Raytheon

Raytheon Company
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July 9, 2010

Office of Federal Procurement Policy
725 17th Street N.W.
Room 9013
Washington, DC 20503
Attn: Raymond J. M. Wong

Re: CAS Pension Harmonization NPRM

Dear Mr. Wong:

Raytheon Company would like to thank the Cost Accounting Standards Board (CASB) for inviting comments from interested parties relating to the Notice of Proposed Rulemaking (NPRM) for the harmonization of the Pension Protection Act (PPA) of 2006 with Cost Accounting Standards (CAS) 412 and 413. Raytheon Company, with 2009 sales of $25 Billion, employs approximately 75,000 people world wide, the majority of who are covered by defined benefit pension plans.

Raytheon Company has contributed to the joint Aerospace Industry Association/National Defense Industry Association (AIA/NDIA) industry comment letter and supports the ideas and commentary forwarded for the Board's consideration in that communication. In addition, Raytheon supports the commentary provided to the Board by the America Academy of Actuaries' comment letter on the NPRM.

We recognize and appreciate the efforts the CAS Board has made in the development of the NPRM, including consideration of the comments provided on the previous Advance Notice of Proposed Rulemaking, released in 2008 in order to achieve the requirement under Section 106 of the Pension Protection Act to "harmonize its provisions governing government-reimbursable pension plan costs with the minimum required contribution rules under ERISA." However, there are certain provisions of the NPRM (as noted in the above mentioned industry and professional letters) which we believe prevent the CAS Board from achieving the intended harmonization of the CAS rules with the PPA. Raytheon would like to call particular attention to the following key items, which we feel must be addressed before a final rule can be issued.

Elimination of the First Harmonization Trigger

First, we strongly support the elimination of the first threshold trigger as referenced by both the AIA/NDIA joint comment letter and the American Academy of Actuaries letter. The inclusion of this first trigger creates unnecessary complexity and volatility. The use of this annual point in time measure of PPA funding cost as a means to access the harmonized rule is contrary to the positions forwarded by the board in the prior ANPRM and this NPRM, to measure and distribute these costs over several periods. The result of this trigger on CAS expense is to limit the opportunity to recover pension funding that turns into prepayment credits from the timing disconnect between the two sets of rules.

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Effectively this trigger has, in our view, the unintended consequence of eradicating the effect and intent of the harmonized rule.

We believe that the best measure of whether harmonization is achieved in whole or in part is the prepayment balance created by the difference in minimum funding requirements and CAS reimbursable expense. If the prepayment balance reduces over time, then the timing difference between pension funding and cost recovery is reaching alignment. If the balance remains constant or increases, it is an indication that the two sets of rules have not harmonized. Only when the first trigger is eliminated from the calculations, does modeling begin to show a gradual decline in the prepayment balances over time. Therefore we feel it is most appropriate to eliminate the first trigger to better achieve harmonization.

Segment Closing Calculations

The NPRM currently requires segment closing calculations to use the unadjusted Actuarial Accrued Liability (AAL), or the ongoing liability currently applicable in the existing CAS rules. We believe that the more appropriate measure of the liability in a segment closing calculation is the Minimum Accrued Liability (MAL) to achieve harmonization. The MAL, by its nature, is intended to reflect the present value of a pension plan if its obligations were settled at a particular point in time (i.e. the segment closing date), while the AAL is reflective of an ongoing plan by incorporating long term liability assumptions. The application of the AAL at segment closing effectively reverses the impact of harmonization that may have applied in prior periods since the final true-up of plan costs will revert back to the current (non-harmonized) CAS rules. We believe this is a fundamental flaw of the current NPRM that must be modified to ensure harmonization is achieved in the spirit of the mandate within the Pension Protection Act.

Finally, we support the requests in the aforementioned AIA/NDIA and the America Academy of Actuaries' letters for specific technical corrections and points of clarification within the NPRM to ensure effective implementation and universal understanding of the final rule.

We recognize and appreciate the CAS Board's progress in meeting the objectives of Section 106 of the Pension Protection Act. We urge the board to continue their timely action to bring this matter to closure. Thank you for the opportunity to provide and your consideration of our comments regarding the NPRM.

Sincerely,

John G. Panetta, Director
Raytheon Government Accounting

Deborah A. Tully, Director
Raytheon Benefits Finance

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