodic pension cost consist of (a) the difference between the actual return on plan assets and the expected return on plan assets and (b) amortization of the net gain or loss included in accumulated other comprehensive income (AOCI) (if any is required pursuant to paragraph 32 of Statement 87)? [Statement 158.C2(i), Statement 87.31 and .32, .34]	__	__	__
11. Has the transition net asset or obligation been amortized in accordance with Statement 87 in determining net periodic pension cost? [Statement 87.20, .77]	__	__	__
12. Has the prior service cost or credit been amortized in accordance with Statement 87 in determining net periodic pension cost? [Statement 87.20, .24–.28]	__	__	__
13. Regarding the recognition of pension assets and liabilities:			
a. Has a liability been recognized that equals the unfunded PBO if the PBO exceeds the fair value of plan assets? [Statement 158.C2(j), Statement 87.35]	__	__	__
b. Has an asset been recognized that equals the overfunded PBO if the fair value of plan assets exceeds the PBO? [Statement 158.C2(j), Statement 87.35]	__	__	__
14. If the company had a settlement: [Statement 158.C6(a), Statement 88.3 and .4, .7, .9–.11, .21b			

P16 — Pension Costs			
Accounting:	**Yes**	**No**	**NA**
a. Has the amount of the maximum gain or loss included any net gain or loss remaining in AOCI plus any transition asset remaining in AOCI? [Statement 158.C6(a), Statement 88.9]	__	__	__
(1) If the entire PBO was settled, has the maximum amount been recognized? [Statement 88.9]	__	__	__
(2) If only part of the PBO was settled, has only a pro rata portion of the maximum amount, equal to the percentage reduction in the PBO, been recognized? [Statement 88.9]	__	__	__
b. If the settlement occurred due to the purchase of a participating annuity contract, has the maximum gain been reduced by the cost of the participation right before determining the amount to be recognized in earnings? [Statement 88.10]	__	__	__
c. Has the accounting policy adopted for recognition of settlement gains and losses when the costs for the year are less than or equal to the sum of the service and interest cost components for the year been followed consistently? [Statement 88.11]	__	__	__
d. If the gain or loss on the settlement is directly related to the disposal of a component of an entity, is the amount included in determining the gain or loss associated with that event? [Statement 144.44(c)]	__	__	__
15. If the company had a curtailment: [Statement 88.6, .12–.14, .21]			
a. Has the prior service cost included in AOCI and associated with years of service no longer expected to be rendered been recognized as a loss? [Statement 158.C6(b), Statement 88.12]	__	__	__
(1) Has the prior service cost remaining in AOCI included the cost of retroactive amendments and any transition obligation remaining in AOCI? [Statement 158.C6(b), Statement 88.12]	__	__	__
b. Has the PBO been increased (loss) or decreased (gain) by the effects of the curtailment? [Statement 158.C6(c), Statement 88.13]	__	__	__
(1) Has any transition asset remaining in AOCI been treated as a net gain and combined with the net gain or loss remaining in AOCI arising after the transition to Statement 87? [Statement 158.C6(c), 88.13]	__	__	__
(2) Has the increase (loss) in the PBO been offset against any gain as measured in (b)(1) above to the extent the PBO increase (loss) exceeds the gain measured in (b)(1) above? [Statement 88.13]	__	__	__
(3) Has the decrease (gain) in the PBO been offset against any loss as measured in (b)(1) above to the extent the PBO decrease (gain) exceeds the loss measured in (b)(1) above? [Statement 88.13]	__	__	__
c. Has the net amount calculated in (b)(2) or (b)(3) been combined with the prior service cost loss? [Statement 88.13]	__	__	__

P16 — Pension Costs			
Accounting:	**Yes**	**No**	**NA**
d. If the total of the effects of (a), (b), and (c) above is a net loss, has it been recognized when it is probable that a curtailment will occur and the effects described are reasonably estimable. [Statement 88.14]	__	__	__
e. If the total of the effects of (a), (b), and (c) above is a net gain, has it been recognized when the related employees terminated or the plan suspension or amendment was adopted? [Statement 88.14]	__	__	__
f. If the gain or loss on the curtailment is directly related to the disposal of a component of an entity, is the amount included in determining the gain or loss associated with that event? [Statement 144.44(c)]	__	__	__
16. If the company provided benefits to employees in connection with their termination of employment (special termination benefits or contractual termination benefits) [Statement 88.15]:			
a. For special termination benefits, has a liability and a loss been recognized when the employees accepted the offer and the amount can be reasonably estimated?	__	__	__
b. For contractual termination benefits, has a liability and a loss been recognized when it is probable that employees will be entitled to benefits and the amount can be reasonably estimated?	__	__	__
c. Has the cost of termination benefits recognized as a liability and a loss included the amount of any lump-sum payments and the present value of any expected future payments?	__	__	__
d. If the termination benefits are directly related to disposal of a component of an entity, is the cost included in determining the gain or loss associated with that event? [Statement 144.44(c)]	__	__	__
Has the entity complied with the following Issues discussed by the Emerging Issues Task Force, when applicable?	__	__	__
05-5, "Accounting for Early Retirement or Postemployment Programs With Specific Features (Such as Terms Specified in Altersteilzeit [ATZ] Early Retirement Arrangements)" — This Issue addresses (1) how to account for the bonus feature and additional contributions into the German government pension scheme under a Type II arrangement and (2) how to account for the government subsidy under Type I and Type II ATZ arrangements.			
03-4, "Determining the Classification and Benefit Attribution Method for a 'Cash Balance' Pension Plan" — This Issue addresses (1) whether, for purposes of applying Statement 87, cash balance plans should be considered defined benefit plans or defined contribution plans and (2) if that cash balance plan is determined to be a defined benefit plan, the nature of the benefit promise and the appropriate benefit attribution approach based on that promise.			

P16 — Pension Costs			
Accounting:	**Yes**	**No**	**NA**
03-2, "Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities" — This Issue addresses how an employer should account for the separation of the substitutional portion of the benefit obligation of an employees' pension fund plan from the corporate portion and the transfer of the substitutional portion and related assets to the Japanese government.			
96-5, "Recognition of Liabilities for Contractual Termination Benefits or Changing Benefit Plan Assumptions in Anticipation of a Business Combination" — This Issue addresses whether a liability for the contractual termination benefits and the curtailment losses under employee benefit plans that will be triggered by the consummation of the business combination should be recognized when (1) it is probable that the business combination will be consummated or (2) the business combination is consummated.			
93-3, "Plan Assets Under FASB Statement No. 106"— This Issue addresses whether a trust established to pay postretirement benefits must be determined to be bankruptcy-proof in order for the assets in the trust to qualify as plan assets under FASB Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*.			
92-12, "Accounting for OPEB Costs by Rate-Regulated Enterprises" — This Issue addresses what criteria or evidence is needed for a rate-regulated enterprise to satisfy the *requirements* of FASB Statement No. 71, *Accounting for the Effects of Certain Types of Regulation*, to recognize a regulatory asset for Statement 106 costs.			
91-7, "Accounting for Pension Benefits Paid by Employers After Insurance Companies Fail to Provide Annuity Benefits" — This Issue addresses how an employer should account for the cost of making up a deficiency in annuity payments to the retirees due to an insurance company becoming insolvent or unable to make the payments.			
90-3, "Accounting for Employers' Obligations for Future Contributions to a Multiemployer Pension Plan" — This Issue addresses whether an employer that participates in a multiemployer pension plan must record a liability for the total future payments for prior service costs pursuant to an agreement at the date the employer enters the plan or improves *benefits* under the plan.			
88-23, "Lump-Sum Payments Under Union Contracts" — This Issue relates to a lump-sum cash payment or payments in lieu of all or a portion of an increase in a union member's base wage rate and whether the lump-sum payment or payments should be (1) charged to expense immediately or (2) amortized over all or some portion of the contract period.			

P16 — Pension Costs **Accounting:**	**Yes**	**No**	**NA**
88-1, "Determination of Vested Benefit Obligation for a Defined Benefit Pension Plan" — This Issue addresses whether the vested benefit obligation is the actuarial present value of the vested benefits to which the employee is entitled if the employee separates immediately or the actuarial present value of the vested benefits to which the employee is currently entitled but based on the employee's expected date of separation or retirement.			
86-27, "Measurement of Excess Contributions to a Defined Contribution Plan or Employee Stock Ownership Plan" — This Issue addresses how an employer accounts for excess contributions not allocated to individual participants' accounts in defined contribution plans or employee stock ownership plans.			
D-36, "Selection of Discount Rates Used for Measuring Defined Benefit Pension Obligations and Obligations of Postretirement Benefit Plans Other Than Pensions" — This Issue provides guidance for selecting discount rates.			
D-27, "Accounting for the Transfer of Excess Pension Assets to a Retiree Health Care Benefits Account" — This Issue states that the transfer of excess pension assets to a retiree health care benefit account should be recognized as a negative contribution to (withdrawal of funds from) the pension plan and a positive contribution to the retiree health care plan. No gain or loss arises from the transfer of the excess pension assets.			

P16 — Pension Costs (Including Other Postretirement Benefit Plans) **Disclosure:**	**Yes**	**No**	**NA**
FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* — an amendment of FASB Statements No. 87, 88, 106, and 132(R), was issued in September 2006. The recognition and related disclosure provisions of Statement 158 are effective as of the end of the fiscal year ending after December 15, 2006, for an employer with publicly traded equity securities and as of the end of the fiscal year ending after June 15, 2007, for all other entities. Retrospective application is prohibited. Application as of the end of an earlier fiscal year is permitted; however, early application shall be for all of an employer's benefit plans. The measurement date provisions of Statement 158 are effective for fiscal years ending after December 15, 2008, for all entities and shall not be applied retrospectively. Earlier application is permitted; however, early application shall be for all of an employer's benefit plans.			
Prior to adoption of Statement 158, only Section I below should be completed. Upon adoption, only Section II below should be completed.			
Section I			
1. Annual Disclosures — Public and Nonpublic Entities			
a. Have the disclosures for earlier annual periods presented for comparative purposes been restated for: [Statement 132(R).20]			

P16 — Pension Costs (Including Other Postretirement Benefit Plans)			
Disclosure:	**Yes**	**No**	**NA**
(1) The percentage of each major category of plan assets held?	__	__	__
(2) The ABO?	__	__	__
(3) The assumptions used in the accounting for the plans?	__	__	__
2. Annual Disclosures — Public Entities			
a. If an employer sponsors one or more defined benefit pension plans or one or more other defined benefit postretirement plans, has the following information been provided separately for pension plans and other postretirement benefit plans: [Statement 132(R).5]			
(1) The amounts related to the employer's results of operations disclosed for each period for which a statement of income is presented? [Statement 132(R).5]	__	__	__
(2) The amounts related to the employer's statement of financial position, unless otherwise stated, disclosed as of the measurement date used for each statement of financial position presented? [Statement 132(R).5]	__	__	__
b. Have the following disclosures been made:			
(1) A reconciliation of beginning and ending balances of the benefit obligation showing separately, if applicable, the effects during the period attributable to each of the following: [Statement 132(R).5(a)]			
(a) Service cost?	__	__	__
(b) Interest cost?	__	__	__
(c) Contributions by plan participants?	__	__	__
(d) Actuarial gains and losses?	__	__	__
(e) Foreign currency exchange rate changes?	__	__	__
(f) Benefits paid?	__	__	__
(g) Plan amendments?	__	__	__
(h) Business combinations?	__	__	__
(i) Divestitures?	__	__	__
(j) Curtailments?	__	__	__
(k) Settlements?	__	__	__
(l) Special termination benefits?	__	__	__
(2) A reconciliation of beginning and ending balances of the fair value of plan assets showing separately, if applicable the effects during the period attributable to each of the following: [Statement 132(R).5(b)]			
(a) Actual return on plan assets?	__	__	__
(b) Foreign currency exchange rate changes?	__	__	__

P16 — Pension Costs (Including Other Postretirement Benefit Plans)			
Disclosure:	**Yes**	**No**	**NA**
(c) Contributions by the employer?	__	__	__
(d) Contributions by plan participants?	__	__	__
(e) Benefits paid?	__	__	__
(f) Business combinations?	__	__	__
(g) Divestitures?	__	__	__
(h) Settlements?	__	__	__
(3) The funded status of the plans, the amounts not recognized in the statement of financial position, and the amounts recognized in the statement of financial position, including: [Statement 132(R).5(c)]			
(a) The amount of any unamortized prior service cost?	__	__	__
(b) The amount of any unrecognized net gain or loss (including asset gains and losses not yet reflected in market-related value)?	__	__	__
(c) The amount of any remaining unamortized, unrecognized net obligation, or net asset existing at the initial date of application of Statement 87 or Statement 106?	__	__	__
(d) The net pension or other postretirement benefit prepaid assets or accrued liabilities?	__	__	__
(e) Any intangible asset and the amount of AOCI recognized pursuant to paragraph 37 of Statement, as amended?	__	__	__
(4) Information about plan assets: [Statement 132(R).5(d)]			
(a) For each major category of plan assets (equity securities, debt securities, real estate, and all other assets), the percentage of the fair value of total plan assets held as of the measurement date used for each statement of financial position presented?	__	__	__
(b) A narrative description of investment policies and strategies, including target allocation percentages or range of percentages for each major category of plan assets presented on a weighted-average basis as of the measurement date of the latest statement of financial position presented (if applicable), and other pertinent factors such as investment goals, risk management practices, allowable and prohibited investment types including the use of derivatives, diversification, and the relationship between plan assets and benefit obligations?	__	__	__
(c) A narrative description of the basis used to determine the overall expected long-term rate-of-return on assets assumption, such as the general approach used, the extent to which the overall rate-of-return on assets assumption was based on historical returns, the extent to which adjustments were made to those historical returns in order to reflect expectations of future returns, and how those adjustments were determined?	__	__	__

