



June 29, 2007

Mr. Peter Martin, CA
Director, Accounting Standards
Accounting Standards Board
277 Wellington Street West
Toronto, Ontario
M5V 3H2

By e-mail: ed.accounting@cica.ca

Re: ACSB Exposure Draft – Employee Future Benefits (Amendments to Section 3461)

Dear Mr. Martin:

Financial Executives International Canada (“FEI Canada”) is an all-industry professional association for senior financial executives, with eleven chapters across Canada and approximately 2000 members. Membership is generally restricted to senior financial officers of medium to large corporations. The Committee on Corporate Reporting (the CCR) is a technical committee of FEI Canada, which reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations.

The following comments are based on deliberation and research undertaken by the members of the CCR as a response to the AcSB Exposure Draft – Employee Future Benefits (Amendments to Section 3461).

The CCR has organized its views and comments in response to the questions noted in the document as requested.

- 1) Do you agree that the funded status of an entity’s defined benefit plan(s) should be recognized in the balance sheet and that the AcSB should amend Canadian GAAP accordingly? If not, please explain why not

Yes, we agree with the proposed changes.

- 2) Do you anticipate any difficulties applying the principles in the proposals to your entity’s particular circumstances? If so, please specify.

We do not anticipate any difficulties in applying the principles in the proposals. However, as the accounting measurement of the status of a pension plan differs from the measurement used by actuaries, we do anticipate that there may be difficulties in

explaining the resulting disclosure and accounting to the readers of our financial statements.

- 3) Do you agree that a change in the valuation allowance arising from the limit on the carrying amount of a balance sheet should be recognized as a component of other comprehensive income for the period in which the change occurs, and a portion of that change should be classified as a component of benefit cost in net income to maintain the same net income as under Section 3461 (see paragraph 3461.110A)?

Yes, we agree.

- 4) Do you anticipate any difficulties in complying with the disclosure requirements in paragraphs 3461.15(c), 3461.154(f) and 3461.16A-B? If so, please specify.

No, we do not anticipate any particular difficulties.

- 5) Do you agree with the relief provided to entities other than public enterprises co-operative organizations, deposit-taking institutions or life insurance enterprises, specifically excluding the disclosure requirements in paragraphs 3461.159 (b)- (b1)? If not, please explain why not. If you believe that differential reporting options are necessary, please specify what options are necessary and why.

Yes, we agree with the relief provided to the entities listed.

- 6) Do you believe that the proposals are appropriate to not-for-profit organizations and, if so, do you believe that they will be able to apply the proposals? If not, please explain why not.

No comment.

- 7) Do you agree with the amendments to INTERIM FINANCIAL STATEMENTS, Section 1751? If not, please explain why not.

Yes, we agree with the amendments.

- 8) Do you agree with the effective dates and transitional provisions for the proposals? If not, please explain why not.

Yes, we agree with the effective dates and transitional provisions for the proposals.

While the CCR views the proposed amendments to S. 3461 as being consistent with recently published Statement of Financial Accounting Standards No. 158, Employers' Accounting for Defined Benefit Pension Plans and Other Postretirement Plans, we cannot help but be concerned with the added complexity this amended standard will introduce. We are reminded of the need for enhanced transparency and simplicity in financial reporting through recent speeches in the US.

James L. Kroeker, Deputy Chief Accountant, U.S. Securities and Exchange Commission recently made the following remarks before the Leventhal School of Accounting (SEC and Financial Reporting Institute):

“As the SEC's Chief Accountant, Conrad Hewitt, has expressed on a number of occasions, addressing complexity in financial reporting is one of the top priorities of our office for the foreseeable future....I think taking a step back to study ways to reduce complexity and improve transparency is a much needed effort.”

In March, in the United States, FEI publicly backed the SEC's call to reduce complexity in financial reporting. FEI was responding to a major policy speech in November 2006 by US Treasury Secretary Paulson. In that speech, Paulson spoke of the need to address the complex regulatory framework, rules-based accounting, and international convergence. In addition, SEC Chairman Christopher Cox calls for an “all-out war on complexity”. In a January 2007 speech on the SEC's battle-plan to address complexity, Chief Accountant Hewitt said:

“The more I am involved in our accounting standards, the more I am convinced that we need to eliminate standards that are overly complex, difficult for issuers to implement without extensive outside assistance, and that are difficult for the average investor to understand.”

Arguably, the accounting for employee future benefits is one of the most complex areas in accounting. This exposure draft does nothing to address this complexity. Solid, easy to read and understandable disclosure will go a long way in meeting the needs of all users of financial statements. We urge the CICA to work with the IASB to adopt a simpler regime of accounting for employee future benefits and a simpler regime of disclosure.

Yours very truly,

A handwritten signature in black ink, appearing to read 'Alister Cowan', with a long horizontal flourish extending to the right.

Alister Cowan
Chair, Committee on Corporate Reporting
Financial Executives International Canada