



NCR Corporation
1700 S. Patterson Blvd
Dayton, OH 45479

Director of Technical Application and Implementation Activities
File Reference No. 1025-200
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Letter of Comment No: 18
File Reference: 1025-200
Date Received: 10/24/09

Subject:
Proposed Statement of Financial Accounting Standards
Employers' Disclosures about Pensions and Other Postretirement Benefits

I am the Director, Investment Management and Pension Finance of the NCR Corporation, a leading global technology company with annual revenues of approximately \$6 billion. NCR sponsors pension and other postretirement benefits plans covering more than 80,000 participants in more than 20 countries.

As both a user and preparer of financial statements, I understand the need for transparent accounting and reporting by public companies. Our management team supports FASB's efforts to strengthen the value and relevance of financial information reported to the users of financial statements. However, we have significant concerns about the proposed statement of financial accounting standards, *Employers' Disclosures about Pensions and Other Postretirement Benefits*:

- Compiling the disclosures required by the proposed statement would substantially increase the time and cost of preparing our year-end disclosures and would require significant efforts from our staff.
- Much of the newly required information would be of limited value to shareholders and analysts, and would even be misleading in many situations.
- The proposed effective date – fiscal years ending after December 15, 2003 – is much too aggressive. The statement should be effective no earlier than fiscal years ending six months after the date the final statement is published.

The following sections of this letter provide more detailed comments about the specific issues raised in the *Notice for Recipients of This Exposure Draft*.

■

Issue 1 – Plan Assets

Actual allocation percentage. We support the disclosure of the percentage of the fair value of total plan assets invested in each of four broad asset categories (equity securities, debt securities, real estate, and other assets) as of the date of each statement of financial position presented.

While this information is not readily available for some of our plans and will require additional work and cost to collect, the disclosure may be meaningful to financial-statement users.

Additional narrative discussion may be required to explain temporary deviations from long term policies, such as the distortions that might result because a large portion of the portfolio is temporarily invested in cash due to a substantial contribution immediately before the measurement date or because the plan is implementing a change in investment manager(s). In fact, we believe this information is sufficient to enable knowledgeable users of financial statements to understand our investment strategy and market risks and assess our expected long-term rate of return assumption.

Target allocation percentage. We do not support disclosure of the target allocation percentage (or range of percentages) for each asset category. The proposed disclosures exceed the detail required for other corporate assets held for investment. In addition, the target allocation ranges will be broad and, thus, not meaningful to financial-statement users. We believe the disclosure of the actual allocations at each measurement date is far more meaningful and is sufficient to satisfy the needs of financial-statement users.

Expected return for each asset category. We do not support the disclosure of expected long-term rate of return for each asset category. We believe disclosure of these rates is not meaningful, creates confusion, and raises more questions than it answers. For example, the illustrations in appendix C of the proposed statement create the impression that employers set their expected long-term rate of return for the total portfolio as the average of the expected returns for each category, weighted by the actual allocation on a single day, the measurement date. But this is not how we set our assumption for expected long-term rate of return. Instead, we set this assumption for the portfolio as a whole, taking into account the benefits of diversification and rebalancing (when investments are well diversified and frequently rebalanced, the compound long-term expected rate of return for the total portfolio exceeds the weighted average of the expected rates for individual asset categories), the expected added value from the active management of plan assets, investment expenses, and the tax status of each trust. But it is impossible to reflect these factors in the returns by category without misleading financial-statement users as to management's true expectations.

Bond maturity information. We do not support disclosure of the range and weighted average period to maturity for all debt securities. This information is not readily available from either our bond manager or our trustee; compiling this information for all of our plans and calculating the

weighted average will increase the cost of preparing our year-end disclosures and will require significant efforts from our staff. And we do not believe this disclosure would achieve your stated objective – to enable users of financial statements to assess the degree to which investment cash flows are aligned with benefit payments. Bond maturities are only one source of funds to pay benefits. Contributions and asset sales are also important (for some plans, primary) sources of funds to pay benefits. Furthermore, bond maturities are not the same as bond cash flows. For example, a 10-year coupon-paying bond and a 10-year zero-coupon bond will have the same maturity, but totally different cash flows and durations. For all these reasons, we do not believe this disclosure is cost-justified.

Issue 2 – Defined Benefit Pension Plan Accumulated Benefit Obligation

We support this disclosure. This information is readily available and will help users of financial statements to monitor the funded status of the plans and anticipate changes in minimum liability.