P16 — Pension Costs (Including Other Postretirement Benefit Plans)			
Disclosure:	**Yes**	**No**	**NA**
(d) Disclosure of additional asset categories and additional information about specific assets within a category is encouraged if that information is expected to be useful in understanding the risks associated with each asset category and the overall expected long-term rate of return on assets?	__	__	__
(5) For defined benefit pension plans, the ABO? [Statement 132(R).5(e)]	__	__	__
(6) The benefits (as of the date of the latest statement of financial position presented) expected to be paid in each of the next five years, and in the aggregate for the next succeeding five years? The expected benefits should be estimated based on the same assumptions used to measure the company's benefit obligation at the end of the year and should include estimated future employee service. [Statement 132(R).5(f)]	__	__	__
(7) The employer's best estimate, as soon as it can be reasonably determined, of contributions expected to be paid to the plan during the next fiscal year beginning after the date of the latest statement of financial position? Estimated contributions may be presented in the aggregate combining (1) contributions required by funding regulations or laws, (2) discretionary contributions, and (3) noncash contributions? [Statement 132(R).5(g)]	__	__	__
(8) The amount of net periodic benefit cost recognized, showing separately: [Statement 132(R).5(h)]			
(a) Service cost component?	__	__	__
(b) Interest cost component?	__	__	__
(c) Expected return on plan assets for the period?	__	__	__
(d) Amortization of the unrecognized transition obligation or transition asset?	__	__	__
(e) Amount of recognized gains and losses?	__	__	__
(f) Amount of prior service cost recognized?	__	__	__
(g) Amount of gains or losses recognized due to a settlement or curtailment?	__	__	__
(9) The amount included within OCI for the period arising from a change in the additional minimum pension liability recognized pursuant to paragraph 37 of Statement 87, as amended? [Statement 132(R).5(i)]	__	__	__
(10) On a weighted-average basis, the following assumptions used in the accounting for the plans, specifying, in tabular format, the assumptions used to determine the benefit obligation and the assumptions used to determine net benefit cost: [Statement 132(R).5(j)]			

P16 — Pension Costs (Including Other Postretirement Benefit Plans)			
Disclosure:	**Yes**	**No**	**NA**
(a) Assumed discount rates?	__	__	__
(b) Rates of compensation increase (for pay-related plans)?	__	__	__
(c) Expected long-term rates of return on plan assets?	__	__	__
(11) The measurement date(s) used to determine pension and other postretirement benefit measurements for the pension plans and other postretirement benefit plans that make up at least the majority of plan assets and benefit obligations? [Statement 132(R).5(k)]	__	__	__
(12) The assumed health care cost trend rate(s) for the next year used to measure the expected cost of benefits covered by the plan (gross eligible charges), and a general description of the direction and pattern of change in the assumed trend rates thereafter, together with the ultimate trend rate(s) and when that rate is expected to be achieved? [Statement 132(R).5(l)]	__	__	__
(13) The effect of a one-percentage-point increase and the effect of a one-percentage-point decrease in the assumed health care cost trend rates on: [Statement 132(R).5(m)]			
(a) The aggregate of the service and interest cost components of net periodic postretirement health care benefit costs?	__	__	__
(b) The accumulated postretirement benefit obligation (APBO) for health care benefits? (For purposes of this disclosure, all other assumptions shall be held constant, and the effects shall be measured based on the substantive plan that is the basis for the accounting.)	__	__	__
(14) If applicable, the amounts and types of securities of the employer and related parties included in plan assets, the approximate amount of future annual benefits of plan participants covered by insurance contracts issued by the employer or related parties, and any significant transactions between the employer or related parties and the plan during the period? [Statement 132(R).5(n)]	__	__	__
(15) If applicable, any alternative method used to amortize prior service amounts or unrecognized net gains and losses pursuant to paragraphs 26 and 33 of Statement 87 or paragraphs 53 and 60 of Statement 106? [Statement 132(R).5(o)]	__	__	__
(16) If applicable, any substantive commitment, such as past practice or a history of regular benefit increases, used as the basis for accounting for the benefit obligation? [Statement 132(R).5(p)]	__	__	__
(17) If applicable, the cost of providing special or contractual termination benefits recognized during the period and a description of the nature of the event? [Statement 132(R).5(q)]	__	__	__

P16 — Pension Costs (Including Other Postretirement Benefit Plans)			
Disclosure:	**Yes**	**No**	**NA**
(18) An explanation of any significant change in the benefit obligation or plan assets not otherwise apparent in the other disclosures required by Statement 132(R)? [Statement 132(R).5(r)]	__	__	__
(19) If applicable, the existence and nature of substantive commitments for future increases in nonpay-related benefits or benefits under a career-average-pay plan, where the substance of the plan is to provide benefits attributable to prior service that are greater than the benefits defined by the written forms of the plan? [Statement 87.41]	__	__	__
3. Reduced Annual Disclosure Requirements for Nonpublic Entities			
a. If an employer sponsors one or more defined benefit pension plans or one or more other defined benefit postretirement plans, has the following information been provided separately for pension plans and other postretirement benefit plans: [Statement 132(R).8]			
(1) The amounts related to the employer's results of operations disclosed for each period for which a statement of income is presented? [Statement 132(R).8]	__	__	__
(2) The amounts related to the employer's statement of financial position, unless otherwise stated, disclosed as of the measurement date used for each statement of financial position presented? [Statement 132(R).8]	__	__	__
(3) The benefit obligation, fair value of plan assets, and funded status of the plan? [Statement 132(R).8(a)]	__	__	__
(4) Employer contributions, participant contributions, and benefits paid? [Statement 132(R).8(b)]	__	__	__
(5) Information about plan assets: [Statement 132(R).8(c)]			
(a) For each major category of plan assets (equity securities, debt securities, real estate, and all other assets), the percentage of the fair value of total plan assets held as of the measurement date used for each statement of financial position presented?	__	__	__
(b) A narrative description of investment policies and strategies, including target allocation percentages or range of percentages for each major category of plan assets presented on a weighted-average basis as of the measurement date(s) of the latest statement of financial position presented, if applicable, and other factors that are pertinent to an understanding of the policies or strategies such as investment goals, risk management practices, permitted and prohibited investments including the use of derivatives, diversification, and the relationship between plan assets and benefit obligations?	__	__	__

P16 — Pension Costs (Including Other Postretirement Benefit Plans)			
Disclosure:	**Yes**	**No**	**NA**
(c) A narrative description of the basis used to determine the overall expected long-term rate of return on assets assumption, such as the general approach used, the extent to which the overall rate of return assumption was based on historical returns and the extent to which adjustments were made to those historical returns, in order to reflect expectations of future returns and how those adjustments were determined?	__	__	__
(d) Disclosure of additional asset categories and additional information about specific assets within a category is encouraged if that information is expected to be useful in understanding the risks associated with each asset category and the overall expected long-term rate of return on assets?	__	__	__
(6) For defined benefit pension plans, the ABO? [Statement 132(R).8(d)]	__	__	__
(7) The benefits (as of the date of the latest statement of financial position presented), expected to be paid in each of the next five years, and in the aggregate for the next succeeding five years? The expected benefits should be estimated based on the same assumptions used to measure the company's benefit obligation at the end of the year and should include estimated future employee service. [Statement 132(R).8(e)]	__	__	__
(8) The employer's best estimate, as soon as it can be reasonably determined, of contributions expected to be paid to the plan during the next fiscal year beginning after the date of the latest statement of financial position? Estimated contributions may be presented in the aggregate combining (1) contributions required by funding regulations or laws, (2) discretionary contributions, and (3) noncash contributions. [Statement 132(R).8(f)]	__	__	__
(9) The amounts recognized in the statements of financial position, including net pension and other postretirement benefit prepaid assets or accrued liabilities and any intangible asset and the amount of AOCI recognized pursuant to paragraph 37 of Statement 87, as amended? [Statement 132(R).8(g)]	__	__	__
(10) The amount of net periodic benefit cost recognized and the amount included within OCI arising from a change in the minimum pension liability recognized pursuant to paragraph 37 of Statement 87, as amended? [Statement 132(R).8(h)]	__	__	__
(11) On a weighted-average basis, the following assumptions used in the accounting for the plans, specifying, in tabular format, the assumptions used to determine the benefit obligation and the assumptions used to determine net benefit cost: [Statement 132(R).8(i)]			
(a) Assumed discount rates?	__	__	__
(b) Rates of compensation increase (for pay-related plans)?	__	__	__

P16 — Pension Costs (Including Other Postretirement Benefit Plans)			
Disclosure:	**Yes**	**No**	**NA**
(c) Expected long-term rates of return on plan assets?	__	__	__
(12) The measurement date(s) used to determine pension and other postretirement benefit measurements for the pension plans and other postretirement benefit plans that make up at least the majority of plan assets and benefit obligations? [Statement 132(R).8(j)]	__	__	__
(13) The assumed healthcare cost trend rate(s) for the next year used to measure the expected cost of benefits covered by the plan (gross eligible charges), and a general description of the direction and pattern of change in the assumed trend rates thereafter, together with the ultimate trend rate(s) and when that rate is expected to be achieved? [Statement 132(R).8(k)]	__	__	__
(14) If applicable, the amounts and types of securities of the employer and related parties included in plan assets, the approximate amount of future annual benefits of plan participants covered by insurance contracts issued by the employer or related parties, and any significant transactions between the employer or related parties and the plan during the period? [Statement 132(R).8(l)]	__	__	__
(15) The nature and effect of significant nonroutine events, such as amendments, combinations, divestitures, curtailments, and settlements? [Statement 132(R).8(m)]	__	__	__
4. Employers With Two or More Plans — Public and Nonpublic Entities			
a. Have disclosures required been aggregated for all of an employer's defined benefit pension plans and for all of an employer's other defined benefit postretirement plans unless disaggregating in groups is considered to provide useful information or is otherwise required by paragraphs 6 and 7 of Statement 132(R)? [Statement 132(R).6]	__	__	__
b. Are disclosures as of the measurement date for each statement of financial position presented? [Statement 132(R).6]	__	__	__
c. Are disclosures of amounts recognized in the statement of financial position been presented separately for prepaid benefit costs and accrued benefit liabilities? [Statement 132(R).6]	__	__	__
d. If aggregated disclosures are presented, is the following disclosed:			
(1) The aggregate benefit obligation and aggregate fair value of plan assets for plans with benefit obligations in excess of plan assets as of the measurement date of each statement of financial position presented? [Statement 132(R).6(a)]	__	__	__
(2) The aggregate pension ABO and aggregate fair value of plan assets for pension plans with ABOs in excess of plan assets? [Statement 132(R).6(b)]	__	__	__
5. Employers With Foreign Plans — Public and Nonpublic Entities			

P16 — Pension Costs (Including Other Postretirement Benefit Plans)			
Disclosure:	**Yes**	**No**	**NA**
a. If the benefit obligations of U.S. and foreign plans use significantly different assumptions, have disclosures been made separately for both the U.S. and foreign plans? [Statement 132(R).7]	__	__	__
b. If a foreign reporting entity that prepares financial statements in conformity with U.S. generally accepted accounting principles (GAAP), did it apply the preceding guidance to its domestic and foreign plans? [Statement 132(R).7]	__	__	__
6. Postretirement Medical Plans — Public and Nonpublic Entities			
a. For postretirement medical plans that have prescription drug benefits affected by the Medicare Prescription Drug, Improvement, and Modernization Act (the "Act"), have the following been disclosed: [FSP FAS 106-2]			
(1) If a determination cannot be made as to whether the medical benefits provided by a postretirement benefit plan are actuarially equivalent to those provided by the Act, is the following disclosed in financial statements for interim or annual periods: [FSP FAS 106-2.20]			
(a) The existence of the Act? [FSP FAS 106-2.20(a)]	__	__	__
(b) The fact that measures of the APBO or net periodic postretirement benefit cost do not reflect any amount associated with the subsidy because the employer is unable to conclude whether the benefits provided by the plan are actuarially equivalent to Medicare Part D under the Act? [FSP FAS 106-2.20(b)]	__	__	__
(2) If a determination can be made as to whether medical benefits provided by a postretirement benefit plan are actuarially equivalent, for the first interim and annual periods that includes the effects of the subsidy in measuring the APBO and the first period in which the effects of the subsidy in measuring net periodic postretirement benefit cost is included, is the following disclosed: [FSP FAS 106-2.21]			
(a) The reduction in the APBO for the subsidy related to benefits attributed to past service? [FSP FAS 106-2.21(a)]	__	__	__
(b) The effect of the subsidy on the measurement of net periodic postretirement benefit cost for the current period? That effect includes (1) any amortization of the actuarial experience gain in (a) as a component of the net amortization called for by paragraph 59 of Statement 106, (2) the reduction in current period service cost due to the subsidy, and (3) the resulting reduction in interest cost on the APBO as a result of the subsidy. [FSP FAS 106-2.21(b)]	__	__	__

P16 — Pension Costs (Including Other Postretirement Benefit Plans)			
Disclosure:	**Yes**	**No**	**NA**
(c) Any other disclosures required by paragraph 5(r) of Statement 132(R). Paragraph 5(r) of that Statement requires disclosure of "an explanation of any significant change in the benefit obligation or plan assets not otherwise apparent in the other disclosures required by this Statement." [FSP FAS 106-2.21(c)]	__	__	__
(3) For purposes of the disclosures required by paragraphs 5(a) and 5(f) of Statement 132(R), does the disclosure include the gross benefit payments (paid and expected, respectively), including prescription drug benefits, and separately the gross amount of the subsidy receipts (received and expected, respectively)? [FSP FAS 106-2.22]	__	__	__
7. Defined Contribution Plans — Public and Nonpublic Entities			
a. For a defined contribution plan, have the following been disclosed:			
(1) The amount of cost recognized for defined contribution pension plans or other postretirement benefit plans for all periods presented separately from the amount of cost recognized for defined benefit plans? [Statement 132(R).11]	__	__	__
(2) A description of the nature and effect of any significant changes during the period affecting comparability, such as a change in the rate of employer contributions, a business combination, or a divestiture? [Statement 132(R).11]	__	__	__
(3) If the substance of the plan is to provide a defined benefit, does the accounting conform to the requirements for defined benefit plans with disclosures in accordance with paragraphs 5 and 8 of Statement 132(R)? [Statement 87.66]	__	__	__
8. Multiemployer Plans — Public and Nonpublic Entities			
a. For multiemployer plans, have the following been disclosed:			
(1) The amount of contributions to multiemployer plans for each annual period for which an income statement is presented? [Statement 132(R).12]	__	__	__
(2) Total contributions to multiemployer plans without disaggregating the amounts attributable to pension plans and other postretirement benefit plans? [Statement 132(R).12]	__	__	__
(3) A description of the nature and effect of any changes affecting comparability, such as a change in the rate of employer contributions, a business combination, or a divestiture? [Statement 132(R).12]	__	__	__
(4) If withdrawal from a multiemployer plan has occurred has the following been disclosed: [Statement 132(R).13]			

