



# 13S AIA  
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December 15, 2008

Cost Accounting Standards Board  
Attention: Raymond Wong  
Office of Federal Procurement Policy  
725 17th Street, NW, Room 9013  
Washington, DC 20503  
Via e-mail to [casb2@omb.eop.gov](mailto:casb2@omb.eop.gov)

Reference: CAS Pension Harmonization ANPRM, CAS-2007-02S

Dear Mr. Wong:

AIA appreciates this opportunity to provide additional comments on the CAS Board's Advance Notice of Proposed Rulemaking (ANPRM) issued in the Federal Register of September 2, 2008.

We once again commend the CAS Board for the quality of this ANPRM given the complexities and scope of the proposed rule and appreciate the additional comment period provided.

AIA continues to support the positions previously expressed by the Aerospace Industries Association (AIA) and the National Defense Industries Association (NDIA) in their response dated November 3, 2008.

In addition, AIA is submitting the following pertaining to a developing issue not addressed by our earlier comments.

The Senate passed H.R. 7327, the Worker, Retiree, and Employer Recovery Act of 2008 on December 11, 2008. The bill was previously passed by the House. It now goes to the President where signature is expected. The Act contains provisions prescribing that pension asset trust expenses be included as part of ERISA target normal costs. These provisions were generically described as "technical corrections" to the Pension Protection Act (PPA). Accordingly we believe the change in treatment of trust expenses to be clearly within the PPA harmonization mandate to the CASB. The implications of this change would be significant for some contractors, exacerbating the negative cash flows that will be experienced by certain contractors.

AIA believes that PPA and CAS should be harmonized by revising the ANPRM to call out trust expenses as a component of CAS normal costs and to specify that reclassification of trust expenses as part of normal costs under both the actuarial accrued liability and minimum actuarial liability bases (versus a reduction to the expected long term interest rate) results in a required change in cost accounting practices whenever necessary to implement the harmonized CAS.

Although AIA believes the extension of the comment period was helpful, we continue to believe that a proposed rule of this magnitude is best addressed by an iterative process with a Supplemental Notice of Advance Proposed Rule Making issued if necessitated by substantive changes between the ANPRM and the contemplated final rule. We believe that public comments on the full substance and actual language of changes may alert the CAS Board to ambiguities, and more significantly, potential unintended consequences industry and the actuarial community identify through data modeling. Therefore, we encourage the CAS Board to consider issuing another ANPRM before proceeding to a NPRM.

In addition, our modeling and other analysis of the ANPRM will continue, and we will monitor any additional legislative changes. If additional significant issues are identified, we anticipate communicating these to the CAS Board. AIA trusts that these additional inputs will be given due consideration in the promulgation process to the extent feasible.

Thank you for the opportunity to support the Board in this important undertaking. We trust that the CAS Board will fully consider and address our comments. If you have any questions or need additional information, please contact me at 703 358-1042.

Sincerely,

  
Richard J. Powers  
Director, Financial Administration