Letter of Comment No: 5A
File Reference: 1025-200
Date Received: 10/29/03

October 29, 2003

Mr. Lawrence W. Smith
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Subject:
Exposure Draft Reference No. 1025-200 "Employers' Disclosures about Pensions and Other Postretirement Benefits"

FILED ELECTRONICALLY (director@fasb.com)

Dear Mr. Smith:

We appreciate the opportunity to comment on the Financial Accounting Standards Board's ("FASB" or "the Board") "Employers' Disclosures about Pensions and Other Postretirement Benefits" Exposure Draft (the "Exposure Draft"). Further to our initial comment letter submitted October 13, 2003, we would like to provide our responses to the specific questions raised by the Board for the eleven issues in the Exposure Draft. We understand that the Board will consider comments arriving a few days after the October 27, 2003 deadline.

As we stated previously, we have significant concerns about the Exposure Draft, both as to the content of the disclosures it proposes, as well as the timeline for its consideration and final statement effective date. The response timeframe was much too short for preparers to consider and comment on what are significantly burdensome changes which we think would provide only minimal incremental useful information. We think the feedback you receive for this Exposure Draft should lead the Board to reissue another draft with sufficient review time for further comment.

We continue to think the proposed disclosures call for a significant volume of data not useful to most investors. These disclosures would likely confuse, or worse mislead, users of financial statements. Clearly, in the case of Computer Sciences Corporation ("CSC"), where pension costs over the last few years represent less than one percent of revenue, the costs incurred to comply with the proposed disclosures would far outweigh the benefits to financial statement users. We also note, in our business, a significant percentage of our employer contributions to pension plans are recoverable from clients under cost-plus contracts. It should also be noted that a significant amount of data on U.S. plans is publicly available already through employer ERISA filings on Form 5500.

More importantly, we think there has not been adequate time allowed for due process. The 45-day comment period for the Exposure Draft was too short for financial statement preparers to thoroughly consider all of the implications of the proposed Statement, especially for multi-national companies relying on the services of multiple actuaries and investment consultants. Even more disconcerting is the minimal amount of time the Board has allowed itself to consider the comments to be received and then issue a final rule, as the proposed effective date is less than two months away. We think there should be considerably more time allowed for full consideration of the comments and concerns being expressed, given the complexity of the area and the significance of the proposed changes.

Our responses to the issues are detailed in the enclosed attachment to this letter. We thank you for the opportunity to express our views. We would be pleased to discuss our comments and concerns with you further, if you so desire.

Sincerely,

Leon J. Level
Chief Financial Officer, Computer Sciences Corporation

Attachment

cc: George Batavick
G. Michael Crooch
Robert Herz
Gary Schieneman
Katherine Schipper
Leslie Seidman
Edward Trott

Attachment to Letter dated October 29, 2003
Comments by Computer Sciences Corporation on Exposure Draft Reference No. 1025-200

Request for Comment on Issues 1-4
Are the proposed disclosures described in Issues 1-4 needed for users to understand the financial condition and results, market risks, and cash flows associated with pension plans and other postretirement benefit plans? Should any of the proposed disclosures be eliminated and why? What additional disclosures should the Board require that are not included in this proposed Statement or existing requirements? Can the information to be disclosed be provided without imposing excessive cost?

Issue 1 – Plan Assets:

We think the proposed disclosures as a whole on plan assets by the four broad categories (equity securities, debt securities, real estate, and other assets) would add minimal value to financial statements and will likely result in increased confusion. We anticipate the additional costs to compile, analyze and audit the proposed additional disclosures would be significant for any company offering a number of pension and other postretirement benefit plans in multiple countries. The effort to compile all of the proposed plan asset details within SEC reporting time frames alone would be exceedingly difficult, especially in the light of accelerated SEC filing requirements for Form 10-K filings.

We do not think the proposed disclosure regarding asset category target allocation percentages will provide useful or meaningful information. Particularly for those employers with many plans in different countries, the target allocation ranges would be so broad as to be meaningless. Moreover, such disclosure represents forward looking detail not found elsewhere in notes to financial statements. Furthermore, the disclosure ignores the fact that some investment managers operate under a tactical asset allocation mandate allowing for wide shifts in asset allocations. Therefore, any disclosure of asset allocation is only valid for that one point in time and can change daily.

Management develops estimates of expected returns on plan assets by taking into consideration numerous factors, including, among others, the level of active management, rebalancing strategies, the effect of fees and the level of diversification. We think disclosure of the weighted average expected return by asset category significantly over-simplifies the development of the expected long-term rate of return on plan assets and may be misleading to the financial statement user community. Additionally, this disclosure would be misleading where a manager operates under a tactical asset allocation mandate. At most, we would support the disclosure of the actual allocations as of the date of each statement of financial position presented.

