

LETTER OF COMMENT NO. 32

Russell G. Golden, Director of Technical Application and Implementation Activities Financial Accounting Standards Board 401 Merritt 7 Norwalk, CT 06856-5116

File Reference: Proposed FSP FAS 132(R)-a

Dear Mr. Golden:

DuPont appreciates the opportunity to comment on the proposed FASB Staff Position (FSP) FAS 132(R)-a, "Employers' Disclosures about Postretirement Benefit Plan Assets."

The company believes that the disclosures included in the proposed FAS 132(R) amendment are better addressed in a fully integrated approach within the context of the project to comprehensively reconsider the accounting for postretirement benefits. If disclosures are addressed independently of other accounting and presentation issues, then it is less likely that accounting, presentation and disclosure objectives will be aligned. We believe that an ad-hoc approach to changing disclosures without the benefit of understanding the complete direction of the comprehensive project will not result in the most meaningful financial statement presentation. Pension and other postretirement benefit disclosures were expanded and amended in 1998 (FAS 132), 2003 (FAS 132R), and 2006 (FAS 158). While postretirement benefit disclosures have increased, our experience suggests that financial statement users do not fully understand or utilize existing disclosures. The merits of further increasing disclosure complexity, while possibly reducing understandability and obscuring other more useful information, should be carefully considered.

The frequency of past changes to postretirement benefit disclosure requirements, changes expected under the current comprehensive postretirement benefit project, significant implementation costs, financial reporting complexity and uncertain user benefits all indicate that a robust deliberation process is warranted.

Decision-usefulness of FAS 157 information for postretirement benefit assets

An assessment of a postretirement plan's assets from a financial statement user's perspective typically centers on understanding cash funding requirements and how various factors may affect funding requirements. Legal and regulatory requirements, the long-term rate of return, asset volatility and asset liquidity are factors that may typically affect funding requirements. Also note that regulations governing plan funding requirements vary by country and often are not based on asset values at a specific point in time. In addition, the pension obligation measure used by sovereign nations in determining funding requirements usually differs from the U.S. GAAP measurement method.

A user may be interested in the amount of earnings from Level 3 assets for investments accounted for as "trading" assets under FAS 115. However, the actual return on postretirement plan assets does not flow directly to earnings and the expected return recognized is an overall blended rate; thus, a Level 3 rollforward of postretirement plan assets does not provide information that can be used to assess the "quality of earnings."

Considering these points, it is not clear to us how either an annual Level 3 asset rollforward or year-end Level 1, 2 and 3 balances will help a user better understand funding requirements, earnings quality or otherwise provide decision-useful information.

FAS 157 Level 3 rollforward for postretirement benefit assets

In 1998, FAS 132 amended FAS 87 to require new disclosures including a rollforward of postretirement benefit plan assets. Before FASB expands the current asset rollforward requirements via the Level 3 asset rollforward, we suggest that a study be conducted to determine (a) whether the existing asset rollforward information is used significantly and (b) if the proposed Level 3 rollforward of postretirement assets is viewed by users as decision-useful. Usefulness should not be presumed, particularly when high implementation costs are expected and existing disclosures are lengthy and probably underutilized.

System implementation costs for the Level 3 rollforward information could be significantly reduced by showing one line for the actual return, rather than displaying separate lines for the return on assets still held at the reporting date and the return on assets sold during the period. At a minimum, we recommend changing this proposed requirement due to high expected costs, increased financial reporting complexity, and uncertainty of benefits to financial statement users.

FASB has proposed that the FSP "... be applied on a prospective basis for fiscal years ending after December 15, 2008." Clarification is needed regarding the meaning of "applied on a prospective basis." Presumably balances and activity prior to December 15, 2008 are not required and thus a 2008 Level 3 rollforward would not be required for a calendar year-end company. We cannot implement a Level 3 rollforward for 2008 reporting without undue cost and effort because (a) beginning balances have not been established, (b) 2008 to-date activity has occurred but not been tracked by information systems, and (c) upfront education and other work is necessary before contracting for enhancements to the various asset information systems used by our foreign plans.

As discussed below, difficulties are expected in obtaining information from our foreign pension plans and we believe that 2009 is the earliest possible year for which a Level 3 rollforward could be provided. Our concerns expressed below regarding the foreign plans also cause us to be less than confident regarding the on-going ability to provide FAS 157 balance and rollforward information on a timely basis for our annual Form 10-K filing.

Foreign Pension Plans

The "asset custodians" for DuPont's 22 foreign pension plans track and administrate the assets and are employed by independent trustee boards, not by the company's local subsidiary which is the plan sponsor. The local subsidiary / plan sponsor does not control the relationship with the asset custodians. Also, our experience indicates that the plan sponsor will not have an unconditional legal right to demand new U.S. GAAP disclosure information in certain countries. To obtain the proposed disclosure information (FAS 157 and new asset categories), the company expects it will be required to enter into contractual arrangements with the trustee boards in certain countries and contribute funds in advance to pay for system enhancements and other work deemed necessary by the trustee board. Fees charged for this work are expected to be significant with no alternative means to obtain the data.

Asset Categories

The proposed amendment cites "users' concerns about the lack of transparency surrounding the types of assets held in postretirement benefit plans and potential concentrations of risk in plan asset portfolios." Please note that those types of concerns have not surfaced in our interactions with the investment community. We believe that adding more pre-determined asset categories to the disclosure will be of limited value to users and will likely be hampered by lack of alignment to postretirement benefit plans' strategic investment targets.

For example, a pension plan's investment targets might include one category for higher-risk debt securities that is defined by certain risk parameters. If the pension plan's operations enable the target allocation for its higher-risk debt category to be met by any combination of investments in local government debt securities, corporate debt securities, or asset-backed securities, then the plan's target category will not align to the proposed asset categories of FSP FAS 32(R)-a. If the proposed disclosures are adopted as written, this type of situation may result in unavoidable non-compliance. More effective communication about actual vs. targeted portfolio allocations can be accomplished by keeping the required category stated broadly as debt securities, with an option of showing more sub-categories.

Currently, companies are required to disclose "permitted and prohibited investments including the use of derivatives" for postretirement benefit plans. A description of how and why derivatives are used in connection with the plan assets may help a user better understand the plan's overall investment policies and strategies. However, expanding quantitative disclosures to require fair value balances for each type of derivative contract is not warranted because a user will be in no better position to assess the long-term rate of return of plan assets or expected plan funding requirements. Thus, we believe that balances by type of derivative contract should not be a required disclosure.

In summary, the value to users of existing FAS 132(R) disclosures should be assessed before increasing disclosures. Questions the company has received from financial statement users indicate that existing FAS 132(R) disclosures are not necessarily well understood or effectively used. Additional quantitative disclosures should not be imposed without full deliberation within FASB's current project to comprehensively re-examine postretirement benefit accounting. We believe that the bulk of the FSP's objective is embodied by the qualitative disclosure on risk concentrations. We recommend that if a final FSP is issued, it include only the qualitative disclosure requirements on risk concentrations because the qualitative disclosure will address the crux of the FSP's disclosure objectives, while limiting preparers' costs and financial report complexity.

In closing, please note that FASB previously indicated that the disclosures in FAS 157 do not apply to postretirement benefit plan assets reported in financial statements of plan sponsors. If FASB does not revise the FSP to exclude such information, a significant and costly implementation effort will need to be launched and we believe that prospective application as of December 31, 2009 is our earliest feasible implementation date.

Sincerely,

Phillip R. Jones
Director-External Reporting & Accounting Policy

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