Aerospace Industries Association
National Defense Industrial Association

September 4, 2007

Cost Accounting Standards Board
Attention: Laura Auletta
725 17th Street, NW
Room 9013
Washington, DC 20503
Via e-mail to casb2@omb.eop.gov

Reference: CAS-2007-02S

Dear Ms. Auletta:

Members of the Aerospace Industries Association (AIA) and the National Defense Industrial Association (NDIA) want to thank the Cost Accounting Standards Board (CASB) for recognizing the value of industry comments at this point in the process for harmonizing the Pension Protection Act (PPA) with CAS 412 and 413. Our comments on the CAS Board's Staff Discussion Paper (SDP) issued in the Federal Register of July 3, 2007 are included below and in Attachment I to this letter.

We believe that for the CASB to achieve harmonization as mandated by Congress, the PPA minimum required contribution calculation must be the basis for determining the measurement and assignment of CAS pension costs in the future. Implicit in the PPA legislation were two related premises. First, Congress realized that the PPA would result in increased funding of companies' defined benefit pension plans and adversely affect their cash flow, particularly those companies that must comply with CAS 412 and 413. Second, to mitigate the impact on cash flow, Congress mandated the CASB to harmonize CAS 412 and 413 with the PPA. Accordingly, the focus of the CASB should be to make the minimum required contribution calculation in the PPA its baseline for determining what assignment and measurement of costs adjustments should be made to CAS 412 and 413.

However, we recognize the CAS Board's concerns for accepting the PPA minimum required contribution calculations as the baseline for CAS measurement and assignment because its acceptance creates additional exposure to volatility, and increases the difficulty in predicting future pension costs. Nevertheless there are options available to address these concerns in ways that fairly and equitably balance the needs of both Government and contractors while satisfying the mandate for harmonization. Those options are discussed in greater detail in the response to the questions in the SDP. We also recommend that the CAS Board consider adopting short-term transitional rules to avoid any significant changes in costs as a result of implementation of revised CAS.

We are aware that each Government contactor's policies for administering its defined benefit pension plan bring a unique perspective and set of concerns to this harmonization effort. Determining current pension plan funding levels, accounting for

existing cumulative assignable cost deficits or prepayment credits, considering shifting contract mixes, and implementing or attempting to defer the PPA funding requirements, etc., are all factors that cause concerns We appreciate that the Government has analogous concerns. As with most complex and difficult regulatory challenges, we do not expect harmonization to cure every conceivable issue with accounting for pension costs, nor address every contractor's unique circumstances or the Government's with perfection. However, across industry there is the expectation that the CASB will execute this assignment in accordance with its objectives, as published in the Federal Register (July 13, 1992). These objectives include the design of fair and equitable standards that show neither bias nor prejudice to either the contractor or the Government.

The following are our responses to the specific questions raised in the SDP. Our answers are based on consideration of all of these factors and recognition of the Congressional intent to utilize the minimum required contribution of PPA as the baseline for the CAS measurement and assignment of costs. We encourage the Board to continue to ask questions to obtain information and data, develop an understanding of the multifaceted issues from all perspectives, and consider all available alternatives. To support these significant efforts of the Board, industry will continue to provide appropriate information and data as requested.

The SDP questions and our responses are included in Attachment I. Thank you for this opportunity to support the Board in this important undertaking. We look forward to additional opportunities in the future. If you have any questions or need additional information, please contact Dick Powers of AIA at (703) 358-1042 or dick.powers@aia-aerospace.org, or Ruth Franklin of NDIA at (703) 247-2598 or rfranklin@ndia.org.

Sincerely,

Robert T. Marlow
Vice President, Acquisition Policy
Aerospace Industries Association

Peter M. Steffes
Vice President, Government Policy
National Defense Industrial Association

Attachment

Question 1. Should the Board apply any revisions to all cost-based contracts and other Federal awards that are subject to full CAS coverage, or only to "eligible contractors" as defined in Section 106?

Any revisions to CAS 412 and 413 should apply to all contractors. Application of any CAS modifications to all contractors will require a single corresponding change in cost accounting practices to respond to this required change, thereby maintaining consistency. CAS 9901-302(b) states that the cost accounting standards are "designed to achieve uniformity and consistency in cost accounting practices governing measurement, assignment, and allocation of costs to contracts with the United States Government." Promulgation of a revised standard applicable to only a portion of the contractors covered by CAS would not achieve the desired uniformity and consistency. There would be differences between contractors based on their individual status of eligibility affecting uniformity. There could also be differences for a single contractor's eligibility across cost accounting periods due to changes in the balance of Government and commercial work performed as programs turn over and acquisitions or divestures are made by the contractor, changes that would affect consistency.

