

Letter of Comment No: 59
File Reference: 1025-200
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Stacey Sutay

From: Deanne.Sherwood@abbott.com
Sent: Monday, October 27, 2003 4:06 PM
To: Director - FASB
Cc: Greg.Linder@abbott.com
Subject: File Reference 1025-200
Importance: High

I am forwarding this ED response regarding Employers' Disclosures about Pensions and Other Postretirement Benefits ("File Reference 1025-200") on behalf of Greg W. Linder, Vice President and Controller of Abbott Laboratories.

October 21, 2003

Director of Technical Application
and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: **File Reference No. 1025-200**

Dear Sir:

We are pleased to respond to the Exposure Draft, "Employers' Disclosures about Pensions and Other Postretirement Benefits" (ED).

Abbott is a \$17.7 billion worldwide company engaged in the discovery, development, manufacture and sale of human health care products. Abbott sponsors defined benefit and retiree medical plans for substantially all domestic employees and for a significant number of international employees. As of December 31, 2002, the projected benefit obligations for these plans were in excess of \$5 billion and plan assets were in excess of \$2.3 billion.

We have reviewed the ED and have the following comments:

We agree that additional information on asset returns will increase a reader's understanding of that critical assumption. However, we do not find point-in-time-historical measurements of the allocation of plan assets by investment category to be appropriate, in part, because reallocations just prior to the measurement date will result in misleading disclosures. Nor would we find a weighted average historical analysis to be cost effective. We suggest that the asset return disclosure should be limited to the target allocation ranges by investment category and the weighted average return assumptions for each investment category.

10/28/2003

We believe that the reconciliations of the beginning and ending balances of the projected benefit obligations and plan assets as currently disclosed are preferable to the proposed disclosures. These reconciliations provide all of the proposed information regarding the changes in these balances in a more understandable format. For example, the change in the projected benefit obligations due to actuarial losses (gains) or due to acquisitions is useful information when understanding the changes in the projected benefit obligations and plan assets.

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We agree with the proposed requirement to disclose the expected company benefit plan contributions for the following fiscal year, but we do not understand the importance or significance of disclosing the minimum contribution required by law. Since the required legal contribution can vary with changes in assumptions, etc., we feel that the absolute amount of the expected contribution is more useful information. Many things influence the expected contribution and we do not believe that the legal minimum contribution amount should be isolated.

We find the proposed disclosure of the estimated future benefit payments from plan assets to be problematic. As these payments are obligations of the plan and not of the company, we believe that this disclosure would cause confusion as to the source of the payments and what the company's cash outflow would be. The ED already proposes the requirement to disclose the future expected company contributions. In addition, unlike minimum lease payment disclosures (which is similar to the proposed benefit payment disclosures), benefit payment estimates are subject to considerable estimation and could change substantially based on plan design changes and business acquisitions and divestitures. In addition, our consulting actuaries have informed us that this information is not readily available and substantial cost and time would be required to modify existing computer software to be able to calculate this information. Finally, the current reconciliations of the projected benefit obligations and plan assets provide benefit payment history for the last three years, which the reader of the financial statements can use to trend out future payments. For funded plans, we propose disclosure of the expected funding, or range of expected funding, for the following year. For unfunded plans, we propose disclosure of the expected cash outflow or range of expected cash outflow for the following year.

Disclosure of the components of the estimated benefit plan cost in quarterly financial statements would be problematic for a number of reasons. Companies with a January 1st measurement date would have a difficult time gathering and providing the employee census data to its consulting actuaries in enough time for the actuary to calculate the fiscal year expense prior to the end of the first quarter and possibly by the end of the second quarter. In addition, in three of the four quarters, the disclosure will generally be a mathematical pro-ration of the annual data. In view of the decrease in the time available to file quarterly reports by accelerated filers, this proposal is not cost beneficial. As an alternative, we believe that the "estimated" benefit plan expense for the next fiscal year should be disclosed in the annual financial statements with a requirement that a significant change in the estimate should be disclosed in the quarterly financial statements.

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We believe that, except as noted above, the Board's proposals would improve pension and other post-employment plan disclosures. However, the proposed effective date for the new disclosures, given the late timing of the exposure period, seems very aggressive especially for companies that have international benefit plans. Gathering data for any new disclosures and accounting changes has always been a challenge for multinational companies and we believe that the new disclosures should be effective for fiscal years beginning after December 15, 2003.

Very truly yours,

Greg W. Linder
Vice President and Controller

GWL:dms
via: Electronic mail