P16 — Pension Costs (Including Other Postretirement Benefit Plans)			
Disclosure:	**Yes**	**No**	**NA**
(a) If there is an obligation to the plan for a portion of the pension plan's and other postretirement benefit plan's unfunded benefit obligations that is either probable or reasonably possible did the employer apply the provisions of FASB Statement No. 5, *Accounting for Contingencies?* [Statement 87.70]	—	—	—
(b) If it is either probable or reasonably possible that (a) an employer would withdraw from the plan under circumstances that would give rise to an obligation or (b) an employer's contribution to the fund would be increased during the remainder of the contract period to make up a shortfall in the funds necessary to maintain the negotiated level of benefit coverage (a "maintenance of benefits" clause), did the employer apply the provisions of Statement 5? [Statement 106.83]	—	—	—
9. Interim Disclosures — Public and Nonpublic Entities			
a. For a publicly traded entity the following information in its interim financial statements that include a statement of income: [Statement 132(R).9(a)]			
(1) The amount of net periodic benefit cost recognized, for each period in which a statement of income is presented, showing separately: [Statement 132(R).9(a)]			
(a) Service cost component?	—	—	—
(b) Interest cost component?	—	—	—
(c) Expected return on plan assets for the period?	—	—	—
(d) Amortization of the unrecognized transition obligation or transition asset?	—	—	—
(e) The amount of recognized gains or losses?	—	—	—
(f) The amount of prior service cost recognized?	—	—	—
(g) The amount of gain or loss recognized due to a settlement or curtailment?	—	—	—
(2) The total amount of employer's contribution paid, and expected to be paid during the current fiscal year, if significantly different from amounts previously disclosed pursuant to paragraph 5(g) of Statement 132(R)? Estimated contributions may be presented in the aggregate combining (1) contributions required by funding regulations or laws, (2) discretionary contributions, and (3) noncash contributions. [Statement 132(R).9(b)]	—	—	—

P16 — Pension Costs (Including Other Postretirement Benefit Plans)			
Disclosure:	**Yes**	**No**	**NA**
b. For a nonpublic entity, for interim periods, for which a complete set of financial statements is presented, the total amount of employer's contributions paid and expected to be paid during the current fiscal year, if significantly different from previous disclosures pursuant to paragraph 8(f) of Statement 132(R)? Estimated contributions may be presented in the aggregate, combining (a) contributions required by funding regulations or laws, (b) discretionary contributions, and (c) noncash contributions. [Statement 132(R).10]	—	—	—
10. Disclosures Required Prior to the Adoption of the Recognition Provisions of Statement 158 — Entities Without Publicly Traded Equity Securities			
a. Has an entity without publicly traded equity securities disclosed the following in the notes to the financial statements for a fiscal year ending after December 15, 2006, but before June 16, 2007, unless it has applied the recognition provisions of Statement 158 in preparing those financial statements: [Statement 158.14]			
(1) A brief description of the provisions of Statement 158?	—	—	—
(2) The date that adoption is required?	—	—	—
(3) The date the employer plans to adopt the recognition provisions of Statement 158, if earlier?	—	—	—
For enterprises that have adopted any of the provisions of Statement 158, the following section should be completed.			
Section II			
1. Annual Disclosures — Public and Nonpublic Entities			
a. Have the disclosures for earlier annual periods presented for comparative purposes been restated for: [Statement 132(R).20]			
(1) The percentage of each major category of plan assets held?	—	—	—
(2) The ABO?	—	—	—
(3) The assumptions used in the accounting for the plans?	—	—	—
2. Annual Disclosures — Public Entities			
a. If an employer sponsors one or more defined benefit pension plans or one or more other defined benefit postretirement plans, has the following information been provided separately for pension plans and other postretirement benefit plans; [Statement 132(R).5]			
(1) The amounts related to the employer's results of operations (including items of OCI) disclosed for each period for which a statement of income is presented? [Statement 158.E1(b), Statement 132(R).5]	—	—	—

P16 — Pension Costs (Including Other Postretirement Benefit Plans)			
Disclosure:	**Yes**	**No**	**NA**
(2) The amounts related to the employer's statement of financial position, unless otherwise stated, disclosed as of the measurement date used for each statement of financial position presented? [Statement 132(R).5]	__	__	__
[Note that once the measurement date provisions of Statement 158 have been adopted (which are effective for fiscal years ending after December 15, 2008, for all entities), the measurement date will be the same as the date of the year-end statement of financial position.] [Statement 158.E1(b), Statement 132(R).5]			
b. Have the following disclosures been made:			
(1) A reconciliation of beginning and ending balances of the benefit obligation showing separately, if applicable, the effects during the period attributable to each of the following: [Statement 132(R).5(a)]			
(a) Service cost?	__	__	__
(b) Interest cost?	__	__	__
(c) Contributions by plan participants?	__	__	__
(d) Actuarial gains and losses?	__	__	__
(e) Foreign currency exchange rate changes?	__	__	__
(f) Benefits paid?	__	__	__
(g) Plan amendments?	__	__	__
(h) Business combinations?	__	__	__
(i) Divestitures?	__	__	__
(j) Curtailments?	__	__	__
(k) Settlements?	__	__	__
(l) Special termination benefits?	__	__	__
(2) A reconciliation of beginning and ending balances of the fair value of plan assets showing separately, if applicable, the effects during the period attributable to each of the following: [Statement 132(R).5(b)]			
(a) Actual return on plan assets?	__	__	__
(b) Foreign currency exchange rate changes?	__	__	__
(c) Contributions by the employer?	__	__	__
(d) Contributions by plan participants?	__	__	__
(e) Benefits paid?	__	__	__
(f) Business combinations?	__	__	__
(g) Divestitures?	__	__	__
(h) Settlements?	__	__	__

P16 — Pension Costs (Including Other Postretirement Benefit Plans)			
Disclosure:	**Yes**	**No**	**NA**
(3) The funded status of the plans and the amounts recognized in the statement of financial position, showing separately the assets and current and noncurrent liabilities recognized? [Statement 158.E1(c), Statement 132(R).5(c)]	___	___	___
(4) Information about plan assets: [Statement 132(R).5(d)]			
(a) For each major category of plan assets (equity securities, debt securities, real estate, and all other assets), the percentage of the fair value of total plan assets held as of the measurement date used for each statement of financial position presented?	___	___	___
(b) A narrative description of investment policies and strategies, including target allocation percentages or range of percentages for each major category of plan assets presented on a weighted-average basis as of the measurement date of the latest statement of financial position presented (if applicable), and other pertinent factors such as investment goals, risk management practices, allowable and prohibited investment types including the use of derivatives, diversification, and the relationship between plan assets and benefit obligations?	___	___	___
(c) A narrative description of the basis used to determine the overall expected long-term rate-of-return on assets assumption, such as the general approach used, the extent to which the overall rate-of-return on assets assumption was based on historical returns, the extent to which adjustments were made to those historical returns in order to reflect expectations of future returns, and how those adjustments were determined?	___	___	___
(d) Disclosure of additional asset categories and additional information about specific assets within a category is encouraged if that information is expected to be useful in understanding the risks associated with each asset category and the overall expected long-term rate of return on assets?	___	___	___
(5) For defined benefit pension plans, the ABO? [Statement 132(R).5(e)]	___	___	___
(6) The benefits (as of the date of the latest statement of financial position presented) expected to be paid in each of the next five years, and in the aggregate for the next succeeding five years? The expected benefits should be estimated based on the same assumptions used to measure the company's benefit obligation at the end of the year and should include estimated future employee service. [Statement 132(R).5(f)]	___	___	___
(7) The employer's best estimate, as soon as it can be reasonably determined, of contributions expected to be paid to the plan during the next fiscal year beginning after the date of the latest statement of financial position? Estimated contributions may be presented in the aggregate combining (1) contributions required by funding regulations or laws, (2) discretionary contributions, and (3) noncash contributions. [Statement 132(R).5(g)]	___	___	___

P16 — Pension Costs (Including Other Postretirement Benefit Plans)			
Disclosure:	**Yes**	**No**	**NA**
(8) The amount of net periodic benefit cost recognized, showing separately: [Statement 158.E1(d), Statement 132(R).5(h)]			
(a) Service cost component?	__	__	__
(b) Interest cost component?	__	__	__
(c) Expected return on plan assets for the period?	__	__	__
(d) Gain or loss component?	__	__	__
(e) Prior service cost or credit component?	__	__	__
(f) Transition asset or obligation component?	__	__	__
(g) Gain or loss recognized due to settlements or curtailments?	__	__	__
(9) Separately, the net gain or loss and net prior service cost or credit recognized in OCI for the period pursuant to paragraphs 25 and 29 of Statement 87 and paragraphs 52 and 56 of Statement 106, as amended, and reclassification adjustments of OCI for the period, as those amounts, including amortization of the net transition asset or obligation, are recognized as components of net periodic benefit cost? [Statement 158.7(a) and (b), Statement 158.E1(e), Statement 132(R).5(i)]	__	__	__
(10) The amounts in AOCI that have not yet been recognized as components of net periodic benefit cost, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation? [Statement 158.7(c), Statement 158.E1(f), Statement 132(R).5(ii)]	__	__	__
(11) On a weighted-average basis, the following assumptions used in the accounting for the plans, specifying, in tabular format, the assumptions used to determine the benefit obligation and the assumptions used to determine net benefit cost: [Statement 132(R).5(j)]			
(a) Assumed discount rates?	__	__	__
(b) Rates of compensation increase (for pay-related plans)?	__	__	__
(c) Expected long-term rates of return on plan assets?	__	__	__
(12) The measurement date(s) used to determine pension and other postretirement benefit measurements for the pension plans and other postretirement benefit plans that make up at least the majority of plan assets and benefit obligations? [Note that this disclosure will no longer be required when the measurement date provisions of Statement 158 have been adopted, which will be effective for fiscal years ending after December 15, 2008.] [Statement 158.E1(g), Statement 132(R).5(k)]	__	__	__
(13) The assumed health care cost trend rate(s) for the next year used to measure the expected cost of benefits covered by the plan (gross eligible charges), and a general description of the direction and pattern of change in the assumed trend rates thereafter, together with the ultimate trend rate(s) and when that rate is expected to be achieved? [Statement 132(R).5(l)]	__	__	__

P16 — Pension Costs (Including Other Postretirement Benefit Plans)			
Disclosure:	**Yes**	**No**	**NA**
(14) The effect of a one-percentage-point increase and the effect of a one-percentage-point decrease in the assumed health care cost trend rates on: [Statement 132(R).5(m)]			
(a) The aggregate of the service and interest cost components of net periodic postretirement health care benefit costs?	—	—	—
(b) The APBO for health care benefits? (For purposes of this disclosure, all other assumptions shall be held constant, and the effects shall be measured based on the substantive plan that is the basis for the accounting.)	—	—	—
(15) If applicable, the amounts and types of securities of the employer and related parties included in plan assets, the approximate amount of future annual benefits of plan participants covered by insurance contracts issued by the employer or related parties, and any significant transactions between the employer or related parties and the plan during the period? [Statement 132(R).5(n)]	—	—	—
(16) If applicable, any alternative method used to amortize prior service amounts or net gains and losses pursuant to paragraphs 26 and 33 of Statement 87 or paragraphs 53 and 60 of Statement 106? [Statement 158.E1(h), Statement 132(R).5(o)]	—	—	—
(17) If applicable, any substantive commitment, such as past practice or a history of regular benefit increases, used as the basis for accounting for the benefit obligation? [Statement 132(R).5(p)]	—	—	—
(18) If applicable, the cost of providing special or contractual termination benefits recognized during the period and a description of the nature of the event? [Statement 132(R).5(q)]	—	—	—
(19) An explanation of any significant change in the benefit obligation or plan assets not otherwise apparent in the other disclosures required by Statement 132(R)? [Statement 132(R).5(r)]	—	—	—
(20) The amounts in AOCI expected to be recognized as components of net periodic benefit cost over the fiscal year that follows the most recent annual statement of financial position presented, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation? [Statement 158.7(d), Statement 158.E1(i), Statement 132(R).5(s)]	—	—	—
(21) The amount and timing of any plan assets expected to be returned to the employer during the 12-month period, or operating cycle if longer, that follows the most recent annual statement of financial position presented. [Statement 158.7(e), Statement 158.E1(j), Statement 132(R).5(t)]	—	—	—
(22) If applicable, the existence and nature of substantive commitments for future increases in nonpay-related benefits or benefits under a career-average-pay plan, where the substance of the plan is to provide benefits attributable to prior service that are greater than the benefits defined by the written forms of the plan? [Statement 87.41]	—	—	—

