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Letter of Comment No: 57  
File Reference: 1025-200  
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## ChevronTexaco

Director, Technical Application and Implementation Activities  
Financial Accounting Standards Board  
401 Merritt 7  
Norwalk, CT 06856

**Re: Exposure Draft – Employers’ Disclosures about Pensions and Other Postretirement Benefits (File Reference No. 1025-200)**

Dear Sir or Madam:

Thank you for the opportunity to review and comment on the Exposure Draft “Employer’s Disclosures about Pension and Other Postretirement Benefits.” ChevronTexaco fully supports the efforts of the Board to improve the transparency and usefulness of financial disclosures in these areas.

Our specific comments addressing the Exposure Draft “Issues” are as follows:

**Issue #1 – Plan Assets:**

The proposed standard would require companies to provide the following information for each major category of plan assets:

- Percentage of the fair value of total plan assets as of the date of each statement of financial position presented;
- Target allocation percentage or range of percentages, presented on a weighted-average basis; and
- Expected long-term rate of return, presented on a weighted-average basis.

In addition, disclosures would include the range and weighted average of the contractual maturities of all debt securities.

**Comment:** ChevronTexaco has more than 50 separate pension plans worldwide. The information described is readily available for our U.S. and major non-U.S. plans *only*. For the other plans, we would anticipate difficulty in gathering the information in sufficient time to enable an appropriate review prior to filing of the company’s Form 10-K according to the SEC’s accelerated filing schedule. Furthermore, we strongly believe the costs to gather and validate information for our minor non-U.S. plans would far outweigh the benefits to financial statement users.

As discussed in paragraph A37 of the Exposure Draft, the Board decided against including a materiality threshold for requiring the proposed disclosures for all of a company’s pension and postretirement plans. We agree, especially inasmuch as the Board has previously stated its goal to move away from rules-based accounting standards. However, we believe it would be helpful to have the Board’s position on this matter of materiality stated clearly in the “Standards” section of the final rule, and not just as a reference on the topic in the “Background” appendix.

**Issue #3 – Cash Flow Information**

**Issue 3.a. – Payout Projections:**

The proposed standard would require a schedule of estimated future benefit payments included in the determination of the benefit obligation, as of the date of the latest balance sheet presented, for each of the five succeeding fiscal years, and the total amount thereafter, with a separate deduction from the total for the amount representing interest necessary to reduce the estimated future payments to present value.

*Comment:* The proposed disclosure of the future benefit payments on a projected benefit obligation (PBO or APBO) basis represents only a portion of the total future benefit payments. Such a disclosure would omit benefit payments associated with employees' future years of service. In addition, company restructurings or offers of early retirement incentives to employees can result in accelerated pension payouts that can be significant and not known at the time the disclosures are prepared.

Therefore, we are concerned this proposed disclosure may lead users to misinterpret the cash flow projection as being a precise forecast. Besides the information's limited usefulness or possibly misleading nature, the information itself is not currently available for our company because our actuarial valuation system does not have the functionality to generate these payments. We urge the Board to eliminate this disclosure from the final standard.

**Issue 3.b. – Expected Contributions:**

Companies would also be required to disclose the contributions they expect to make to their pension and other postretirement benefit plans during the next fiscal year. Minimum contributions required by funding regulations or laws would be disclosed separately from additional, discretionary contributions. Companies would also need to disclose the aggregate amount and description of any non-cash contributions (e.g., contributions made in company stock).

*Comment:* Under our company's current process, the amount of any required contribution under IRS rules is not finalized until the third quarter of the year following the balance sheet date for Form 10-K reporting. The amount of future required funding can also change in that intervening period, depending in part on what discretionary funding the company may elect to make during that time. To provide the disclosures proposed – which might change significantly after filing of the Form 10-K – our company would have to significantly modify its current processes. Whether this could be accomplished in time for year-end 2003 for all of our major plans around the world is highly uncertain.

As to the proposal for the projection of discretionary funding, this would seem to be an attempt to drive the timing of management decision-making, rather than simply reporting the outcome of such. That is, we do not necessarily time the decisions whether to voluntarily fund our plans to coincide with the company's Form 10-K filing and preparation of year-end disclosures.

Therefore, we suggest the Board consider changing the format of the proposed expected contribution disclosure to a narrative format for year-end and interim statements. We believe management should have the discretion for disclosing what it believes useful to the investor and is the company's best expectation of funding at the date of each of its quarterly filings. Perhaps the final rule could provide guidance on the matters management should consider or address in making these disclosures.

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**Issue #8 – Reconciliation of Beginning and Ending Balances of Plan Assets and Obligations:**

The proposed Statement would eliminate the requirement in Statement 132 to provide a reconciliation of the beginning and ending balances of the fair value of plan assets and benefit obligations. The proposed Statement instead would require disclosure of ending balances and would retain key elements of the reconciliation that are not disclosed elsewhere, such as actual return on assets, benefit payments, employer contributions, and participant contributions.

*Comment:* We recommend retaining the reconciliation in the disclosures. As arcane as the accounting and disclosures are for pensions and postretirement benefits, we believe the currently required reconciliation provides a consistent basis for comparison among companies of changes in their respective plan assets and benefit obligations.

**Issue #11 - Effective Date and Transition:**

The changes included in the proposed standard are to be effective for fiscal years ending after December 15, 2003.

*Comment:* Our December 31, 2003 financial statements would be subject to the new disclosure requirements. This is troublesome, particularly given the accelerated SEC filing schedule and the number of plans we have outside the United States, where many actuaries may not be aware of, or able to, generate the data for the new requirements.

Given that all of the information required in the proposed disclosures is not readily available for companies like ours, it seems unreasonable for the Board to require implementation within weeks of issuance of the final rule – and at a time when companies will already have under way data-gathering to conform to the *current* disclosures and meet the SEC's accelerated filing schedule for the Form 10-K. We strongly recommend implementation be deferred to fiscal years ending after Dec. 15, 2004.

We hope you find this input useful. If additional information is needed, please contact me at [SCrowe@chevrontexaco.com](mailto:SCrowe@chevrontexaco.com).

Sincerely,

*o/s Stephen J. Crowe*