Question 2. Does the current CAS 412 and 413 substantially meet the Congressional intent of the PPA to protect retirement security, to strengthen funding and ensure PBGC solvency?

This question seems to be aimed at determining (1) whether the "harmonization" of CAS with PPA means the standards should "protect retirement security, ... strengthen funding and ensure PBGC solvency", and (2) whether the existing CAS 412 and 413 are already written in a manner that would achieve those desirable goals We believe the Congress would not have required the CASB to revise these standards if Congress believed they already met the intent of the PPA to "protect retirement security, etc." Moreover, we believe the current CAS 412 and 413 are inconsistent with the Congressional intent of the PPA, as described in the question.

If the CAS Board believes that the current CAS 412 and 413 already meet the Congressional intent and does not make substantial changes to CAS 412 and 413, this action is likely to result in a reaction by Government contractors contrary to the primary intention of the PPA--securing employee pension benefits. By failing to revise the standards, the CASB would be limiting the amount of pension funding recoverable by Government contractors in some cases so severely that to remain viable a contractor may have no alternative but to eliminate entirely its defined benefit pension plan, settle up all benefit obligations, and claim the resulting cost. While small contractors would most likely be the first to consider eliminating their pension plans, Government contractors of all sizes are at risk of being unable to absorb the negative cash flow due to the misalignment of CAS and PPA. Of course, mid-size and small contractors are the first at risk because they do not qualify as "eligible contractors" for the temporary exemption in Section 106 of the PPA.

The interpretation of "harmonization" implied by this question is one of alignment with the philosophical intent of PPA rather than with the monetary impacts on Government contractors resulting from the PPA. This interpretation is inconsistent with the language in Section 106 of the PPA which requires revision of CAS "to harmonize the minimum

required contribution under the Employee Retirement Income Security Act of 1974 [ERISA] of eligible contractor plans and government reimbursable pension costs..." It is clear to us that Congress intends this harmonization to generally affect the monetary calculations of the ERISA minimum funding requirements of PPA and the CAS pension costs. Of course, harmonizing the CAS calculations may also result in alignment of the intentions of the PPA as well.

Question 3. Should CAS harmonization be focused only on the relationship of the PPA minimum required contribution and the contract cost determined in accordance with CAS 412 and 413?

We believe the Board should focus only on the relationship of the PPA minimum required contribution and the contract costs in accordance with CAS 412 and 413 during their harmonization effort. Section 106 of the PPA states very clearly that the Board is to revise CAS 412 and 413 "to harmonize the minimum required contribution under the Employee Retirement Income Security Act of 1974 and the government reimbursable pension plan costs..." There is no mandate for harmonization beyond the minimum required contribution or with any other amount. Any additional refinements of CAS 412 and 413 should be addressed by the Board separately from the PPA harmonization requirements.

Question 3(a). Do the measurement and assignment provisions of the current CAS 412 and 413 result in a contractor incurring a penalty under ERISA in order to receive full reimbursement of CAS computed pension costs under Government contracts?

There have been circumstances when, in effect, a penalty in the form of a deferral of pension costs for contractors has occurred due to the differences between ERISA, prior to PPA, and current CAS. As a the result of increased contributions required by the PPA and the inability under current CAS measurement and assignment provisions to receive timely cost reimbursement of those funds, these negative cash flows will dramatically increase. While this is not a statutory penalty, it certainly will have a deleterious impact to contractors doing business on CAS covered contracts with the Government.

Question 3(b). To what extent, if any, should the Board revise CAS 412 and 413 to harmonize with the contribution range defined by the minimum required contribution and the tax-deductible maximum contribution?

As we stated in our answer to question 3, we recommend the Board focus on the relationship of the PPA minimum required contribution and contract pension costs calculated in accordance with CAS 412 and 413 during its harmonization effort. Section 106 of the PPA states very clearly that the Board is to revise CAS 412 and 413 "to harmonize the minimum required contribution under the Employee Retirement Income Security Act of 1974 and the government reimbursable pension plan costs..." However, we do recommend that the Board retain the concepts of assignable cost credits and assignable cost deficits--concepts that may address the Board's concerns implied by this question.

Question 3(c). To what extent, if any, should ERISA credit balances (carryover and prefunding balances) be considered in revising CAS 412 and 413?