P16 — Pension Costs (Including Other Postretirement Benefit Plans)			
Disclosure:	**Yes**	**No**	**NA**
3. Reduced Annual Disclosure Requirements for Nonpublic Entities			
a. If an employer sponsors one or more defined benefit pension plans or one or more other defined benefit postretirement plans, has the following information been provided separately for pension plans and other postretirement benefit plans: [Statement 132(R).8]			
(1) The amounts related to the employer's results of operations (including items of OCI) disclosed for each period for which a statement of income is presented? [Statement 158.E1(l), Statement 132(R).8]	__	__	__
(2) The amounts related to the employer's statement of financial position, disclosed as of the measurement date used for each statement of financial position presented? [Note that once the measurement date provisions of Statement 158 have been adopted, which are effective for fiscal years ending after December 15, 2008, the above disclosure should be as of the date of each financial statement presented.] [Statement 158.E1(l), Statement 132(R).8]	__	__	__
(3) The benefit obligation, fair value of plan assets, and funded status of the plan? [Statement 132(R).8(a)]	__	__	__
(4) Employer contributions, participant contributions, and benefits paid? [Statement 132(R).8(b)]	__	__	__
(5) Information about plan assets: [Statement 132(R).8(c)]			
(a) For each major category of plan assets (equity securities, debt securities, real estate, and all other assets), the percentage of the fair value of total plan assets held as of the measurement date used for each statement of financial position presented?	__	__	__
(b) A narrative description of investment policies and strategies, including target allocation percentages or range of percentages for each major category of plan assets presented on a weighted-average basis as of the measurement date(s) of the latest statement of financial position presented, if applicable, and other factors that are pertinent to an understanding of the policies or strategies such as investment goals, risk management practices, permitted and prohibited investments including the use of derivatives, diversification, and the relationship between plan assets and benefit obligations?	__	__	__
(c) A narrative description of the basis used to determine the overall expected long-term rate of return on assets assumption, such as the general approach used, the extent to which the overall rate of return assumption was based on historical returns and the extent to which adjustments were made to those historical returns, in order to reflect expectations of future returns and how those adjustments were determined?	__	__	__

P16 — Pension Costs (Including Other Postretirement Benefit Plans)			
Disclosure:	**Yes**	**No**	**NA**
(d) Disclosure of additional asset categories and additional information about specific assets within a category is encouraged if that information is expected to be useful in understanding the risks associated with each asset category and the overall expected long-term rate of return on assets?	___	___	___
(6) For defined benefit pension plans, the ABO? [Statement 132(R).8(d)]	___	___	___
(7) The benefits (as of the date of the latest statement of financial position presented), expected to be paid in each of the next five years, and in the aggregate for the next succeeding five years? The expected benefits should be estimated based on the same assumptions used to measure the company's benefit obligation at the end of the year and should include estimated future employee service. [Statement 132(R).8(e)]	___	___	___
(8) The employer's best estimate, as soon as it can be reasonably determined, of contributions expected to be paid to the plan during the next fiscal year beginning after the date of the latest statement of financial position? Estimated contributions may be presented in the aggregate combining (1) contributions required by funding regulations or laws, (2) discretionary contributions, and (3) noncash contributions. [Statement 132(R).8(f)]	___	___	___
(9) The amounts recognized in the statements of financial position, showing separately the postretirement benefit assets and current and noncurrent postretirement benefit liabilities? [Statement 158.E1(m), Statement 132(R).8(g)]	___	___	___
(10) Separately, the net gain or loss and net prior service cost or credit recognized in OCI for the period pursuant to paragraphs 25 and 29 of Statement 87 and paragraphs 52 and 56 of Statement 106, as amended, and reclassification adjustments of OCI for the period, as those amounts, including amortization of the net transition asset or obligation, are recognized as components of net periodic benefit cost? [Statement 158.7(a) and (b), Statement 158.E1(n), Statement 132(R).8(h)]	___	___	___
(11) The amounts in AOCI that have not yet been recognized as components of net periodic benefit cost, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation? [Statement 158.7(c), Statement 158.E1(o), Statement 132(R).8(hh)]	___	___	___
(12) On a weighted-average basis, the following assumptions used in the accounting for the plans, specifying, in tabular format, the assumptions used to determine the benefit obligation and the assumptions used to determine net benefit cost: [Statement 132(R).8(i)]			
(a) Assumed discount rates?	___	___	___
(b) Rates of compensation increase (for pay-related plans)?	___	___	___

P16 — Pension Costs (Including Other Postretirement Benefit Plans)			
Disclosure:	**Yes**	**No**	**NA**
(c) Expected long-term rates of return on plan assets?	__	__	__
(13) The measurement date(s) used to determine pension and other postretirement benefit measurements for the pension plans and other postretirement benefit plans that make up at least the majority of plan assets and benefit obligations? [Note that this disclosure will no longer be required when the measurement date provisions of Statement 158 have been adopted, which will be effective for fiscal years ending after December 15, 2008.] [Statement 158.E1(p), Statement 132(R).8(j)]	__	__	__
(14) The assumed healthcare cost trend rate(s) for the next year used to measure the expected cost of benefits covered by the plan (gross eligible charges), and a general description of the direction and pattern of change in the assumed trend rates thereafter, together with the ultimate trend rate(s) and when that rate is expected to be achieved? [Statement 132(R).8(k)]	__	__	__
(15) If applicable, the amounts and types of securities of the employer and related parties included in plan assets, the approximate amount of future annual benefits of plan participants covered by insurance contracts issued by the employer or related parties, and any significant transactions between the employer or related parties and the plan during the period? [Statement 132(R).8(l)]	__	__	__
(16) The nature and effect of significant nonroutine events, such as amendments, combinations, divestitures, curtailments, and settlements? [Statement 132(R).8(m)]	__	__	__
(17) The amounts in AOCI expected to be recognized as components of net periodic benefit cost over the fiscal year that follows the most recent annual statement of financial position presented, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation? [Statement 158.7(d), Statement 158.E1(q), Statement 132(R).8(n)]	__	__	__
(18) The amount and timing of any plan assets expected to be returned to the employer during the 12-month period, or operating cycle if longer, that follows the most recent annual statement of financial position presented? [Statement 158.7(e), Statement 158.E1(r), Statement 132(R).8(o)]	__	__	__
4. Employers With Two or More Plans — Public and Nonpublic Entities			
a. Have disclosures required been aggregated for all of an employer's defined benefit pension plans and for all of an employer's other defined benefit postretirement plans unless disaggregating in groups is considered to provide useful information or is otherwise required by paragraphs 6 and 7 of Statement 132(R)? [Statement 132(R).6]	__	__	__
b. Are disclosures as of the measurement date for each statement of financial position presented?	__	__	__

P16 — Pension Costs (Including Other Postretirement Benefit Plans)			
Disclosure:	**Yes**	**No**	**NA**
[Note that once the measurement date provisions of Statement 158 have been adopted, which are effective for fiscal years ending after December 15, 2008, the disclosures should be as of the date of each statement of financial position presented.] [Statement 158.E1(k), Statement 132(R).6]	__	__	__
c. If aggregated disclosures are presented, is the following disclosed:			
(1) The aggregate benefit obligation and aggregate fair value of plan assets for plans with benefit obligations in excess of plan assets as of the measurement date of each statement of financial position presented? [Statement 132(R).6(a)]	__	__	__
(2) The aggregate pension ABO and aggregate fair value of plan assets for pension plans with ABOs in excess of plan assets? [Statement 132(R).6(b)]	__	__	__
5. Employers With Foreign Plans — Public and Nonpublic Entities			
a. If the benefit obligations of U.S. and foreign plans use significantly different assumptions, have disclosures been made separately for both the U.S. and foreign plans? [Statement 132(R).7]	__	__	__
b. If a foreign reporting entity that prepares financial statements in conformity with U.S. generally accepted accounting principles (GAAP), did it apply the preceding guidance to its domestic and foreign plans? [Statement 132(R).7]	__	__	__
6. Postretirement Medical Plans — Public and Nonpublic Entities			
a. For postretirement medical plans that have prescription drug benefits affected by the Medicare Prescription Drug, Improvement and Modernization Act (the “Act”) have the following been disclosed: [FSP FAS 106-2]			
(1) If a determination cannot be made as to whether the medical benefits provided by a postretirement benefit plan are actuarially equivalent to those provided by the Act, is the following disclosed in financial statements for interim or annual periods: [FSP FAS 106-2.20]			
(a) The existence of the Act? [FSP FAS 106-2.20(a)]	__	__	__
(b) The fact that measures of the APBO or net periodic postretirement benefit cost do not reflect any amount associated with the subsidy because the employer is unable to conclude whether the benefits provided by the plan are actuarially equivalent to Medicare Part D under the Act? [FSP FAS 106-2.20(b)]	__	__	__
(2) If a determination can be made as to whether medical benefits provided by a postretirement benefit plan are actuarially equivalent, for the first interim and annual periods that includes the effects of the subsidy in measuring the APBO and the first period in which the effects of the subsidy in measuring net periodic postretirement benefit cost is included, is the following disclosed: [FSP FAS 106-2.21]			

P16 — Pension Costs (Including Other Postretirement Benefit Plans)			
Disclosure:	**Yes**	**No**	**NA**
(b) The effect of the subsidy on the measurement of net periodic postretirement benefit cost for the current period? That effect includes (1) any amortization of the actuarial experience gain in (a) as a component of the net amortization called for by paragraph 59 of Statement 106, (2) the reduction in current period service cost due to the subsidy, and (3) the resulting reduction in interest cost on the APBO as a result of the subsidy. [FSP FAS 106-2.21(b)]	__	__	__
(c) Any other disclosures required by paragraph 5(r) of Statement 132(R)? Paragraph 5(r) of Statement 132(R) requires disclosure of "an explanation of any significant change in the benefit obligation or plan assets not otherwise apparent in the other disclosures required by this Statement." [FSP FAS 106-2.21(c)]	__	__	__
(3) For purposes of the disclosures required by paragraphs 5(a) and 5(f) of Statement 132(R), does the disclosure include the gross benefit payments (paid and expected, respectively), including prescription drug benefits, and separately the gross amount of the subsidy receipts (received and expected, respectively)? [FSP FAS 106-2.22]	__	__	__
7. Defined Contribution Plans — Public and Nonpublic Entities			
a. For a defined contribution plan, have the following been disclosed:			
(1) The amount of cost recognized for defined contribution pension plans or other postretirement benefit plans for all periods presented separately from the amount of cost recognized for defined benefit plans? [Statement 132(R).11]	__	__	__
(2) A description of the nature and effect of any significant changes during the period affecting comparability, such as a change in the rate of employer contributions, a business combination, or a divestiture? [Statement 132(R).11]	__	__	__
(3) If the substance of the plan is to provide a defined benefit, does the accounting conform to the requirements for defined benefit plans with disclosures in accordance with paragraphs 5 and 8 of Statement 132(R)? [Statement 87.66]	__	__	__
8. Multiemployer Plans — Public and Nonpublic Entities			
a. For multiemployer plans, have the following been disclosed:			
(1) The amount of contributions to multiemployer plans for each annual period for which an income statement is presented? [Statement 132(R).12]	__	__	__
(2) Total contributions to multiemployer plans without disaggregating the amounts attributable to pension plans and other postretirement benefit plans? [Statement 132(R).12]	__	__	__
(3) A description of the nature and effect of any changes affecting comparability, such as a change in the rate of employer contributions, a business combination, or a divestiture? [Statement 132(R).12]	__	__	__

P16 — Pension Costs (Including Other Postretirement Benefit Plans)			
Disclosure:	**Yes**	**No**	**NA**
(4) If withdrawal from a multiemployer plan has occurred has the following been disclosed: [Statement 132(R).13]			
(a) If there is an obligation to the plan for a portion of the pension plan's and other postretirement benefit plan's unfunded benefit obligations that is either probable or reasonably possible did the employer apply the provisions of FASB Statement No. 5, *Accounting for Contingencies*? [Statement 87.70]	__	__	__
(b) If it is either probable or reasonably possible that (a) an employer would withdraw from the plan under circumstances that would give rise to an obligation or (b) an employer's contribution to the fund would be increased during the remainder of the contract period to make up a shortfall in the funds necessary to maintain the negotiated level of benefit coverage (a "maintenance of benefits" clause), did the employer apply the provisions of Statement 5? [Statement 106. 83]	__	__	__
9. Interim Disclosures — Public and Nonpublic Entities			
a. For a publicly traded entity the following information in its interim financial statements that include a statement of income: [Statement 132(R).9(a)]			
(1) The amount of net periodic benefit cost recognized, for each period in which a statement of income is presented, showing separately: [Statement 158.E1(s), Statement 132(R).9(a)]			
(a) Service cost component?	__	__	__
(b) Interest cost component?	__	__	__
(c) Expected return on plan assets for the period?	__	__	__
(d) Gain or loss component?	__	__	__
(e) Prior service cost or credit component?	__	__	__
(f) Transition asset or obligation component?	__	__	__
(g) The gain or loss recognized due to a settlement or curtailment?	__	__	__
(2) The total amount of employer's contribution paid, and expected to be paid during the current fiscal year, if significantly different from amounts previously disclosed pursuant to paragraph 5(g) of Statement 132(R)? Estimated contributions may be presented in the aggregate combining (1) contributions required by funding regulations or laws, (2) discretionary contributions, and (3) noncash contributions. [Statement 132(R).9(b)]	__	__	__
b. For a nonpublic entity, for interim periods, for which a complete set of financial statements is presented, the total amount of employer's contributions paid and expected to be paid during the current fiscal year, if significantly different from previous disclosures pursuant to paragraph 8(f) of Statement 132(R)? Estimated contributions may be presented in the aggregate, combining (a) contributions required by funding regulations or laws, (b) discretionary contributions, and (c) noncash contributions.	__	__	__

P16 — Pension Costs (Including Other Postretirement Benefit Plans)			
Disclosure:	**Yes**	**No**	**NA**
10. Presentation and Classification — Public and Nonpublic Entities			
a. Have all overfunded plans been aggregated and presented as a single asset in the statement of financial position? [Statement 158.4(b), .C2(k), .D2(d), Statement 87.36, Statement 106.44B]	__	__	__
b. If a classified statement of financial position is presented, has the asset for overfunded plans been classified as a noncurrent asset? [Statement 158.4(b), .C2(k), D2(d), Statement 87.36, Statement 106.44B]	__	__	__
c. Have all underfunded plans been aggregated and presented as a single liability in the statement of financial position? [Statement 158.4(b), .C2(k), D2(d), Statement 87.36, Statement 106.44B]	__	__	__
d. If a classified statement of financial position is presented, has the liability for underfunded plans been classified as a noncurrent liability, except to the extent that the actuarial present value of benefits included in the benefit obligation payable in the next 12 months, or operating cycle if longer, exceeds the fair value of plan assets, and in such cases, that excess is classified as a current liability? [Statement 158.4(b), .C2(k), D2(d), Statement 87.36, Statement 106.44B].	__	__	__

