

Stacey Sutay

Subject:

FW: File Reference No. 1200-001 - - exposure draft "Employers' Disclosures about Pensions and Other Postretirement Benefits"

Letter of Comment No: 6

File Reference: 1025-200

Date Received: 10/10/03

-----Original Message-----

From: Dave_Reklau@vfc.com [mailto:Dave_Reklau@vfc.com]

Sent: Friday, October 10, 2003 7:25 PM

To: Director - FASB

Subject: File Reference No. 1200-001 - - exposure draft of "Employers' Disclosures about Pensions and Other Postretirement Benefits"

Respondent: VF Corporation, a \$5+ billion sales NYSE-listed apparel company

Brief observations regarding pension disclosures only:

1. I am concerned about the significant increase in disclosure that would be required by this exposure draft. I am not convinced of the relevance of this much additional data. That being said, I do believe there is some benefit of retaining the reconciliation of plan assets and benefit obligations, as provided under the current literature. The whole pension area is difficult to understand, but those roll-forward schedules do make sense and are relatively easy to understand.
2. I can understand disclosure of total pension expense in quarterly financial statements, particularly when there is a significant change from year-to-year. But I do not see the relevance to any reader of disclosure of the components of pension expense on a current quarter basis.
3. Consider disclosure of plan assets by asset category only for the most recent year and not for each balance sheet presented.
4. I do not see the benefit of disclosing expected future benefit payments for each of the next 5 years and thereafter.

Also what about benefit payments made directly from sponsor funds and not from plan assets? Nonqualified pension plans are generally unfunded plans, so benefit payments are made directly from sponsor funds.

5. On a related matter of expense recognition not addressed in this disclosure-only exposure draft, there has been a lot of recent discussion that a proper amount of pension expense is not being recorded in the income statement of some companies under current literature. Certain parties do not like the smoothing nature of pension expense recognition, as evidenced by pension income being recognized by some companies during the bull market and even in the early years of this bear market.

I believe that the current accounting model is not broken. I believe the deferral of unrecognized actuarial gains and losses under the current literature is proper and in keeping with the long-term nature of pension plans. I would not, however, be opposed to a somewhat more rapid amortization of these deferred gains and losses.

A pension plan is based on actuarial principles. To change to a mark-to-market approach for investments and obligations, as some suggest, would be a step backwards and not representative of the long-term nature of (1) pension assets and earnings thereon, (2) pension liabilities and the effect of interest rate changes thereon and (3) actuarial assumptions and variances from actual for turnover, compensation increases, etc.

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