We think disclosure of the range and weighted-average period to maturity for all debt securities ignores the fact that a majority of the assets for most plans are equities and therefore is not useful in determining the degree to which investment cash flows are aligned with benefit payments. The range of maturities in a diversified fixed income portfolio is so broad as to be meaningless and may not be readily available for all plans of a multi-national company.

This fixed income maturity disclosure, in conjunction with the projected benefits payments disclosure in Issue 3, implies the ideal investment strategy for plan sponsors is one where bonds are invested to "immunize" future benefits payments as they mature. This strategy has its own pitfalls and is not widely used by plan sponsors (nor by CSC in particular). Certain aspects of plan asset allocation decisions are made independently of future benefits expectations. The combination of both disclosures does not provide the necessary information to analyze the relationship between benefits payments and asset allocation and also erroneously implies that "immunization" is a preferred asset allocation method. This relationship is even less important for plans such as CSC's primary U.S. pension plan where current employee and employer contributions exceed the level of current benefit payments.

Issue 2 – Defined Benefit Pension Plan Accumulated Benefit Obligation:

We support the disclosure of the accumulated benefit obligation on an annual basis as the information is readily available and is already analyzed for the purpose of determining the need for additional minimum liabilities.

Issue 3 – Cash Flow Information:

This disclosure is particularly problematic due to the burden it places on multi-national firms, the inconsistency of the underlying accounting approach, the lack of usefulness of the data, and its forward looking point of view. We urge the Board to reconsider this disclosure and present a new draft that addresses these concerns. We address the details of this Issue in two parts: Benefits Payments and Employer Contributions.

Benefits Payments
We do not think the proposed disclosure of the projected future benefit payments meets the stated objective of enabling users to assess the amounts, timing and pattern of cash flows and how well asset maturities align with benefit payments. Because the proposed benefit payment projection ignores future service, it understates the total cash flows for an ongoing plan. Additionally, the future benefit payments from a funded plan have little or no correlation to the funding requirements of the plan, which impact a company's cash flows. The proposed disclosure implies the company is obligated to provide the benefit payments rather than the plan having that obligation.

The disclosure does not provide enough data to be useful in determining a correlation between the obligation and maturing securities or interest rate sensitivity of the obligation. Additionally, users could determine their own estimates based on already disclosed historical benefit payments.

The required benefit payment projections are not readily available at this time and we understand from our actuarial firms significant time and expense would be required to collect such information. As a result, multi-national companies sponsoring numerous plans will be hard hit with substantial additional costs not justified by the proposed disclosure with limited, if any, value. When taken in the aggregate, the disclosure loses any meaningful usefulness, especially when comparing it to the asset data.

The disclosure would require resources and costs dedicated to providing additional actuarial precision in formulating estimates having identical actuarial outcomes. Certain actuarial assumptions, such as termination and retirement rates, have significant and varying volatility depending on a company's position in its business cycle. More estimate precision does not enhance the usefulness of the projected future benefit payments because of the inherent volatility in certain assumptions. Additionally, a small number of individual participants taking lump-sum payments can materially affect total benefit payments, causing estimates to be off.

The accounting approach of "showing your work" in deriving the PBO figure by disclosing the payments for the period after five years and the value of the interest rate effect is not consistent with other net present value based calculations in the pension footnote. In fact, similar five-year horizon disclosures are not called for elsewhere in the pension footnote, which might lead to these numbers being taken out of context.

Employer Contributions
On the surface it would seem that information about expected contributions would provide useful insight into a company's expected cash flows for the coming year. However, because of the significant uncertainty around estimates of amounts to be contributed in the next fiscal year until well into that fiscal year, we think the proposed Statement would force disclosure of information unreliable, at best. Segregating contributions between "required" and "discretionary" requires a clear distinction between the two categories which is not defined in the Exposure Draft and could lead to data presented which is not directly comparable across companies. We think such distinction would be particularly difficult to make in the case of companies funding foreign plans.

To the extent a company does contemplate discretionary contributions, we do not support their disclosure, as they are, by their very nature, likely to vary significantly from previously disclosed estimates, subjecting the company to questions about its estimates before it can fully explain their likelihood to occur. Further, this information may be considered forward looking, a discussion of which is better located and is already required in the liquidity section of the MD&A portion of a company's periodic reports, and therefore would be appropriately covered by safe-harbor provisions. Significant and frequent changes through acquisitions, divestitures, and awards or expiration of large contracts will cause these forward looking estimates to be misleading for companies subject to these kinds of transactions or events.