ERISA credit balances are the funded amounts in excess of the minimum funding required by ERISA. Contractors may choose to contribute more funds in the current year to reduce funding requirements in subsequent years. The analogous concept in CAS is prepayment credits, which are the contractor funds in the pension plan in excess of cumulative pension costs. However, an important difference between CAS prepayment credits and their ERISA credit balance kin is that the CAS prepayment credits can have no effect on the amount of pension cost calculated in future years, which is a feature necessary to properly measure and assign costs to achieve uniformity and consistency in CAS pension cost calculations.

Moreover, contractor actions to influence pension costs charged to Government contracts simply by creating an ERISA prefunding balance in a pension plan should be seen by the Board as being contrary to its objective of designing standards for uniformity and consistency. ERISA credit balances from pre-funding and CAS prepayment credits serve inherently different purposes and cannot be fully harmonized to properly measure and assign pension costs for CAS. Accordingly, we recommend the Board not consider harmonizing the concepts of CAS prepayment credits and ERISA credit balances.

Question 3(d). To what extent, if any, should revisions to CAS be based on the measurement and assignment methods of the PPA?

We believe that for purposes of meeting the harmonization requirement in PPA, CAS 412 and 413 should essentially be based on the minimum required contribution calculations.

Question 3(d)(i). To what extent, if any, should the Board revise the CAS based on rules established to implement tax policy?

Though the Internal Revenue Code is referenced in the PPA, Section 106 of the PPA specifically requires harmonization of CAS 412 and 413 with the minimum required contribution under PPA.

Question 3(d)(ii). To what extent, if any, should the Board consider concerns with the solvency of either the pension plan, or the PBGC?

We believe that the PPA addressed any solvency concerns related to pension plans and the PBGC.

Question 4(a). For Government contracting costing purposes, should the Board (i) Retain the current "going concern" basis for the measurement and assignment of the contract cost for the period, or (ii) revise CAS 412 and 413 to measure and assign the period cost on the liquidation or settlement cost basis of accounting?

We recommend that the Board achieve harmonization by essentially basing the calculations for CAS on those of PPA. We understand this requires a move away from the optimistic long-term view of current CAS, but we disagree that harmonization with PPA is synonymous with accepting a liquidation or settlement basis for calculating costs.

In fact, the PPA methodology appears to represent a middle ground between the current CAS and a liquidation (or settlement) approach.

The PPA methodology is a market-based measurement. Aspects of the calculation are consistent with treatment of costs on a going concern basis. For example, PPA requires a 7 year period for amortizing any unfunded liability. Use of such an amortization feature is evidence that the calculation is not intended to establish a liquidation (or settlement) amount. The use of a market-based approach has been widely adopted across accounting disciplines (United States Financial Accounting Standards Board and International Accounting Standards Board among others) as the accepted measurement for pension costs and few, if any, would argue that these Boards do not recognize pension costs on a "going concern" basis. We believe a market-based approach for CAS is appropriate and is likely to be achieved through harmonization with PPA.

If the Board adopts the minimum funding requirement methods and assumptions from PPA as essentially the baseline calculation for CAS pension costs, as we recommend, all of the subsections to question 4 become moot. We are providing answers in these subsections to address what we believe should be done if the Board does not adopt our principal recommendation.

Question 4(b). For contract measurement, should the Board (i) Continue to utilize the current CAS requirements which incorporate the contractor's long-term best estimates of anticipated experience under the plan, or (ii) revise the CAS to include the PPA minimum required contribution criteria, which include interest rates based on current corporate bond yields, no recognition of future period salary growth, and use of a mortality table determined by the Secretary of the Treasury?

We recommend option (ii), using the PPA minimum required contribution assumptions. This is in accordance with our recommendation that the Board achieve harmonization by essentially basing the calculations for CAS on those of PPA.

Question 4(c)(i)(1). For measuring the pension obligation, what basis for setting interest rate assumptions would best achieve uniformity and/or the matching of costs to benefits earned over the working career of plan participants?

We recommend using the rate curve specified by the PPA. This would achieve consistency and uniformity between contractors greater than exists today under current CAS. It would also provide the best basis for matching costs to the benefits earned as the intent of PPA, as we understand it, is to secure the cumulative benefits earned by participants as of each accounting period. Thus, the use of the rate curve under PPA measures pension costs from the perspective of the current accounting period's facts and data, rather than those assumed to occur over many years into the future. Consequently, we agree with the generally accepted opinion that the PPA approach results in better cost assignment to accounting periods.

