

**Financial Accounting Standards Board**  
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**NEWS**

**FASB Adds Comprehensive Project to Reconsider Accounting for Pensions  
and Other Postretirement Benefits**

**Board Seeks to Improve Transparency and Usefulness for Investors,  
Creditors, Employees, Retirees and Other Users of Financial Information**

**Norwalk, CT November 10, 2005**—The Financial Accounting Standards Board (FASB) voted today to add a project to its agenda to reconsider guidance in Statement No. 87, *Employers' Accounting for Pensions*, and Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*.

The Board's objective in undertaking the project is to improve the reporting of pensions and other postretirement benefit plans in the financial statements by making information more useful and transparent for investors, creditors, employees, retirees, and other users. The agenda addition reflects the Board's commitment to ensure that its standards address current accounting issues and changing business practices.

In making its decision, the Board considered requests by various constituents, including members of the Financial Accounting Standards Advisory Council (FASAC), the FASB's User Advisory Council (UAC), and the United States Securities and Exchange Commission (SEC).

***Complex and Comprehensive***

"We have heard many different views from our constituents about how the current accounting model should be reconsidered to improve transparency and usefulness. The breadth and complexity of the issues involved and the views on how to address them are deeply held. While the accounting and reporting issues do not appear to lend themselves to a simple fix, the Board believes that immediate improvements are necessary and will look for areas that can be improved quickly," said Robert Herz, Chairman of the Financial Accounting Standards Board.

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The accounting and reporting issues involved touch on many fundamental areas of accounting, including measurement of assets and liabilities, consolidation, and reporting of financial performance. They are also impacted by complex funding and tax rules that, while not directly associated with accounting standards, affect the economics the accounting seeks to depict.

***Comprehensive Approach with Initial Improvements in 2006***

Given these complexities, the Board believes that a comprehensive project conducted in two phases is the most effective way to address these issues. The first phase is expected to be finalized by the end of 2006.

The first phase seeks to address the fact that under current accounting standards, important information about the financial status of a company's plan is reported in the footnotes, but not in the basic financial statements. Accordingly, this phase will seek to improve transparency by requiring that the funded or unfunded status of defined benefit and other postretirement benefit plans, measured as the difference between the fair value of plan assets and the current measure of the benefit obligation incurred for past employee service, be recognized in the balance sheet.

The second broader phase would comprehensively address remaining issues, including:

- How to best recognize and display in earnings and other comprehensive income the various elements that affect the cost of providing postretirement benefits
- How to best measure the obligation, in particular the obligations under plans with lump-sum settlement options
- Whether more or different guidance should be provided regarding measurement assumptions
- Whether postretirement benefit trusts should be consolidated by the plan sponsor

In conducting the project, the FASB will seek the views of parties currently involved in other, independent reviews of the pension system including the Department of Labor and the Pension Benefit Guaranty Corporation. Furthermore, consistent with its effort toward international convergence of accounting standards, the FASB expects to work with the International Accounting Standards Board and other standards setters.

### ***An Ongoing Improvement Effort***

The agenda addition represents the latest step in the FASB's effort to ensure that standards for pensions and other postretirement benefits provide credible, comparable, conceptually sound and usable information to the public.

In 1987, the Board issued Statement 87, which made significant improvements in the way the costs of defined benefit plans were measured and disclosed. It is important to note that at that time, the Board acknowledged that pension accounting was still in a transitional stage and that future changes might be warranted.

Accordingly, additional enhancements since that time have included:

- *Statement No. 106 (1990)*—which made similar significant improvements to those made in Statement No. 87 but for postretirement benefits other than pensions
- *Statement No. 132, Employers' Disclosures about Pensions and Other Postretirement Benefits, (1998)*—which revised employers' disclosures about pension and other postretirement benefits to enhance the information disclosed about changes in the benefit obligation and fair value of plan assets
- *Statement No. 132R, Employers' Disclosures about Pensions and Other Postretirement Benefits (Revised 2003)*—which provided expanded disclosures in several areas, including plan assets, benefit obligations, and cash flows.

### **About the Financial Accounting Standards Board**

Since 1973, the Financial Accounting Standards Board has been the designated organization in the private sector for establishing standards of financial accounting and reporting. Those standards govern the preparation of financial reports and are officially recognized as authoritative by the Securities and Exchange Commission and the American Institute of Certified Public Accountants. Such standards are essential to the efficient functioning of the economy because investors, creditors, auditors, and others rely on credible, transparent and comparable financial information. For more information about the FASB, visit our website at [www.fasb.org](http://www.fasb.org).

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