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NEWS RELEASE 03/31/06

FASB Issues Exposure Draft to Improve Accounting For Postretirement Benefit Plans, Including Pensions

Proposed Statement Would Increase Transparency and Completeness of Financial Statements

Norwalk, CT, March 31, 2006—The FASB today issued a [proposal](#) that would improve financial reporting by requiring employers to recognize the overfunded or underfunded positions of defined benefit postretirement plans, including pension plans ("plans"), in their balance sheets. The proposal would also require that employers measure plan assets and obligations as of the date of their financial statements. The proposed changes would increase the transparency and completeness of financial statements for shareholders, creditors, employees, retirees, donors, and other users.

Today's exposure draft applies to plan sponsors that are public and private companies and nongovernmental not-for-profit organizations. It results from the first phase of a comprehensive project to reconsider guidance in Statement No. 87, *Employers' Accounting for Pensions*, and Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*. A second, broader phase will comprehensively address remaining issues. The Board expects to collaborate with the International Accounting Standards Board on that phase.

Current accounting standards do not provide complete information about postretirement benefit obligations. For example, those standards allow an employer to recognize an asset or liability in its balance sheet that almost always differs from its overfunded or underfunded positions. Instead, they require that information about the current funded status of such plans be reported in the notes to financial statements. That incomplete reporting results because existing standards allow delayed recognition of certain changes in plan assets and obligations that affect the costs of providing such benefits.

"Many constituents, including our advisory councils, investors, creditors, and the SEC staff believe that the current incomplete accounting makes it difficult to assess an employer's financial position and its ability to carry out the obligations of its plans," said George Batavick, FASB member. "We agree. Today's proposal, by requiring sponsoring employers to reflect the current overfunded or underfunded positions of postretirement benefit plans in the balance sheet, makes the basic financial statements more complete, useful, and transparent."

The proposed changes, other than the requirement to measure plan assets and obligations as of the balance sheet date, would be effective for fiscal years ending after December 15, 2006. Public companies would be required to apply the proposed changes to the measurement date for fiscal years beginning after December 15, 2006 and nonpublic entities, including not-for-profit organizations, would become subject to that requirement in fiscal years beginning after December 15, 2007.

Open Due Process

The Board is seeking written comments on the proposal by May 31, 2006. The Board also plans to hold one or more public roundtable meetings on the proposal on June 27, 2006, in Norwalk, Connecticut. The purpose of the roundtable meetings is to listen to the views of, and obtain information from, a wide variety of interested constituents about the Exposure Draft.

Parties interested in providing input on today's proposal entitled, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132 (R)*, should submit their comments by email to director@fasb.org, File Reference No. 1025-300. Those without email may send their comments to the "Technical Director—File Reference No. 1025-300," Financial Accounting Standards Board 401 Merritt 7, PO Box 5116, Norwalk, Connecticut 06856-5116.

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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.

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