Question 4(c)(i)(2). To what extent, if any, should the interest rate assumption reflect the contractor's investment policy and the investment mix of the pension fund?

We recommend using the rate curve approach specified by the PPA. This would

achieve consistency and uniformity among contractors and is in accordance with our recommendation of achieving harmonization by essentially basing the calculations for CAS on those of PPA.

Contractors' investment policies and investment mixes, given the generally accepted goal to prudently manage pension assets by minimizing the risks, are not likely to be significantly different. This investment strategy will certainly be reinforced by PPA to mitigate the volatility of potential funding requirements.

Question 4(c)(ii). For measuring the pension obligation, should the CAS exclude, permit, or require recognition of future period salary increases?

We recommend excluding future salary increases consistent with the PPA. This is in accordance with our recommendation that the Board achieve harmonization by essentially basing the calculations for CAS on those of PPA.

Question 4(c)(iii). For measuring the pension obligation, should CAS exclude, permit, or require use of a (1) Standardized mortality table, (2) company-specific mortality table, or (3) mortality table that reflects plan-specific or segment-specific experience?

We recommend using the same mortality table that the contractor uses for PPA. This is in accordance with our recommendation that the Board achieve harmonization by essentially basing the calculations for CAS on those of PPA.

Question 4(d). For contract cost measurement, should the Board (i) Retain the current amortization provisions allowing amortization over 10 to 30 years (15 years for experience gains and losses), (ii) expand the range to 7 to 30 years for all sources including experience gains and losses, (iii) adopt a fixed 7 year period consistent with the PPA minimum required contribution computation, or (iv) adopt some other amortization provision?

We recommend option (iii), the fixed 7 year amortization period. This is in accordance with our recommendation that the Board achieve harmonization by essentially basing the calculations for CAS on those of PPA.

Question 4(e)(i). For contract cost measurement, should the Board restrict the corridor of acceptable actuarial asset values to the range specified in the PPA (90% to 110%) of the market value?

We recommend that using the 90% to 110% corridor range specified in the PPA. This is in accordance with our recommendation that the Board achieve harmonization by essentially basing the calculations for CAS on those of PPA.

Question 4(e)(ii). For contract measurement, should the Board adopt the PPA's two year averaging period for asset smoothing?

Based on our proposal, we believe that the two year averaging period for asset smoothing used by PPA is appropriate. This is in accordance with our recommendation

that the Board achieve harmonization by essentially basing the calculations for CAS on those of PPA.

Question 5. To what extent, if any, should the Board revise the CAS to include special funding rules for "at risk" plans?

Plan funding requirements have been established by ERISA, so we do not believe the Board needs to include any revisions for funding rules of "at risk" plans. However, we believe the Board should revise CAS 413 to exclude "at risk" plans from being treated as curtailments, as described in our answer to question 8(b).

Question 6(a). To what extent, if any, should the measurement and assignment provisions of CAS 412 and 413 be revised to address contractor cash flow issues?

We believe that Section 106 of the PPA is evidence that Congress understands the seriousness of the potential cash flow challenges imposed by the PPA on Government contractors and intends that the CASB address these issues by harmonization of CAS 412 and 413 with PPA.

The potential cash flow concerns to Government contractors result from the inability of these companies to adjust their prices unilaterally to recover the additional cash outlays on a timely basis, as commercial enterprises have the option to do. Pension costs for Government contracts must comply with CAS, leaving Government contractors financially pinched due to the differences between current CAS and PPA requirements. We also recognize that if a contractor's cash flow is impacted severely enough, in order to remain viable a contractor may have no other choice but to terminate its defined benefit pension plan, settle up all benefit obligations, and claim the resulting cost. This result would certainly be contrary to the Congressional intent in passing the PPA of securing pension benefits for employees. Therefore, it is logical that Congress would include a harmonization mandate to avoid such undesirable consequences.

We believe harmonization of CAS with PPA calculations as Congress intended is fair and equitable to both the Government and contractors..

Question 6(b). To what extent, if any, do the current prepayment provisions mitigate contractor cash flow concerns?

