TEXAS INSTRUMENTS

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March 24, 2005

Letter of Comment No: 11
File Reference: 1032-PEU

Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: Unsolicited Comments on Tentative Decisions Reached on October 13, 2004 regarding the Amendment of Statement 87 for Pension Plans with a Lump Sum Payment Option
Reference Number: 1032-PEU

To whom it may concern:

As a registered publicly held company, Texas Instruments Incorporated (TI) feels it is necessary to comment on the tentative decisions reached on October 13, 2004 regarding a proposed amendment of Statement of Financial Accounting Standard No. 87, *Employer's Accounting for Pensions,* for pension plans that have a lump-sum payment option.

TI makes, markets and sells high-technology components and systems to more than 30,000 customers all over the world. The company has three separate business segments: 1) Semiconductor; 2) Sensors & Controls; and 3) Educational & Productivity Solutions. Semiconductor is by far the largest of these business segments. TI was the world's third-largest semiconductor company in 2004 in terms of revenue, according to Gartner, Inc., an industry analyst.

Although we understand the FASB staff may still be considering the differences between the model proposed at the October 13, 2004 meeting of the FASB and the model proposed by the International Financial Reporting Interpretations Committee (IFRIC) on its Draft Interpretation D9, *Employee Benefit Plans with a Promised return on Contributions or Notional Contributions,* TI objects to the proposal that would require a company to record the greater of the undiscounted "walk away" amount that employees would be entitled to if they separated employment at the measurement date or the actuarial present value of the pension obligation at the measurement date.

TI offers defined benefit plans that allow employees to elect either an annuity or a lump-sum payment.

TI believes that this proposed treatment is contrary to existing accounting guidance and that it:

(1) is not consistent with the "going concern" concept
(2) would overstate liabilities on a company's balance sheet since other liabilities that are presented on a going concern basis would in actuality be forfeited in a "walk away" situation, and
(3) would reduce the consistency of accounting standards

Our actuaries, Mercer, have previously filed their comments on this subject on January 20, 2005, which address these same issues. We agree with and support those comments.

In addition, TI believes:

1. It is not relevant to record the "walk away" liability for lump-sum payments to employees on the assumption that they would all terminate as of the measurement date. This is an unrealistic assumption and is contrary to the "going concern" concept that is prevalent in generally accepted accounting principles (GAAP). This proposed requirement will produce a standard that is inconsistent compared with the rest of GAAP.

2. Adoption of this amendment would reduce the comparability between companies and create an inconsistency between application of the same accounting standards. For example, assume the only difference between two companies of identical size, employee demographics and retirement plan terms is that one allows for a lump-sum distribution at termination or retirement. It is inconsistent to base the liability recorded by the company with the lump-sum payment option on the assumption that all employees would terminate at the measurement date when that same assumption is not used for determining the liability of the company that only permits an annuity payment. SFAS 87, paragraph 43 states -"*Each significant assumption used shall reflect the best estimate solely with respect to that individual assumption. All assumptions shall presume that the plan will continue in effect in the absence of evidence that it will not continue.*" This inconsistent application does not lend to the comparability of the companies' financial position to meet investors' needs.

3. SFAS 87 and SFAS 106 are based on the concepts of actuarial present values that take into account *(a) the time value of money (through discounts for interest) and (b) the probability of payment (by means of decrements for events such as death, disability, withdrawal, or retirement) between the specified date and the expected date of payment*. Neither of those two concepts is included in the proposed "walk away" liability for lump-sum payment plans. The funding of a plan is based on a going-concern basis and is tied to the actuarial present value of future benefits. The minimum pension liability is basically the actuarial present value of the future benefit obligations earned to date that a company has not yet funded. Requiring the minimum liability to be based on the larger of the "walk away" liability or the accumulated benefit obligation is not relevant since a company's

funding is based on the amounts and timing of contributions needed today to provide those future obligations and not what is needed to meet some hypothetical immediate cash flow needs.

If the concern is presenting information on the potential short-term liquidity exposure that a company may have if all employees terminate, that can be addressed on a disclosure basis. TI proposes that the FASB continue to require accrual of the actuarial present value of pension obligations on the books of companies, and that disclosure could be made in the footnotes of the undiscounted "walk away" amount applicable only to "retirement eligible" employees (i.e. those employees who are eligible to take early retirement under the existing terms of the plan) at the measurement date or those other groups of employees for which the liability may be reasonably estimable. That amount would be a more realistic indicator of potential cash obligations the company would face in the coming year(s) and the minimum liability on the balance sheet would still represent the best estimate of the company's funding obligation to all its employees (on a discounted basis).

__Summary__ – TI does not believe the proposed requirements are relevant to the needs of financial statement users. This proposed requirement would not result in a measure of pension obligations based on fair value as it does not incorporate assumptions about the expected timing of the payment of the benefits nor would it represent the amount that a third party would require to take over the obligations as the third party would not assume that all employees would terminate immediately. TI believes that the intent of the proposed requirement would be better met by means of footnote disclosure rather than recording a "walk away" liability amount.

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We appreciate the opportunity to present our comments to the Board. If you have any questions regarding this letter, please feel free to contact Rod Harden at (214) 480-1025.

Sincerely,

ELIZABETH BULL
Elizabeth Bull
Vice President and Treasurer