Postretirement Benefits Other Than Pensions			
Accounting:	**Yes**	**No**	**NA**
FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* — an amendment of FASB Statements No. 87, 88, 106, and 132(R), was issued in September 2006. The recognition and related disclosure provisions of Statement 158 are effective as of the end of the fiscal year ending after December 15, 2006, for an employer with publicly traded equity securities and as of the end of the fiscal year ending after June 15, 2007, for all other entities. Retrospective application is prohibited. Application as of the end of an earlier fiscal year is permitted; however, early application shall be for all of an employer's benefit plans. The measurement date provisions of Statement 158 are effective for fiscal years ending after December 15, 2008, for all entities and shall not be applied retrospectively. Earlier application is permitted; however, early application shall be for all of an employer's benefit plans.			
Prior to adoption of Statement 158, only Section I below should be completed. Upon adoption, only Section II below should be completed.			
Section I			
1. If the company has deferred compensation contracts with individual employees that, taken together, are equivalent to a postretirement income plan, has Statement 87 been applied? [Statement 106.13]	__	__	__

Postretirement Benefits Other Than Pensions **Accounting:**	**Yes**	**No**	**NA**
2. If the company has deferred compensation contracts with individual employees that, taken together, are equivalent to a postretirement health or welfare benefit plan, has Statement 106 been applied? [Statement 106.6, .9, .13]	__	__	__
3. If the company has other deferred compensation contracts, is compensation being accrued systematically over the period to the full eligibility date (i.e., the date at which an employee has rendered all the service necessary to have earned the right to receive all of the benefits expected to be received by that employee) resulting in an amount equal to the then present value of the future benefits expected to be paid? [Statement 106.13]	__	__	__
4. If a defined benefit plan(s) exists, have the following requirements with respect to assumptions been met: [Statement 106.29–.42]			
a. The service cost component of postretirement benefit cost, any prior service cost, and the APBO are measured using present value techniques and using actuarial assumptions that individually reflect the best estimate of each assumption, assuming the plan will continue in effect in the absence of evidence that it will not continue? [Statement 106.30]	__	__	__
b. Assumed discount rates reflect the time value of money as of the measurement date in determining the present value of future cash outflows currently expected to be required to satisfy the postretirement benefit obligation? [Statement 106.31]	__	__	__
c. The expected long-term rate of return on plan assets reflects the average rate of earnings expected on the existing assets that qualify as plan assets and contributions to the plan expected to be made during the period, including the income tax effects of such returns, if any? [Statement 106.32]	__	__	__
d. The service cost component of net periodic postretirement benefit cost and the expected and APBOs reflect future compensation levels to the extent that the postretirement benefit formula defines the benefits wholly or partially as a function of future compensation levels? [Statement 106.33]	__	__	__
e. For pay-related plans, assumed compensation levels reflect the best estimate of the actual future compensation levels of the individual employees involved, including future changes attributed to general price levels, productivity, seniority, promotion, and other factors? [Statement 106.33]	__	__	__
f. All assumptions that reflect expectations of the same future economic conditions, such as future rates of inflation, are consistent? [Statement 106.33]	__	__	__
g. Does measurement of an employer's postretirement health care obligation include the use of assumptions about factors that are unique to health care benefits and affect the amount and timing of future benefit payments for postretirement health care, such as consideration of historical per capita claims cost by age, health care cost trend rates (for plans that provide a benefit in kind), and medical coverage to be paid by governmental authorities and other providers of health care benefits? [Statement 106.34]	__	__	__

Postretirement Benefits Other Than Pensions			
Accounting:	**Yes**	**No**	**NA**
h. Is the employer's share of the expected future postretirement health care cost (aggregate assumed net incurred claims cost) for a plan participant developed by reducing the assumed per capita claims cost by each of the following: [Statement 106.35]			
(1) At each age at which the plan participant is expected to receive benefits under the plan by (a) the effects of coverage by Medicare, including the effects of the Medicare Prescription Drug, Improvement and Modernization Act (Act), and other providers of health care benefits, and (b) the effects of the cost-sharing provisions of the plan (deductibles, copayment provisions, out-of-pocket limitations, caps on the limits of the employer-provided payments, and retiree contributions)?	__	__	__
(2) The actuarial present value of the plan participants' future contributions if contributions are required to be paid by active plan participants toward their postretirement health care benefits?	__	__	__
i. The assumed per capita claims cost by age represents the best estimate of the expected future cost of the benefits covered by the plan? [Statement 106.36]	__	__	__
j. Past and present claims data for the plan are used in developing the current per capita claims cost to the extent that those data are considered to be indicative of the current cost of providing the benefits covered by the plan? [Statement 106.37]	__	__	__
k. The current claims data are adjusted by the assumed health care cost trend rate? [Statement 106.37]	__	__	__
l. In the absence of sufficiently reliable plan data about the current cost of the benefits covered by the plan, current per capita claims cost is based, entirely or in part, on the claims information of other employers adjusted to best reflect the terms of the employer's plan and the plan demographics, to the extent those costs are indicative of the current cost of providing the benefits covered by the plan? [Statement 106.38]	__	__	__
m. Current per capita claims cost derived from information from outside sources (e.g., insurance companies, actuarial firms, consulting firms) has been adjusted to best reflect the terms of the employer's plan and the plan demographics? [Statement 106.38]	__	__	__
n. Both past and current health care cost trends are used in developing an employer's assumed health care cost trend rates? [Statement 106.39]	__	__	__
o. Presently enacted changes in the law or amendments of the plans of other health care providers that take effect in future periods and that will affect the future level of their benefit coverages are considered in current-period measurements for benefits expected to be provided in those future periods? [Statement 106.40]	__	__	__

Postretirement Benefits Other Than Pensions			
Accounting:	**Yes**	**No**	**NA**
(1) If the plan is affected by the Medicare Prescription Drug Improvement and Modernization Act: [FSP FAS 106-2]			
(a) When initially recognized, have the effects on the APBO been accounted for as an actuarial gain? [FSP FAS 106-2.14]	__	__	__
(b) Has the subsidy been included in measuring the costs of benefits attributable to current service? [FSP FAS 106-2.15]	__	__	__
(c) If there has been a change in the estimate of the subsidy, has the change been reflected as an actuarial experience gain or loss? [FSP FAS 106-2.16]	__	__	__
(d) If a plan is amended:			
(1) To cause a plan that was deemed not actuarially equivalent as of the enactment date of the Act to now provide actuarially equivalent benefits, has the direct effect of the plan amendment on the APBO (that is, the effect of only the change in prescription drug coverage) and the effect on the APBO from any resulting subsidy to which the employer is expected to be entitled as a result of the amendment been combined and: [FSP FAS 106-2.17]			
(a) If the combined effect reduces APBO, was it deemed an actuarial experience gain? [FSP FAS 106-2.17]	__	__	__
(b) If the combined effect increases APBO, was it deemed prior service cost? [FSP FAS 106-2.17]	__	__	__
(2) To cause a plan that was deemed actuarially equivalent as of the enactment date to now not be considered actuarially equivalent, has the combined net effect on the APBO of (a) the subsequent plan amendment that reduces benefits under the plan and thus disqualifies the benefits as actuarially equivalent and (b) the elimination of the subsidy, been accounted for as prior service cost (credit) as of the date the amendment is adopted? [FSP FAS 106–2.18]	__	__	__
p. Future changes in laws concerning medical costs covered by governmental programs and future changes in the plans of other providers are not anticipated? [Statement 106.40]	__	__	__
q. In the absence of historical information about the gross per capita cost of covered benefits, an alternative method of developing the assumed per capita claims cost is used that represents the best estimate of the expected future cost of the benefits covered by the plan? [Statement 106.41]	__	__	__
r. To the extent that assumed discount rates, compensation levels, and health care cost trend rates consider similar inflationary effects, are the assumptions about those effects consistent? [Statement 106.42]	__	__	__

Postretirement Benefits Other Than Pensions **Accounting:**	**Yes**	**No**	**NA**
5. For other postretirement plan benefit obligations and plan assets:			
a. Have plan assets been segregated and restricted and do they include amounts contributed by the employer (and plan participants if a contributory plan) and amounts earned from investing the contributions, less benefits, income taxes, and other expenses incurred? [Statement 106.63]	__	__	__
b. Have the plan assets and benefit obligations been measured as of the date of the annual financial statements, or if used consistently from year to year, as of a date not more than three months prior to that date? [Statement 106.72]	__	__	__
6. Does the accounting reflect the terms of the exchange transaction that takes place between an employer that provides postretirement benefits and the employees who render services in exchange for those benefits? Is the substantive plan, if different from the extant written plan, the basis for the accounting? [Statement 106.23]	__	__	__
a. Except as provided in (c)(1) and (c)(2) below, does the employer's cost-sharing policy, as evidenced by past practice or communication, constitute the cost-sharing provisions of the substantive plan if either of the following conditions exist: [Statement 106.24]			
(1) The employer has a past practice of (a) maintaining a consistent level of cost sharing between the employer and its retirees through changes in deductibles, coinsurance provisions, retiree contributions, or some combination of those changes or (b) consistently increasing or reducing the employer's share of the cost of the covered benefits through changes in retired or active plan participants' contributions toward their retiree health care benefits, deductibles, coinsurance provisions, out-or-pocket limitations, and so forth, in accordance with the employer's established cost-sharing policy? [Statement 106.24]	__	__	__
(2) The employer has the ability, and has communicated to affected plan participants its intent, to institute different cost-sharing provisions at a specified time or when certain conditions exist (for example, when health care cost increases exceed a certain level)? [Statement 106.24]	__	__	__
b. If the conditions in (a)(1) and (a)(2) do not exist, is the extant written plan considered to be the substantive plan? [Statement 106.24]	__	__	__
c. Do the following not constitute provisions of the substantive plan: [Statement 106.25]			
(1) An employer's past practice of maintaining a consistent level of cost sharing with its retirees or consistently increasing or reducing its share of the cost of providing the covered benefits, if accompanied by identifiable offsetting changes in other benefits or compensation or if the employer incurred significant costs, such as work stoppages, to effect that cost-sharing policy? [Statement 106.25]	__	__	__

Postretirement Benefits Other Than Pensions			
Accounting:	**Yes**	**No**	**NA**
(2) An employer's communication of its intent to institute cost-sharing provisions, which differs from the extant written plan or the past cost-sharing practice, if (a) the plan participants would be unwilling to accept the change without adverse consequences to the employer's operations or (b) other modifications of the plan, such as the level of benefit coverage, or providing offsetting changes in other benefits, such as pension benefits, would be required to gain plan participants' acceptance of the change to the cost-sharing arrangement? [Statement 106.25]	__	__	__
d. Do the service cost component of net periodic postretirement benefit cost and the expected and APBO reflect future increases in service cost for which a present substantive commitment exists? [Statement 106.26]	__	__	__
7. If benefits are covered by annuity or other insurance contracts, does the accounting conform to the provisions of Statement 106? [Statement 106.67–.71]	__	__	__
8. If the company has two or more defined benefit plans:			
a. Have net periodic postretirement benefit cost, the APBO, and plan assets been determined for each separately measured plan or aggregation of plans? [Statement 106.75 and .76]	__	__	__
9. If the company participates in a multiemployer plan(s):			
a. Has the required contribution for the period been recognized as net postretirement benefit cost? [Statement 106.81]	__	__	__
b. Has a liability been recognized for any unpaid contributions required for the period? [Statement 106.81]	__	__	__
c. If the withdrawal from a multiemployer plan under circumstances that would give rise to an obligation is probable or reasonably possible, has the company complied with the provisions of Statement 5? [Statement 106.83]	__	__	__
d. If it is probable or reasonably possible that an employer's contribution to the fund would be increased during the remainder of the contract period to make up a shortfall in the funds necessary to maintain the negotiated level of benefit coverage (a "maintenance of benefits" clause) has the employer applied the provisions of Statement 5? [Statement 106.83]	__	__	__
10. For employers with multiple-employer plans, has the employer's accounting been based on its respective interest in the plan? [Statement 106.84]	__	__	__
11. Have non-U.S. plans been accounted for in conformity with Statement 106? [Statement 106.85]	__	__	__
12. Business combinations — Have amounts assigned to individual assets acquired and liabilities assumed, except goodwill, been determined in accordance with the following general guide? (Among other sources of relevant information, independent appraisals and actuarial or other valuations may be used as an aid in determining the estimated fair values of assets acquired and liabilities assumed.)			