The prepayment provisions in current CAS do allow a contractor to ultimately recover its pension contributions made in excess of CAS assignable costs. However, this recovery may occur so many years into the future or at plan termination, as to make it immaterial in the consideration of cash flow impact. Moreover, with the implementation of PPA funding requirements, the number of contractors with prepayment credits, the frequency of prepayment credits, and the dollar value of prepayment credits will increase significantly, so the delayed cost recovery will be far more of an issue than currently exists. Although the value of prepayment credits grows over time, there is no mitigation of the negative cash flow a contractor faces from the creation of the prepayment credit until it is recognized as a cost by CAS for Government contracts. This circumstance is of immediate concern to all contractors who are not "eligible defense contractors" under Section 106 of the PPA and for whom the PPA funding requirements become effective in 2008, though even "eligible defense contractors" will be impacted as many of their lower

tier subcontractors are affected. While we believe the concept of prepayment credits should be retained in the revised CAS, there is no doubt that such a mechanism alone is woefully inadequate in meeting the objectives of Congress in harmonization.

Question 6(c). To what extent, if any, should the prepayment credit provision be revised to address the issue of potential negative cash flow?

We recognize that the objective of prepayment credits is to provide for equity between the Government and contractor. The Government is protected from a contractor funding its pension plan in excess of minimum requirements and immediately claiming those amounts, and the contractor is protected by having the opportunity to recover those excess contributions in future years. However, it is important to note that the protection provided to the contractor by the prepayment credit feature is only assured by the timeliness of the cost recovery. We believe prepayment credits should be retained in CAS, but again, this mechanism alone would not satisfy the requirement of harmonization. We recommend that the Board revise CAS 412 and 413 to recognize costs essentially based on the calculations of the minimum required contribution of PPA, which would avoid the inequitable circumstance of creating a long-term burden to contractors of significant prepayment credit balances coupled with effectively no cost recovery of these funds.

Question 7(a)(i). To what extent, if any, would adoption of some or all of the PPA provisions impact the volatility of cost projections?

Several provisions of PPA may expose cost projections to volatility if adopted for CAS purposes.

The comparably shorter amortization period (7 years) for unfunded liabilities under PPA will reduce the smoothing effects of current CAS (10-30 years). This shortened amortization period would result in increased cost over a shorter period of time.

The short (2 year) rolling average used as the bond interest rate for discounting the future pension liability will expose the liability calculation to market volatility. Current CAS generally uses a single steady discount rate over a long period of time. Because the liability balances involved are significant, even minor market fluctuations may translate into large dollar impacts.

The narrower corridor (90% to 110%), as compared with the current corridor (80% to 120%), allows for less tolerance of asset valuations outside the market acceptable measure requiring adjustment to market. This is likely to result in more frequent asset adjustments to market value. Furthermore, the short (2 year) amortization period for these mark-to-market adjustments provides little smoothing of this volatility by comparison with the current 15 year amortization period in CAS used for actuarial gains and losses.

Despite these exposures to volatility, we believe that adoption of the calculations used by PPA in the revised CAS is generally necessary to satisfy the harmonization requirement. We do recognize, however, that such volatility may be undesirable to both the Government and its contractors, and we believe the Board has options, as noted

below, to address those concerns. We encourage the Board to adopt the provisions included in PPA and consider options to mitigate the volatility as necessary.

Question 7(a)(ii). Are there ways to mitigate this impact? Please explain.

We believe the Board has several options to address the volatility exposures from the adoption of PPA provisions for revised CAS to achieve harmonization.

One option for mitigating the volatility may be an amortization feature that allows contractors to begin recovering a portion of the costs immediately, but spreads the total cost recovery evenly over an equitable period of time, possibly a few years, into the future. This concept is a similar approach to smoothing techniques in current CAS that uses somewhat longer amortization periods than pre-PPA ERISA to address volatility.

A second option for mitigating the volatility is establishing some sort of minimum and maximum cost recovery range. If cost calculations result in an amount outside the range, the difference would then be recognized evenly over future years.

A third option, unique to the immediate implementation of the harmonized CAS, is publication of transitional rules to smooth any abrupt spike in pension cost resulting from the revised CAS. We presume such rules would involve recognition of a short term spike in costs evenly over a stated period of years. We strongly urge the Board to consider transitional rules to protect both the Government and contractors.

Question 7(b). To what extent, if any, should the CAS assignable cost limitation be revised as part of the efforts to harmonize the CAS with the PPA?

We recommend the assignable cost limitation concept be retained in CAS with revisions to the asset and liability measurements to correspond with those in PPA. We believe this provision would still be effective for underfunded pension plans and is acceptable within the context of our recommendation to generally align the calculations of both PPA and CAS.

Question 7(c). To what extent, if any, should the CAS be revised to address negative pension costs in the context of cost volatility?

