



October 31, 2003

Mr. Ron Salole
Director, Accounting Standards
277 Wellington Street West
Toronto, Ontario
M5V 3H2

Dear Mr. Salole:

Re: Proposed Amendments to Section 3461

The Committee on Corporate Reporting (CCR) of Financial Executives International Canada would like to present its views to the Accounting Standards Board (AcSB) re: the proposed amendment to section 3461, "Employee Future Benefits – Additional Disclosures" further to the issuance of the exposure draft. The remarks represent the views of the CCR and are not necessarily the views of Financial Executives International Canada or its members.

FEI (C) welcomes most of the AcSB new amendments but wishes to comment on certain of the AcSB positions, most notably:

- Requiring entities to disclose what the net periodic benefit cost would have been for the period without any deferral or amortization mechanisms. These items stem from essentially three areas:
 - Utilizing the actual return on plan assets in the calculation of net periodic benefit cost rather than the long-term expected return on plan assets
 - Computing the net periodic benefit cost by recognizing actuarial gains and losses in the current year (*vis-à-vis* "corridor approach")
 - Computing the net periodic benefit cost by immediately recognizing new plan amendments rather than amortizing these improvements over the Expected Average Service Life of the current workforce

This disclosure is not consistent with the current accounting framework of deferred recognition of differences between actual results and those assumed. This deferred recognition is a guiding principle of the current standards and is intended to reflect the long-term nature of the obligation and the inherent uncertainty of assumptions utilized in the valuation models. The current matching model uses accruals and deferrals to match the appropriate cost to either the period or revenues benefiting from the expenditure. As an example, recognizing actuarial gains and losses in the current year would deviate from these fundamental accounting standards, which require that changes in estimates be recognized in the current and future periods on a prospective basis in order to properly match costs against revenues unless the level of uncertainty warrants extreme conservatism. In addition, the FEI (C) believes that all the required information to compute the pro-forma figure is already available to the reader.

We believe that further disclosures may give the reader a better appreciation of the risks involved with the underlying pension plan obligation, especially in terms of plan solvency. We recommend that financial statements disclose the actuarial funding status of the plans using the going

concern and solvency valuation methodologies as of the latest actuarial valuation date. This information is normally submitted to the respective government regulatory agencies and is available to the plan members. This additional information would give readers insight to the financial position of the plan, in terms of ascertaining surplus or deficiency status, and its related impact on the Company's liquidity. However, it should be remembered that other future benefits are usually not funded, currently, and their solvency is a function of the solvency of the entity.

This exposure draft, as written, will create differences with the current U.S. exposure draft. This is not a desirable outcome, unless the difference will result in better financial reporting or caters to the specific Canadian circumstances, as most preparers are trying to eliminate GAAP differences (both in terms of accounting recognition, valuation and disclosure) and it is contrary to the goal of harmonization. Special attention should be given to incorporate the following items in the Canadian exposure draft, since they would also provide meaningful information and eliminate GAAP differences:

- Undiscounted projected benefit cash flows used to determine the PBO
- Disclosure of minimum pension liability (recognition of this liability should be done in concurrence with the project of developing a Statement of Other Comprehensive Income)
- Eliminating the requirement to disclose what the net periodic benefit cost would have been if the three items mentioned on the previous page would be subject to immediate recognition

While the reconciliation of PBO and plan assets, from beginning to ending balances, has been removed for U.S. GAAP, we believe that this is meaningful information, as it provides all the current year events that have influenced the ending valuation of these items, and the AcSB should try to influence the U.S. standard setting body to include this reconciliation as a requirement.

In light of the additional disclosure, CCR believes the intended application date of December 31, 2003 unfairly imposes a tight timeline which might be onerous for smaller companies to meet. A transitional provision should be implemented for this group so that they may adequately address the additional requirements without undue cost or hardship.

CCR hopes its comments will be of use to the AcSB.

Yours truly,



Karyn A. Brooks
Chair
Committee on Corporate Reporting
Financial Executives International (Canada)