Postretirement Benefits Other Than Pensions			
Accounting:	**Yes**	**No**	**NA**
a. A liability (asset) for the APBO in excess of (less than) the fair value of plan assets of a single-employer defined benefit postretirement plan?	__	__	__
b. Also, if it is expected that the plan will be terminated or curtailed, have the effects of those actions been considered in measuring the APBO? [Statement 141.37, 106.86–.88]	__	__	__
13. In the initial application of Statement 106 for a defined benefit plan(s), was the unrecognized transition asset or obligation determined in accordance with Statement 106? [Statement 106.108–.113]	__	__	__
14. If the transition obligation was not immediately recognized at transition, has the unrecognized transition net asset or obligation been amortized in accordance with Statement 106 in determining net periodic OPEB cost? [Statement 106.46, .112 and .113]	__	__	__
15. Does the gain or loss component of net periodic postretirement benefit cost consist of (a) the difference between the actual return on plan assets and the expected return on plan assets, (b) any gain or loss immediately recognized or the amortization of the unrecognized net gain or loss from previous periods (if any is required pursuant to paragraph 59 of Statement 106), and (c) any amount immediately recognized as a gain or loss pursuant to paragraph 61 of Statement 106? [Statement 106.58–.62]	__	__	__
16. Has the unrecognized prior service cost or credit been amortized in accordance with Statement 106 in determining net periodic postretirement benefit cost? [Statement 106.46, .52–.55]	__	__	__
17. If the company has had a settlement: [Statement 106.90–.95, .100]			
a. Has the amount of the maximum gain or loss included any unrecognized net gain or loss plus any remaining unrecognized transition asset? [Statement 106.92]	__	__	__
b. Has the maximum gain or loss included the gain or loss resulting from remeasurement of plan assets and the APBO at the time of settlement? [Statement 106.92]	__	__	__
c. If the entire APBO has been settled and the maximum amount to be recognized is a gain, has the gain been first reduced by any remaining unrecognized transition obligation and any excess been recognized in income? [Statement 106.93]	__	__	__
d. If the entire APBO has been settled and the maximum amount to be recognized is a loss, has the loss been recognized in income? [Statement 106.93]	__	__	__
e. If only part of the APBO has been settled, has the excess of the amount equal to the percentage reduction in the APBO of the maximum settlement gain over any remaining unrecognized transition obligation been recognized in income? [Statement 106.93]	__	__	__

Postretirement Benefits Other Than Pensions			
Accounting:	**Yes**	**No**	**NA**
f. If a participating insurance contract purchase constitutes the settlement, has the maximum settlement gain been reduced by the cost of the participation right? [Statement 106.94]	__	__	__
g. Has the accounting policy adopted for recognition of settlement gains and losses when the costs for the year are less than or equal to the sum of the service cost and interest cost components of net postretirement benefit cost for the year been consistently applied? [Statement 106.95]	__	__	__
h. If the gain or loss on the settlement is directly related to disposal of a component of an entity, is the amount included in determining the gain or loss associated with that event? [Statement 144.44(c)]	__	__	__
18. If the company had a curtailment: [Statement 106.96–.100]			
a. Has the unrecognized prior service cost associated with years of service no longer expected to be rendered been recognized as a loss? [Statement 106.97]	__	__	__
(1) Has the unrecognized prior service cost included the cost of retroactive amendments and any remaining unrecognized net obligation? [Statement 106.97]	__	__	__
b. Has the APBO been increased (loss) or decreased (gain) by the effects of the curtailment? [Statement 106.98]	__	__	__
(1) Has any remaining unrecognized transition asset that existed at initial application of Statement 106 been treated as an unrecognized net gain and combined with the unrecognized net gain or loss arising after the transition of Statement 106? [Statement 106.98]	__	__	__
(2) Has the increase (loss) in the APBO been offset against any unrecognized gain as measured in (b)(1) above to the extent the APBO increase (loss) exceeds the gain measured in (b)(1) above? [Statement 106.98(b)]	__	__	__
(3) Has the decrease (gain) in the APBO been offset against any unrecognized loss as measured in (b)(1) above to the extent the APBO decrease (gain) exceeds the loss measured in (b)(1) above? [Statement 106.98(a)]	__	__	__
c. Has the net amount calculated in (b)(2) or (b)(3) been combined with the prior service cost loss? [Statement 106.97, .99]	__	__	__
d. If the total of the effects of (a), (b), and (c) above is a net loss, has it been recognized when it is probable that a curtailment will occur and the net effect is reasonably estimable? [Statement 106.99]	__	__	__
e. If the total of the effects of (a), (b), and (c) above is a net gain, has it been recognized when the related employees terminated or the plan suspension or amendment was adopted? [Statement 106.99]	__	__	__

Postretirement Benefits Other Than Pensions			
Accounting:	**Yes**	**No**	**NA**
f. If the gain or loss on the curtailment is directly related to the disposal of a component of an entity, is the amount included in determining the gain or loss associated with that event? [Statement 144.44(c)]	—	—	—
19. If the company provided benefits to employees in connection with their termination of employment (special termination benefits or contractual termination benefits): [Statement 106.101 and .102]			
a. If special termination benefits were offered, has a liability and a loss been recognized when the employees accepted the offer and the amount could be reasonably estimated? [Statement 106.101]	—	—	—
(1) Was the liability and the loss for the special termination benefits recognized as the difference between (a) the APBO for those employees, assuming that those employees (active plan participants) not yet fully eligible for benefits would terminate at their full eligibility date and that fully eligible plan participants would retire immediately, without considering any special termination benefits and (b) the APBO as measured in (a) adjusted to reflect the special termination benefits? [Statement 106.102]	—	—	—
b. If contractual termination benefits were provided, was a liability and a loss recognized when it was probable that employees would be entitled to the benefits and the amount could be reasonably estimated? [Statement 106.101]	—	—	—
20. If the company has a defined contribution plan(s),			
a. Has the required contribution for the period been recognized as net postretirement benefit cost? [Statement 106.105]	—	—	—
b. If the plan calls for contributions after an individual retires or terminates, has a portion of the cost been accrued for employee service during the current period? [Statement 106.105]	—	—	—
c. If the substance of a plan is to provide a defined benefit, does the accounting conform to the requirements for defined benefit plans? [Statement 106.107]	—	—	—
Has the entity complied with the following Issues discussed by the Emerging Issues Task Force, when applicable?	—	—	—
06-5, "Accounting for Purchases of Life Insurance — Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4, *Accounting for Purchases of Life Insurance*" — This Issue addresses what amounts should be included in determining the amount that could be realized under the insurance contract.			
06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements" — This Issue addresses whether the postretirement benefit associated with an endorsement split-dollar life insurance arrangement is effectively settled in accordance with either FASB Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, or APB Opinion No. 12, *Deferred Compensation Contracts*.			

Postretirement Benefits Other Than Pensions			
Accounting:	**Yes**	**No**	**NA**
05-5, "Accounting for Early Retirement or Postemployment Programs with Specific Features (Such As Terms Specified in Altersteilzeit [ATZ] Early Retirement Arrangements)" — This Issue addresses (1) how to account for the bonus feature and additional contributions into the German government pension scheme under a Type II arrangement and (2) how to account for the government subsidy under Type I and Type II ATZ arrangements.			
03-4, "Determining the Classification and Benefit Attribution Method for a 'Cash Balance' Pension Plan" — This Issue addresses (1) whether, for purposes of applying Statement 87, cash balance plans should be considered defined benefit plans or defined contribution plans and (2) if that cash balance plan is determined to be a defined benefit plan, the nature of the benefit promise and the appropriate benefit attribution approach based on that promise.			
96-5, "Recognition of Liabilities for Contractual Termination Benefits or Changing Benefit Plan Assumptions in Anticipation of a Business Combination"— This Issue addresses whether a liability for the contractual termination benefits and the curtailment losses under employee benefit plans that will be triggered by the consummation of the business combination should be recognized when (1) it is probable that the business combination will be consummated or (2) the business combination is consummated.			
93-3, "Plan Assets Under FASB Statement No. 106" — This Issue addresses whether a trust established to pay postretirement benefits must be determined to be bankruptcy-proof in order for the assets in the trust to qualify as plan assets under Statement 106.			
92-13, "Accounting for Estimated Payments in Connection With the Coal Industry Retiree Health Benefit Act of 1992" — This Issue addresses how enterprises should account for the payments that are required by the Coal Industry Retiree Health Benefit Act of 1992.			
92-12, "Accounting for OPEB Costs by Rate-Regulated Enterprises" — This Issue addresses what criteria or evidence is needed for a rate-regulated enterprise to satisfy the requirements of FASB Statement No. 71, *Accounting for the Effects of Certain Types of Regulation*, to recognize a regulatory asset for Statement 106 costs.			
91-7, "Accounting for Pension Benefits Paid by Employers After Insurance Companies Fail to Provide Annuity Benefits" — This Issue addresses how an employer should account for the cost of making up a deficiency in annuity payments to the retirees due to an insurance company becoming insolvent or unable to make the payments.			
90-3, "Accounting for Employers' Obligations for Future Contributions to a Multiemployer Pension Plan" — This Issue addresses whether an employer that participates in a multiemployer pension plan must record a liability for the total future payments for prior service costs pursuant to an agreement at the date the employer enters the plan or improves benefits under the plan.			

Postretirement Benefits Other Than Pensions			
Accounting:	**Yes**	**No**	**NA**
88-23, "Lump-Sum Payments Under Union Contracts" — This Issue relates to a lump-sum cash payment or payments in lieu of all or a portion of an increase in a union member's base wage rate and whether the lump-sum payment or payments should be (1) charged to expense immediately or (2) amortized over all or some portion of the contract period.			
88-1, "Determination of Vested Benefit Obligation for a Defined Benefit Pension Plan" — This Issue addresses whether the vested benefit obligation is the actuarial present value of the vested benefits to which the employee is entitled if the employee separates immediately or the actuarial present value of the vested benefits to which the employee is currently entitled but based on the employee's expected date of separation or retirement.			
86-27, "Measurement of Excess Contributions to a Defined Contribution Plan or Employee Stock Ownership Plan" — This Issue addresses how an employer accounts for excess contributions not allocated to individual participants' accounts in defined contribution plans or employee stock ownership plans.			
D-106, "Clarification of Q&A No. 37 of FASB Special Report, *A Guide to Implementation of Statement 87 on Employers' Accounting for Pensions*" — This Issue revised the answer to Q&A 37, which addresses how an employer should determine whether an additional minimum liability is required if it has a measurement date earlier than its financial report date.			
D-36, "Selection of Discount Rates Used for Measuring Defined Benefit Pension Obligations and Obligations of Postretirement Benefit Plans Other Than Pensions" — This Issue provides guidance for selecting discount rates.			
D-27, "Accounting for the Transfer of Excess Pension Assets to a Retiree Health Care Benefits Account" — This Issue states that the transfer of excess pension assets to a retiree health care benefit account should be recognized as a negative contribution to (withdrawal of funds from) the pension plan and a positive contribution to the retiree health care plan. No gain or loss arises from the transfer of the excess pension assets.			
For enterprises that have adopted any of the provisions of Statement 158, the following section should be completed.			
Section II			
1. If the company has deferred compensation contracts with individual employees that, taken together, are equivalent to a postretirement income plan, has Statement 87 been applied? [Statement 106.13]	__	__	__
2. If the company has deferred compensation contracts with individual employees that, taken together, are equivalent to a postretirement health or welfare benefit plan, has Statement 106 been applied? [Statement 106.6, .9, .13]	__	__	__

Postretirement Benefits Other Than Pensions **Accounting:**	**Yes**	**No**	**NA**
3. If the company has other deferred compensation contracts, is compensation being accrued systematically over the period to the full eligibility date (i.e., the date at which an employee has rendered all the service necessary to have earned the right to receive all of the benefits expected to be received by that employee) resulting in an amount equal to the then present value of the future benefits expected to be paid? [Statement 106.13]	__	__	__
4. If a defined benefit plan(s) exists, have the following requirements with respect to assumptions been met: [Statement 106.29–.42]			
a. The service cost component of postretirement benefit cost, any prior service cost, and the APBO are measured using present value techniques and using actuarial assumptions that individually reflect the best estimate of each assumption, assuming the plan will continue in effect in the absence of evidence that it will not continue? [Statement 106.30]	__	__	__
b. Assumed discount rates reflect the time value of money as of the measurement date in determining the present value of future cash outflows currently expected to be required to satisfy the postretirement benefit obligation? [Statement 106.31]	__	__	__
c. The expected long-term rate of return on plan assets reflects the average rate of earnings expected on the existing assets that qualify as plan assets and contributions to the plan expected to be made during the period, including the income tax effects of such returns, if any? [Statement 106.32]	__	__	__
d. The service cost component of net periodic postretirement benefit cost and the expected and APBOs reflect future compensation levels to the extent that the postretirement benefit formula defines the benefits wholly or partially as a function of future compensation levels? [Statement 106.33]	__	__	__
e. For pay-related plans, assumed compensation levels reflect the best estimate of the actual future compensation levels of the individual employees involved, including future changes attributed to general price levels, productivity, seniority, promotion, and other factors? [Statement 106.33]	__	__	__
f. All assumptions that reflect expectations of the same future economic conditions, such as future rates of inflation, are consistent? [Statement 106.33]	__	__	__
g. Does measurement of an employer's postretirement health care obligation include the use of assumptions about factors that are unique to health care benefits and affect the amount and timing of future benefit payments for postretirement health care, such as consideration of historical per capita claims cost by age, health care cost trend rates (for plans that provide a benefit in kind), and medical coverage to be paid by governmental authorities and other providers of health care benefits? [Statement 106.34]	__	__	__

Postretirement Benefits Other Than Pensions			
Accounting:	**Yes**	**No**	**NA**
h. Is the employer's share of the expected future postretirement health care cost (aggregate assumed net incurred claims cost) for a plan participant developed by reducing the assumed per capita claims cost by each of the following: [Statement 106.35]	__	__	__
(1) At each age at which the plan participant is expected to receive benefits under the plan by (a) the effects of coverage by Medicare, including the effects of the Medicare Prescription Drug, Improvement and Modernization Act (Act), and other providers of health care benefits, and (b) the effects of the cost-sharing provisions of the plan (deductibles, copayment provisions, out-of-pocket limitations, caps on the limits of the employer-provided payments, and retiree contributions)?	__	__	__
(2) The actuarial present value of the plan participants' future contributions if contributions are required to be paid by active plan participants toward their postretirement health care benefits?	__	__	__
i. The assumed per capita claims cost by age represents the best estimate of the expected future cost of the benefits covered by the plan? [Statement 106.36]	__	__	__
j. Past and present claims data for the plan are used in developing the current per capita claims cost to the extent that those data are considered to be indicative of the current cost of providing the benefits covered by the plan? [Statement 106.37]	__	__	__
k. The current claims data are adjusted by the assumed health care cost trend rate? [Statement 106.37]	__	__	__
l. In the absence of sufficiently reliable plan data about the current cost of the benefits covered by the plan, current per capita claims cost is based, entirely or in part, on the claims information of other employers adjusted to best reflect the terms of the employer's plan and the plan demographics, to the extent those costs are indicative of the current cost of providing the benefits covered by the plan? [Statement 106.38]	__	__	__
m. Current per capita claims cost derived from information from outside sources (e.g., insurance companies, actuarial firms, consulting firms) has been adjusted to best reflect the terms of the employer's plan and the plan demographics? [Statement 106.38]	__	__	__
n. Both past and current health care cost trends are used in developing an employer's assumed health care cost trend rates? [Statement 106.39]	__	__	__
o. Presently enacted changes in the law or amendments of the plans of other health care providers that take effect in future periods and that will affect the future level of their benefit coverages are considered in current-period measurements for benefits expected to be provided in those future periods? [Statement 106.40]	__	__	__