We recommend CAS not be revised to allow for negative pension costs. In order for pension costs calculated in accordance with the CAS to be claimed, the costs must be funded by assets in the trust which cannot be withdrawn. If negative pension costs were permitted for CAS, contractors would be funding pension costs twice, once through required contributions into the pension trust and then again as reduced reimbursements on Government contracts.

Question 8(a). To what extent, if any, would adoption of some or all of the PPA provisions affect measurement of a segment closing adjustment in accordance with CAS 413.50(c)(12)?

We recommend that the PPA funding target calculation should be the basis of measurement for the segment closing adjustment calculation in the revised CAS. This would again generally align the calculations of both PPA and CAS.

We also recommend that the Board retain the CAS concepts for the settling up of any underfunding (unfunded liability) or overfunding (less prepayment credits) related to previously claimed CAS pension costs, the provisions for segment closings due to transfers of ownership, and the provisions for plan terminations in which the liability is measured by the amount paid to irrevocably settle the benefit obligations. We believe these additional provisions address specific situations found in Government contracting that are beyond the scope of PPA and the requirement of harmonization.

Question 8(b). To what extent, if any, should the CAS 413 criteria for a curtailment of benefits be modified to address the PPA mandatory cessation of benefit accruals for an "at risk" plan?

The curtailment provisions in current CAS anticipate the permanent cessation of material benefit accruals for a pension plan. However, this is not an accurate description of "at risk" plans as defined by the PPA. In fact, after sufficient funding contributions are made, the benefit accruals not only resume, but catch up as if the cessation had not occurred. We believe that should the curtailment provision be retained in CAS during harmonization, language should be added to CAS 413 to exclude "at risk" plans, as defined by PPA, so they are not considered to be curtailments.

Question 9(a). Should prepayment credits be adjusted based on the CAS valuation rate or the PPA requirement to use the pension fund's actual "return on assets" for the period?

We recommend that the actual return on assets be used for prepayment credits. While credit balances for PPA are not the same as prepayment credits for CAS, they are both part of the total assets which collectively for PPA will be adjusted for actual return on assets. Thus, we believe total assets for CAS, including prepayment credits, should be adjusted for actual return on assets in accordance with our recommendation that the Board achieve harmonization by essentially basing the calculations for CAS on those of PPA.

Question 9(b). Should the interest adjustment for contributions made after the end of the plan year be computed as if the deposit was made on the last day of the plan year or on the actual deposit as now required by the PPA?

We recommend that interest adjustments for contributions be based on the actual deposit dates as required by PPA. This is in accordance with our recommendation that the Board achieve harmonization by essentially basing the calculations for CAS on those of PPA.

Question 9(c)(i). To what extent, if any, should CAS be revised to address the PPA provision that allows the recognition of established patterns of collectively bargained benefits?

We recommend using the same criteria as those used by PPA. This is in accordance with our recommendation that the Board achieve harmonization by essentially basing the calculations for CAS on those of PPA.

Question 9(c)(ii). Are there criteria that should be considered in determining what constitutes an established pattern of such changes?

We recommend using the same criteria as those used by PPA. This is in accordance with our recommendation that the Board achieve harmonization by essentially basing the calculations for CAS on those of PPA.

Question 10. The Board would be very interested in obtaining the results of any studies or surveys that examine the pension cost determined in accordance with the CAS and the PPA minimum required contributions and maximum tax-deductible contribution.

We appreciate that the Board understands the importance of reviewing data to evaluate the impacts of PPA and revisions to CAS. The impacts are likely to be different depending upon the circumstances of individual contractors, so we are hopeful that a number of information sources will be identified representing the diverse circumstances that exist across industry. Circumstances we encourage the Board to consider while reviewing data include different funding levels (over, under), existing assignable cost deficits, existing prepayment credits, and those with "at risk" plans. At this early point in the process, general studies such as those from actuarial consulting firms may be of most use to the Board. As the Board establishes the direction it intends to take, data modeling results will be a valuable tool industry can provide.

Question 11. In light of the changes to the PPA, should the Board consider including specific requirements in CAS 412 and 413 regarding the records to support the contractor's proposed and/or claimed pension cost?

FAR already includes requirements for supporting documentation for costs proposed and/or claimed, so no change in CAS is necessary. With regard to records, however, there is an additional advantage to adoption of the PPA minimum funding requirement methods and assumptions as essentially the baseline for the CAS calculation of pension costs. The burdensome requirements for creation, maintenance and audit of a completely separate set of records uniquely for CAS purposes would no longer be necessary, and resolution of CAS pension issues would almost certainly be easier as a result.