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Mr. Lawrence Smith
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut 06856-5116

File Reference No. 1025-200

Dear Mr. Smith:

We would like to take this opportunity to comment on the Proposed Statement of Financial Accounting Standards, "Employers' Disclosures about Pensions and Other Postretirement Benefits."

The proposed disclosures appear to be an overreaction to the current economic and regulatory environment. Because of the severe market decline of the past several years, the pension rules developed in 1985 by FAS 87 are being "stress tested" for the first time. The market gains in the late 1990's allowed companies to avoid significant contributions to their plans. The recent equity market declines and lower interest rates have resulted in increasing contributions to stabilize the pension plans. We believe the existing standards provided the necessary information to assess pension plans. Analysts and investors just failed to <u>use</u> the information to evaluate what could occur under alternative equity and bond market conditions before the markets declined.

The Board should keep in mind that multinational companies have numerous plans around the world and the communication of technical requirements and the accumulation of data from large and small operations alike has a significant cost in terms of time and effort, as well as dollars. Once a requirement is deemed to be "material" because of a single large plan, companies feel an obligation to collect the data for even minor plans to make the disclosure complete even though the company does not otherwise need the information to manage the business.

The real issue is not disclosure but pension measurement. The Board has indicated it intends to consider whether actual asset returns and actuarial changes in pension obligations should be recognized more quickly in the financial statements. We believe revolutionary changes to pension measurement and disclosure is not warranted. Our specific comments regarding the proposed standard follow.

<u>Plan Assets</u>
We believe the proposed disclosures regarding plan assets merely add more data without providing meaningful information for the user. Disclosure of the exact percentage of each asset category and proving out the total expected return is unnecessary and will not work out as illustrated in the example disclosure. The example appears to imply that the total weighted-average expected long-term rate of return can be calculated based on the year end balance of each asset category. The expected rate of return is long-term in nature and should not be

reset each year based upon the actual results in an individual year. At most, the percentage of each major asset type (equity, bond, etc.) and the total expected rate of return as of the most recent measurement date should be required. Disclosure of the range and weighted average maturities of debt securities should not be required.

Pension Costs

Companies should not be required to disclose the expected pension costs if the amounts are not expected to change materially from the prior year. Companies already disclose material increases in pension costs voluntarily when this information is meaningful. The Board recognized in the Basis For Conclusions that the net benefit cost would not vary significantly from quarter to quarter because quarterly amounts are based on the annual actuarial valuation. Therefore, disclosure of the components of pension cost for each interim period is unnecessary and should not be required. The final standard should only require that the total expected pension cost for the next year be disclosed in the annual financial statements, if available, or in the first quarter interim statements if not known at the end of the prior year.

Cash Flow Information

The proposed disclosure of estimated future benefit payments and employer's required and discretionary contributions only provides more data without providing more meaningful information. Benefit payments typically do not change significantly from period to period, and the complexities of funding regulations make it onerous to determine the required contributions of all plans around the world for the next year before the completion of the current year's financial statements. Also, our actuaries have informed us they are deeply concerned with the complexity and impracticality of the proposed disclosures of expected benefit payments and contributions.

No disclosure of expected benefit payments or contributions should be required unless the amounts are expected to be materially different from the prior year. If the Board believes some disclosures regarding future benefit payments and contributions is necessary, the requirement should be a more straightforward disclosure of the next year's expected future benefit cash flows (without having to break-out the interest portion), and the expected contributions to be made in the next year.

Assumptions

The assumption disclosures should communicate information effectively to the financial statement users without being redundant. We recommend that the assumption disclosure provide the assumptions used for each of the income statements presented in a table and the assumptions of discount rate and compensation increases used for the most current year-end PBO only, be disclosed textually below the table. It should be understood that the cost assumption was used to determine the prior year pension liability. We have provided an example of this presentation as follows.

Weighted-average assumptions used to determine pension cost:

	20X3	20X2
Discount rate	7.25%	7.50%
Expected return on plan assets	8.00	8.50
Rate of compensation increase	4.50	4.75

The weighted-average assumptions of discount rate and rate of compensation increase used to determine the benefit obligation at (measurement date) were 6.75% and 4.25%, respectively, for year-end 20X3.

Disclosure Overload

Emerson supports appropriate disclosures that provide valuable information to financial statement users. However, as we have stated in previous comment letters, the increasing volume of financial statement notes is making disclosures challenging to comprehend. Readers have difficulty differentiating between meaningful information and extraneous data when disclosures become too long and detailed. Disclosures should be flexible and provide information only when it is meaningful.

In addition, the Exposure Draft's illustrations in Appendix C underestimate the extent of the proposed disclosures since SEC registrants would be required to provide three years of data for income statement information and two years of data for balance sheet information. As mentioned above, we believe the assumptions used for the benefit obligation and percentage of assets by major categories should be disclosed only as of the most recent measurement date.

Reconciliations

We find that the reconciliation of the pension obligation and assets from year-to-year to be informative information. Eliminating the reconciliations but then requiring most of the same information scattered throughout the note will not further readers' understanding of pension plans.

Sensitivity Analysis

We agree with the Board's conclusion that disclosure of sensitivity information about hypothetical changes in certain pension assumptions might be misleading and should not be required. Further, the sensitivity information regarding the assumed health care cost trend rate should no longer be required, as this information has not been noteworthy. We are not aware of anyone using or asking questions about this information.

Overall

In summary, rather than overhaul FAS 87 and FAS 132, the Board should leave the existing rules intact and make only minor changes. The final statement should merely add the following disclosures: 1) the percentage of plan assets by major investment category as of the most recent measurement date, 2) the total expected pension expense for the next year, if known, and 3) total contributions expected during the next year.

We appreciate the opportunity to respond to the Board's Proposed Statement and trust that our comments will be seriously considered in future Board deliberations on this issue.

Sincerely,

Richard J. Schlueter

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