Postretirement Benefits Other Than Pensions Accounting:	Yes	No	NA
(1) If the plan is affected by the Medicare Prescription Drug Improvement and Modernization Act: [FSP FAS 106-2]			
(a) When initially recognized, have the effects on the APBO been accounted for as an actuarial gain? [FSP FAS 106-2.14]	__	__	__
(b) Has the subsidy been included in measuring the costs of benefits attributable to current service? [FSP FAS 106-2.15]	__	__	__
(c) If there has been a change in the estimate of the subsidy, has the change been reflected as an actuarial experience gain or loss? [FSP FAS 106-2.16]	__	__	__
(d) If a plan is amended:			
(1) To cause a plan that was deemed not actuarially equivalent as of the enactment date of the Act to now provide actuarially equivalent benefits, has the direct effect of the plan amendment on the APBO (that is, the effect of only the change in prescription drug coverage) and the effect on the APBO from any resulting subsidy to which the employer is expected to be entitled as a result of the amendment been combined and: [FSP FAS 106-2.17]			
a. If the combined effect reduces APBO, was it deemed an actuarial experience gain? [FSP FAS 106-2.17]	__	__	__
b. If the combined effect increases APBO, was it deemed prior service cost? [FSP FAS 106-2.17]	__	__	__
(2) To cause a plan that was deemed actuarially equivalent as of the enactment date to now not be considered actuarially equivalent, has the combined net effect on the APBO of (a) the subsequent plan amendment that reduces benefits under the plan and thus disqualifies the benefits as actuarially equivalent and (b) the elimination of the subsidy, been accounted for as prior service cost (credit) as of the date the amendment is adopted? [FSP FAS 106-2.18]	__	__	__
p. Future changes in laws concerning medical costs covered by governmental programs and future changes in the plans of other providers are not anticipated? [Statement 106.40]	__	__	__
q. In the absence of historical information about the gross per capita cost of covered benefits, an alternative method of developing the assumed per capita claims cost is used that represents the best estimate of the expected future cost of the benefits covered by the plan? [Statement 106.41]	__	__	__
r. To the extent that assumed discount rates, compensation levels, and health care cost trend rates consider similar inflationary effects, are the assumptions about those effects consistent? [Statement 106.42]	__	__	__

Postretirement Benefits Other Than Pensions			
Accounting:	**Yes**	**No**	**NA**
5. For other postretirement plan benefit obligations and plan assets:			
a. Have plan assets been segregated and restricted and do they include amounts contributed by the employer (and plan participants if a contributory plan) and amounts earned from investing the contributions, less benefits, income taxes, and other expenses incurred? [Statement 106.63]	__	__	__
b. Have the plan assets and benefit obligations been measured as of the date of the annual financial statements except in specific situations outlined in paragraph 72 of Statement 106? [Note that if the entity has only adopted the recognition and related disclosure provisions of Statement 158, but has not yet adopted its measurement date provisions (which are effective for fiscal years ending after December 15, 2008, for all entities) the entity may use a measurement date as of a date not more than three months prior to its fiscal year end, if it is used consistently from year to year, until the adoption of Statement 158's measurement date provisions.] [Statement 158.D2(n), Statement 106.72]	__	__	__
6. Does the accounting reflect the terms of the exchange transaction that takes place between an employer that provides postretirement benefits and the employees who render services in exchange for those benefits? Is the substantive plan, if different from the extant written plan, the basis for the accounting? [Statement 106.23]	__	__	__
a. Except as provided in (c)(1) and (c)(2) below, does the employer's cost-sharing policy, as evidenced by past practice or communication, constitute the cost-sharing provisions of the substantive plan if either of the following conditions exist:			
(1) The employer has a past practice of (a) maintaining a consistent level of cost sharing between the employer and its retirees through changes in deductibles, coinsurance provisions, retiree contributions, or some combination of those changes or (b) consistently increasing or reducing the employer's share of the cost of the covered benefits through changes in retired or active plan participants' contributions toward their retiree health care benefits, deductibles, coinsurance provisions, out-or-pocket limitations, and so forth, in accordance with the employer's established cost-sharing policy? [Statement 106.24]	__	__	__
(2) The employer has the ability, and has communicated to affected plan participants its intent, to institute different cost-sharing provisions at a specified time or when certain conditions exist (for example, when health care cost increases exceed a certain level)? [Statement 106.24]	__	__	__
b. If the conditions in (a)(1) and (a)(2) do not exist, is the extant written plan considered to be the substantive plan? [Statement 106.24]	__	__	__
c. Do the following not constitute provisions of the substantive plan: [Statement 106.25]			

Postretirement Benefits Other Than Pensions			
Accounting:	**Yes**	**No**	**NA**
(1) An employer's past practice of maintaining a consistent level of cost sharing with its retirees or consistently increasing or reducing its share of the cost of providing the covered benefits, if accompanied by identifiable offsetting changes in other benefits or compensation or if the employer incurred significant costs, such as work stoppages, to effect that cost-sharing policy? [Statement 106.25]	__	__	__
(2) An employer's communication of its intent to institute cost-sharing provisions, that differ from the extant written plan or the past cost-sharing practice, if (a) the plan participants would be unwilling to accept the change without adverse consequences to the employer's operations or (b) other modifications of the plan, such as the level of benefit coverage, or providing offsetting changes in other benefits, such as pension benefits, would be required to gain plan participants' acceptance of the change to the cost-sharing arrangement? [Statement 106.25]	__	__	__
d. Do the service cost component of net periodic postretirement benefit cost and the expected and APBO reflect future increases in service cost for which a present substantive commitment exists? [Statement 106.26]	__	__	__
7. If benefits are covered by annuity or other insurance contracts, does the accounting conform to the provisions of Statement 106? [Statement 106.67–.71]	__	__	__
8. If the company has two or more defined benefit plans:			
a. Have net periodic postretirement benefit cost, the APBO, and plan assets been determined for each separately measured plan or aggregation of plans? [Statement 106.75 and .76]	__	__	__
9. If the company participates in a multiemployer plan(s):			
a. Has the required contribution for the period been recognized as net postretirement benefit cost? [Statement 106.81]	__	__	__
b. Has a liability been recognized for any unpaid contributions required for the period? [Statement 106.81]	__	__	__
c. If the withdrawal from a multiemployer plan under circumstances that would give rise to an obligation is probable or reasonably possible, has the company complied with the provisions of Statement 5? [Statement 106.83]	__	__	__
d. If it is probable or reasonably possible that an employer's contribution to the fund would be increased during the remainder of the contract period to make up a shortfall in the funds necessary to maintain the negotiated level of benefit coverage (a "maintenance of benefits" clause) has the employer applied the provisions of Statement 5? [Statement 106.83]	__	__	__
10. For employers with multiple-employer plans, has the employer's accounting been based on its respective interest in the plan? [Statement 106.84]	__	__	__

Postretirement Benefits Other Than Pensions			
Accounting:	**Yes**	**No**	**NA**
11. Have non-U.S. plans been accounted for in conformity with Statement 106? [Statement 106.85]	__	__	__
12. Business combinations — Have amounts assigned to individual assets acquired and liabilities assumed, except goodwill, been determined in accordance with the following general guide? (Among other sources of relevant information, independent appraisals and actuarial or other valuations may be used as an aid in determining the estimated fair values of assets acquired and liabilities assumed.)	__	__	__
a. A liability (asset) for the APBO in excess of (less than) the fair value of plan assets of a single-employer defined benefit postretirement plan?	__	__	__
b. Also, if it is expected that the plan will be terminated or curtailed, have the effects of those actions been considered in measuring the APBO? [Statement 141.37, 106.86–.88]	__	__	__
13. In the initial application of Statement 106 for a defined benefit plan(s), was the transition asset or obligation determined in accordance with Statement 106? [Statement 106.108–.113]	__	__	__
14. If the transition obligation was not immediately recognized at transition, has the transition net asset or obligation included in AOCI been amortized in accordance with Statement 106 in determining net periodic OPEB cost? [Statement 158.D2(e), Statement 106.46, .112 and .113]	__	__	__
15. Does the gain or loss component of net periodic postretirement benefit cost consist of (a) the difference between the actual return on plan assets and the expected return on plan assets, (b) any gain or loss immediately recognized or the amortization of the net gain or loss included in AOCI (if any is required pursuant to paragraph 59 of Statement 106), and (c) any amount immediately recognized as a gain or loss pursuant to paragraph 61 of Statement 106? [Statement 158.D2(j)–(l), Statement 106.58–.62]	__	__	__
16. Has the prior service cost or credit been amortized in accordance with Statement 106 in determining net periodic postretirement benefit cost? [Statement 158.D2(e)–(h), Statement 106.46, .52–.55]	__	__	__
17. Regarding the recognition of other postretirement benefit assets and liabilities:			
a. Has a liability been recognized that equals the unfunded APBO if the APBO exceeds the fair value of plan assets? [Statement 158.D2(d), Statement 106.44A]	__	__	__
b. Has an asset been recognized that equals the overfunded APBO if the fair value of plan assets exceeds the APBO? [Statement 158.D2(d), Statement 106.44A]	__	__	__
18. If the company has had a settlement: [Statement 158.D2(q) and (r), Statement 106.90–.95, .100]			

Postretirement Benefits Other Than Pensions **Accounting:**	**Yes**	**No**	**NA**
a. Has the amount of the maximum gain or loss included any net gain or loss included in AOCI plus any transition asset remaining in AOCI? [Statement 158.D2(q), Statement 106.92]	__	__	__
b. Has the maximum gain or loss included the gain or loss resulting from remeasurement of plan assets and the APBO at the time of settlement? [Statement 158.D2(q), Statement 106.92]	__	__	__
c. If the entire APBO has been settled and the maximum amount to be recognized is a gain, has the gain been first reduced by any transition obligation remaining in AOCI and any excess been recognized in income? [Statement 158.D2(r), Statement 106.93]	__	__	__
d. If the entire APBO has been settled and the maximum amount to be recognized is a loss, has the loss been recognized in income? [Statement 106.93]	__	__	__
e. If only part of the APBO has been settled, has the excess of the amount equal to the percentage reduction in the APBO of the maximum settlement gain over any remaining transition obligation been recognized in income? [Statement 106.93]	__	__	__
f. If a participating insurance contract purchase constitutes the settlement, has the maximum settlement gain been reduced by the cost of the participation right? [Statement 106.94]	__	__	__
g. Has the accounting policy adopted for recognition of settlement gains and losses when the costs for the year are less than or equal to the sum of the service cost and interest cost components of net postretirement benefit cost for the year been consistently applied? [Statement 106.95]	__	__	__
h. If the gain or loss on the settlement is directly related to disposal of a component of an entity, is the amount included in determining the gain or loss associated with that event? [Statement 144.44(c)]	__	__	__
19. If the company had a curtailment: [Statement 106.96–.100]			
a. Has the prior service cost included in AOCI associated with years of service no longer expected to be rendered as a result of the curtailment been treated as a loss? [Statement 158.D2(s), Statement 106.97]	__	__	__
(1) Has the prior service cost, remaining in AOCI, included the cost of retroactive amendments and any remaining transition obligation? [Statement 158.D2(s), Statement 106.97]	__	__	__
b. Has the APBO been increased (loss) or decreased (gain) by the effects of the curtailment? [Statement 106.98]	__	__	__
(1) Has any remaining transition asset included in AOCI been treated as a net gain and combined with the net gain or loss remaining in AOCI arising after the transition of Statement 106? [Statement 158. D2(t), Statement 106.98]	__	__	__

Postretirement Benefits Other Than Pensions			
Accounting:	**Yes**	**No**	**NA**
(2) Has the increase (loss) in the APBO been offset against any gain as measured in (b)(1) above to the extent the APBO increase (loss) exceeds the gain measured in (b)(1) above? [Statement 106.98(b)]	__	__	__
(3) Has the decrease (gain) in the APBO been offset against any loss as measured in (b)(1) above to the extent the APBO decrease (gain) exceeds the loss measured in (b)(1) above? [Statement 106.98(a)]	__	__	__
c. Has the net amount calculated in (b)(2) or (b)(3) been combined with the prior service cost loss? [Statement 106.97, .99]	__	__	__
d. If the total of the effects of (a), (b), and (c) above is a net loss, has it been recognized when it is probable that a curtailment will occur and the net effect is reasonably estimable? [Statement 106.99]	__	__	__
e. If the total of the effects of (a), (b), and (c) above is a net gain, has it been recognized when the related employees terminated or the plan suspension or amendment was adopted? [Statement 106.99]	__	__	__
f. If the gain or loss on the curtailment is directly related to the disposal of a component of an entity, is the amount included in determining the gain or loss associated with that event? [Statement 144.44(c)]	__	__	__
20. If the company provided benefits to employees in connection with their termination of employment (special termination benefits or contractual termination benefits): [Statement 106.101 and .102]			
a. If special termination benefits were offered, has a liability and a loss been recognized when the employees accepted the offer and the amount could be reasonably estimated? [Statement 106.101]	__	__	__
(1) Was the liability and the loss for the special termination benefits recognized as the difference between (a) the APBO for those employees, assuming that those employees (active plan participants) not yet fully eligible for benefits would terminate at their full eligibility date and that fully eligible plan participants would retire immediately, without considering any special termination benefits and (b) the APBO as measured in (a) adjusted to reflect the special termination benefits? [Statement 106.102]	__	__	__
b. If contractual termination benefits were provided, was a liability and a loss recognized when it was probable that employees would be entitled to the benefits and the amount could be reasonably estimated? [Statement 106.101]	__	__	__
21. If the company has a defined contribution plan(s):			
a. Has the required contribution for the period been recognized as net postretirement benefit cost? [Statement 106.105]	__	__	__