Issue 4 – Assumptions:

We agree the proposed separate tables describing the key assumptions used to develop net periodic cost and to measure the benefit obligation would improve the clarity of the information.

Issue 5 – Nonpublic Entities:

We have no comment regarding this issue.

Issue 6 – Sensitivity Information about Changes in Certain Assumptions:
Should disclosure of sensitivity information about hypothetical changes in certain assumptions be required and why?

We agree with the Board's decision not to require disclosure of sensitivity information. We think it would be misleading to financial statement users since multiple assumptions could change in response to changes in economic conditions. Besides, if it really is material to the reporting entity, it would already be covered by disclosure requirements in the critical accounting policies section of the MD&A portion of the company's financial reporting.

Issue 7 – Measurement Date(s):
Should disclosure of the measurement date(s) be required and why?

We recommend the proposed disclosure be modified to require disclosure of the measurement date or dates, rather than require companies to evaluate whether an economic event had a "significant" effect on plan assets, obligations, or net periodic cost, had the fiscal year-end date been used as the measurement date. Such an evaluation would require the company to incur additional costs for the services of actuarial firms and plan asset trustees and further burden the resources employed to complete the year-end disclosures. Given the long-term nature of these obligations, it would take a near catastrophic event to warrant any comment on changes from measurement date to fiscal year-end date, such as a heavily concentrated single equity price collapse. In the unlikely case of such an event, the MD&A portion of the company's financial reporting would be the appropriate location to discuss its potential consequences.

When provided with measurement dates, financial statement users should be able to reasonably assess the likely effect of changes in economic conditions on plan assets and benefit obligations. The measurement date is readily available and can be easily disclosed.

Issue 8 – Reconciliations of Beginning and Ending Balances of Plan Assets and Benefit Obligations:
Should the reconciliations, as required by Statement 132, be eliminated or retained and why?

We think the existing reconciliations, as presently required by Statement 132, provide useful information in a clear format that is easy to read and interpret by financial statement users. Eliminating them would not reduce costs, but would burden the readers of the financial statements with the need to search for information throughout the note to the financial statements.

Issue 9 – Disclosure Considered but Not Proposed:
Should any of the information (as detailed in Issue 9 of the "Notice for Recipients of This Exposure Draft") be required to be disclosed and why?

We agree with the Board's decision not to require disclosure of the various items listed under Issue 9 in the Exposure Draft. We think they would add little or no value to financial statement users, while employers would incur the additional cost to comply.

Issue 10 – Disclosures in Interim Financial Reports:
Are the proposed disclosures needed for users to understand the financial condition, results and cash flows associated with pension and other postretirement benefits? Should additional disclosures be required? Should either of the proposed interim period disclosures be eliminated?

We do not support the proposed interim disclosure of net periodic benefit cost by component as it implies a level of precision that does not exist during the year. Apart from years with material changes occurring midyear, these calculations are done only annually. Additionally, it would provide more detail about a single expense line item than about other, often more significant, aspects of a company's operations. We would support, however, interim disclosure of any material change in total net periodic benefit cost.

As noted in our comment to Issue 3, we do not support disclosure of expected contributions in the notes to the annual financial statements and therefore do not support further disclosure on an interim basis. However, appropriate disclosure and discussion in the liquidity section of the MD&A would be supported if material changes were to occur.

The more frequent disclosures recommended here could actually cause more confusion and undue concern by disclosing interim amounts based on valuations conducted on an annual cycle with frequent changes during the year. Disclosure of quarterly cash flow emphasizes the short-term volatility instead of the long-term nature of investment decisions. In general, Regulation S-X provides that annual disclosure is adequate except for unusual circumstances. We firmly think pension and other postretirement disclosures fit this annual requirement treatment.

Issue 11 – Effective Date and Transition:
Are the proposed effective date provisions and transition appropriate? If not, what alternative effective dates and transition would you suggest and why? If individual disclosures require additional time to compile, please describe the nature and extent of the effort required.

Given our concerns and comments presented in this Attachment, we clearly think the proposed effective date provisions and transition are not appropriate. First, and most importantly, the Board has not allowed an adequate deliberation period. We think the comment period for the Exposure Draft was too short for most affected companies to thoroughly assess the proposed disclosures and their implementation.

Further, we encourage the Board to allow considerably more time for its own review and evaluation of the comments and concerns submitted by respondents to the Exposure Draft. Second, it is our observation that the vast majority of the proposed disclosure in the Exposure Draft would require actuaries to calculate and provide data that is not routinely provided or even contemplated in their existing systems. Few large companies would be able to immediately comply with new pension disclosure requirements. For these reasons, we recommend the Board delay the effective date of any final rule for at least one year.