Postretirement Benefits Other Than Pensions			
Accounting:	**Yes**	**No**	**NA**
b. If the plan calls for contributions after an individual retires or terminates, has a portion of the cost been accrued for employee service during the current period? [Statement 106.105]	—	—	—
c. If the substance of a plan is to provide a defined benefit, does the accounting conform to the requirements for defined benefit plans? [Statement 106.107]	—	—	—
Has the entity complied with the following Issues discussed by the Emerging Issues Task Force, when applicable?	—	—	—
06-5, "Accounting for Purchases of Life Insurance — Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4, *Accounting for Purchases of Life Insurance*" — This Issue addresses what amounts should be included in determining the amount that could be realized under the insurance contract.			
06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements" — This Issue addresses whether the postretirement benefit associated with an endorsement split-dollar life insurance arrangement is effectively settled in accordance with either FASB Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, or APB Opinion No. 12, *Deferred Compensation Contracts.*			
05-5, "Accounting for Early Retirement or Postemployment Programs with Specific Features (Such As Terms Specified in Altersteilzeit [ATZ] Early Retirement Arrangements)" — This Issue addresses (1) how to account for the bonus feature and additional contributions into the German government pension scheme under a Type II arrangement and (2) how to account for the government subsidy under Type I and Type II ATZ arrangements.			
03-4, "Determining the Classification and Benefit Attribution Method for a 'Cash Balance' Pension Plan"— This Issue addresses (1) whether, for purposes of applying Statement 87, cash balance plans should be considered defined benefit plans or defined contribution plans and (2) if that cash balance plan is determined to be a defined benefit plan, the nature of the benefit promise and the appropriate benefit attribution approach based on that promise.			
96-5, "Recognition of Liabilities for Contractual Termination Benefits or Changing Benefit Plan Assumptions in Anticipation of a Business Combination" — This Issue addresses whether a liability for the contractual termination benefits and the curtailment losses under employee benefit plans that will be triggered by the consummation of the business combination should be recognized when (1) it is probable that the business combination will be consummated or (2) the business combination is consummated.			

Postretirement Benefits Other Than Pensions			
Accounting:	**Yes**	**No**	**NA**
93-3, "Plan Assets Under FASB Statement No. 106" — This Issue addresses whether a trust established to pay postretirement benefits must be determined to be bankruptcy-proof in order for the assets in the trust to qualify as plan assets under Statement 106.			
92-13, "Accounting for Estimated Payments in Connection with the Coal Industry Retiree Health Benefit Act of 1992" — This Issue addresses how enterprises should account for the payments that are required by the Coal Industry Retiree Health Benefit Act of 1992.			
92-12, "Accounting for OPEB Costs by Rate-Regulated Enterprises" — This Issue addresses what criteria or evidence is needed for a rate-regulated enterprise to satisfy the requirements of FASB Statement No. 71, *Accounting for the Effects of Certain Types of Regulation*, to recognize a regulatory asset for Statement 106, costs.			
91-7, "Accounting for Pension Benefits Paid by Employers After Insurance Companies Fail to Provide Annuity Benefits" — This Issue addresses how an employer should account for the cost of making up a deficiency in annuity payments to the retirees due to an insurance company becoming insolvent or unable to make the payments.			
90-3, "Accounting for Employers' Obligations for Future Contributions to a Multiemployer Pension Plan" — This Issue addresses whether an employer that participates in a multiemployer pension plan must record a liability for the total future payments for prior service costs pursuant to an agreement at the date the employer enters the plan or improves benefits under the plan.			
88-23, "Lump-Sum Payments Under Union Contracts" — This Issue relates to a lump-sum cash payment or payments in lieu of all or a portion of an increase in a union member's base wage rate and whether the lump-sum payment or payments should be (1) charged to expense immediately or (2) amortized over all or some portion of the contract period.			
88-1, "Determination of Vested Benefit Obligation for a Defined Benefit Pension Plan" — This Issue addresses whether the vested benefit obligation is the actuarial present value of the vested benefits to which the employee is entitled if the employee separates immediately or the actuarial present value of the vested benefits to which the employee is currently entitled but based on the employee's expected date of separation or retirement.			
86-27, "Measurement of Excess Contributions to a Defined Contribution Plan or Employee Stock Ownership Plan" — This Issue addresses how an employer accounts for excess contributions not allocated to individual participants' accounts in defined contribution plans or employee stock ownership plans.			

Postretirement Benefits Other Than Pensions Accounting:	Yes	No	NA
D-36, "Selection of Discount Rates Used for Measuring Defined Benefit Pension Obligations and Obligations of Postretirement Benefit Plans Other Than Pensions" — This Issue provides guidance for selecting discount rates.			
D-27, "Accounting for the Transfer of Excess Pension Assets to a Retiree Health Care Benefits Account" — This Issue states that the transfer of excess pension assets to a retiree health care benefit account should be recognized as a negative contribution to (withdrawal of funds from) the pension plan and a positive contribution to the retiree health care plan. No gain or loss arises from the transfer of the excess pension assets.			

Appendix H — Comparison of U.S. GAAP and IFRSs

U.S. GAAP and international financial reporting standards (IFRSs) have similar approaches to employers' accounting for pensions and other postretirement benefits. For example, both approaches provide for a net presentation of plan assets and liabilities, and for deferred recognition in income of actuarial gains and losses. However, there are some significant differences.

The IFRSs on employers' accounting for pension and other postretirement benefits can be found in IAS 19, *Employee Benefits*. Since September 2002, the FASB and IASB have been working to develop high-quality, compatible accounting standards for use in both domestic and cross-border financial reporting. Recently, these organizations have been coordinating certain of their current projects in working toward convergence. In 2004, IAS 19 was revised to incorporate the option to record actuarial gains and losses (in the period in which they occur) in the statement of recognized income and expense (analogous to a statement of OCI). In September 2006, the FASB issued Statement 158, which more closely resembled IAS 19, by requiring companies to measure their plan assets and benefit obligations as of the employer's year-end.

In July 2006, the IASB added a project to its agenda to review all aspects of postemployment benefit accounting (including pensions and other postretirement benefits). The IASB's project will be conducted in two phases: phase 1 will focus on improving the existing standard, and phase 2 will center on achieving convergence between U.S. GAAP and IFRSs.

The accompanying table is a U.S. GAAP and IFRS comparison, highlighting certain differences related to employers' accounting for postretirement benefits.

Topic	U.S. GAAP Pre-158	U.S. GAAP Post-158	IFRS
Pension or Other Postretirement Benefit Assets	No limitation on the amount that can be recognized. Prepaid asset — represents the excess of cumulative contributions to the defined benefit plan over recognized expense. The prepaid asset is presumed to be recovered through future actuarial losses, and therefore an impairment assessment is not required under U.S. GAAP.	No limitation on the amount that can be recognized. Fully recognize an asset for the overfunded status of the benefit plans in the financial statements. The asset recognized is measured as the excess of the fair value of the plan's assets over the benefit obligation.	Limits the extent to which a net defined benefit plan asset (prepaid pension asset) is recognized to the lesser of: (a) the excess of plan assets over the PBO[1] plus any cumulative unrecognized net actuarial gains or losses and prior service cost (b) the total of any cumulative unrecognized net actuarial losses and prior service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan, determined using the discount rate used in measuring the PBO.

[1] IAS 19 (revised 2004) requires the use of the projected unit credit method in computing the benefit obligation. This method uses similar actuarial assumption to those used to determine the PBO under U.S. GAAP.

Topic	U.S. GAAP Pre-158	U.S. GAAP Post-158	IFRS
Presentation of Prior Service Costs in the Balance Sheet	Not recognized as an additional intangible if an AML is required.	Reclassify to AOCI any intangibles upon adoption of Statement 158. Record any subsequent amounts in OCI.	Presented as an offset or increase to PBO.
Minimum Liability Recognition for Benefits Under Defined Benefit Plans	Pensions — requires, at a minimum, an accrued benefit obligation for the unfunded portion of the ABO (minimum liability). Other postretirement benefits — there is no minimum liability requirement.	Fully recognize a liability for the underfunded status of the defined benefit plans in the financial statements. The liability recognized is measured as the excess of the plan's benefit obligation[2] over the fair value of the plan's assets.	No minimum liability requirement. IFRS focuses on how the liability is measured. This is based on the PBO (which is consistent with Statement 158) rather than on the funded status of the plan at the balance sheet date (as provided by U.S. GAAP prior to the adoption of Statement 158).
Income Statement Recognition of Prior Service Cost Related to Benefits That Have Vested	Generally amortized over the remaining service period or life expectancy.	Not affected by Statement 158.	Recognize immediately.
Actuarial Gains and Losses (Income Statement Treatment)	Statements 87 and 106 require that in cases in which all, or almost all, of a plan's participants are inactive, such amount should be amortized into income over the average remaining life expectancy of the inactive participants instead of the average remaining service period.	Not affected by Statement 158.	If an entity elects to apply the deferral method, actuarial gains and losses are amortized over a period no longer than the expected average remaining working lives of the employees participating in the plan.
Recognizing Actuarial Gains and Losses, When They Arise, Directly in the Statement of Equity	Not permitted.	Gains and losses are recorded in OCI when they arise. Gains and losses will be recycled to the income statement in future periods.	Permitted; however, gains and losses are recorded to retained earnings. If the entity recognizes gains and losses immediately in equity, the amounts will not be "recycled" to the income statement in future periods.

[2] Benefit obligation is measured as projected benefit obligation (PBO) for pension plans and the accumulated postretirement benefit obligation (APBO) for other postretirement benefit plans.

Topic	U.S. GAAP Pre-158	U.S. GAAP Post-158	IFRS
Termination Benefits	Recognize special termination benefits when employees accept the offer and the amount can be reasonably estimated. Recognize contractual termination benefits when it is probable that employees will be entitled to receive the benefit and the amount can be reasonably estimated.	Not affected by Statement 158.	No distinction between "special" and other termination benefits. Termination benefits are recognized when the employer is demonstrably committed to pay.
Measurement of Gain or Loss to Be Recognized in Income on Curtailment of a Benefit Plan	Curtailment gain or loss to be recognized consists of two pieces: (1) a portion of unrecognized prior service cost (prior service gain), which for this purpose includes any remaining unrecognized transition obligation and (2) the change in the PBO — a gain or a loss reduced by any net unrecognized loss or gain, which for this purpose includes any remaining unrecognized transition asset. The portion of prior service cost (prior service gain) to be recognized is measured on the basis of the years of service that will no longer be rendered.	Not affected by Statement 158; however, all unrecognized amounts used in calculating the gain or loss will be recorded in AOCI upon adoption of Statement 158.	Curtailment gain or loss to be recognized consists of three pieces: (1) any change in the present value of the defined benefit obligation resulting from the curtailment; (2) any resulting change in the fair value of the plan assets; and (3) a portion of any related unrecognized actuarial gains and losses (not previously recognized in equity) and prior service cost (including any unrecognized transitional amounts). The portion of unrecognized actuarial gains and losses and prior service cost to be recognized is measured on the basis of the present value of the obligations before and after the curtailment, unless another basis is more rational. That is, if the obligation is reduced by 10 percent, the amount of net unrecognized gain (loss) and unrecognized prior service cost to be recognized would be 10 percent.
Timing Recognition of Gains/Losses on Curtailment of a Benefit Plan (Income Statement Treatment)	A curtailment loss is recognized when it is probable that a curtailment will occur and the effects are reasonably estimable. A curtailment gain is recognized when the relevant employees are terminated or the plan suspension or amendment is adopted, which could occur after the entity is demonstrably committed and a curtailment is announced.	Not affected by Statement 158.	Both curtailment gains and losses are recognized when a curtailment occurs.

Appendix I — Resources

Deloitte & Touche USA LLP Publications

The following publications are available on www.deloitte.com and may be consulted for additional information:

- *Heads Up — Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (Deloitte & Touche LLP)

- *Securing Retirement: An Overview of the Pension Protection Act of 2006* (Deloitte Tax LLP)

- *Securing the Future: Defined Benefit Plans and the Pension Protection Act of 2006* (Deloitte Consulting LLP)

- *2006 Survey of Economic Assumptions Used for SFAS No. 87 and SFAS No.106 Purposes* (Deloitte Consulting LLP)

Accounting Standard Setters and Regulators

Web sites of the accounting standard setters and regulators discussed in this publication include the following:

- Financial Accounting Standards Board (www.fasb.org).

- International Accounting Standards Board (www.iasb.org).

- Internal Revenue Service (www.irs.gov).

- Pension Benefit Guaranty Corporation (www.pbgc.gov).

- U.S. Securities and Exchange Commission (www.sec.gov).

- U.S. Department of Labor (www.dol.gov).

Appendix J — Abbreviations

ABO	Accumulated benefit obligation
AICPA	American Institute of Certified Public Accountants
AML	Additional minimum liability
AOCI	Accumulated other comprehensive income
APBO	Accumulated postretirement benefit obligation
ASOP	Actuarial Standard of Practice
DOL	Department of Labor
EBSA	Employee Benefits Security Administration
EGTRRA	Economic Growth and Tax Relief Reconciliation Act of 2001
EITF	Emerging Issues Task Force
EPCRS	Employee Plans Compliance Resolution System
ERISA	Employee Retirement Income Security Act
ESOP	Employee stock ownership plan
FASB	Financial Accounting Standards Board
FSP	FASB Staff Position
GAAP	Generally accepted accounting principles
IRC	Internal Revenue Code
IRS	Internal Revenue Service
MD&A	Management's Discussion and Analysis
OCI	Other comprehensive income
PBGC	Pension Benefit Guaranty Corporation
PBO	Projected benefit obligation
PCAOB	Public Company Accounting Oversight Board
PPA	Pension Protection Act of 2006
SEC	Securities and Exchange Commission
SOP	AICPA Statement of Position

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