Issue 3 – Cash Flow Information

Estimated future benefit payments. We do not support the requirement to disclose a schedule of the estimated future benefit payments included in the determination of the benefit obligation. Our actuaries have advised us that this information is not currently available without performing additional computer runs and analysis, at significant additional cost per plan. Obtaining this information for some of our non-US plans will be particularly difficult or impossible for 2003 fiscal year-end. Although our actuaries expect that their firms' valuation systems would be modified to automatically determine the required cash flows in future years, more refined actuarial assumptions would be required to accurately project cash flows, which will materially increase the ongoing cost to complete the valuations

Beyond the added expense, we do not believe the proposed benefit payment projection achieves your stated objective of enabling users to assess the amounts, timing, and pattern of cash flows and how well asset maturities align with benefit payments. Projecting only the portion of expected future benefits that is included in the obligations (PBO/APBO) understates the total cash flows. Combining funded and unfunded plans in the disclosure, together with the shortcomings of the bond maturity information discussed above, makes it impossible to draw conclusions about the alignment of asset maturities and benefit payments. Finally, no meaningful conclusions can be drawn from the disclosure of total undiscounted benefit payments from years 6 through 100 (when the youngest current participant's pension payments are expected to end), and the discount for interest.

We believe the disclosure of the past two years' actual benefit payments is sufficient to give the users of financial statements a good idea of what the near-term benefit payments will be. The schedule of estimated future benefit payments is of very little value and does not warrant the substantial additional cost to produce it.

Estimated contributions. We believe disclosing the next fiscal year’s expected contributions may provide valuable information to financial-statement users about cash flows between the employer and its plans. But, many of our international pension plans have contribution schedules which are determined in the middle of the company’s fiscal year. Therefore estimates made at the beginning of the year may be misleading. Also, in some cases, such as when the employer wishes to maintain a fully funded accumulated benefit obligation (ABO) to avoid an additional minimum liability, a contribution amount might not be known until late in the fiscal year, limiting the usefulness of advance disclosure.

While information about total expected contributions is useful, the breakdown between required and discretionary contributions is arbitrary, misleading and subject to manipulation, and should be eliminated. For US qualified pension plans, discretionary contributions made for one plan year (up to 8½ months *after* the end of the year) can prepay, reduce, or, in some cases eliminate required contributions for a subsequent year. A plan sponsor has until the end of the 8½ month period to decide whether a particular contribution is discretionary for the prior year or required for the current year. In even more extreme cases, the year to which an employer decides – after the fact – to allocate a contribution can actually affect the *total* amount of contribution required during the fiscal year (whether required or discretionary).

Eliminating the breakdown between required and discretionary contributions will resolve another major problem with the proposed disclosure – the distinction between *required* and *discretionary* contributions is unclear and possibly misleading. For example, it is unclear from the proposed statement whether benefit payments from unfunded plans are required or discretionary. The illustration in appendix C appears to imply such contributions would be discretionary, even though they would be required under contract law. Similar concerns arise with respect to plans with negotiated contribution rates and to certain non-US plans where contributions are set by trust agreement. We believe it is misleading to characterize as “discretionary” contributions that are required to pay benefits from unfunded plans or that are required by a legally binding contract, including a collective bargaining agreement or trust agreement.

Issue 4 – Assumptions

We agree that separately identifying the key assumptions used to measure the benefit obligation and the key assumptions used to measure net benefit cost will help to avoid confusion.

Issue 5 – Nonpublic Entities

N/A – We are a public entity.

Issue 6 – Sensitivity Information about Changes in Certain Assumptions

We agree that additional disclosure of sensitivity information about hypothetical changes in certain assumptions should not be required. Providing sensitivity information would substantially increase the cost to prepare year-end disclosures. The limited value of this information does not justify incurring the additional cost to provide it.

Issue 7 – Measurement Date(s)

N/A – We do not use measurement dates prior to our fiscal year-end.

Issue 8 – Reconciliations of Beginning and Ending Balances of Plan Assets and Benefit Obligations

We do not support eliminating the reconciliations of beginning and ending balances of plan assets and benefit obligations. The reconciliations provide a complete and straightforward explanation of changes in assets and benefit obligations, which helps users of financial statements understand the various elements that affect retirement plans. Eliminating the reconciliation would not reduce our cost to prepare the disclosures. Most of the reconciliation elements are still required to be disclosed – the proposed statement simply moves them elsewhere in the disclosure. In addition, the proposed statement requires the disclosure of “any significant change in the benefit obligation or plan assets not otherwise apparent in the other disclosures required by this Statement.” This means the few items that are not automatically required to be disclosed – such as obligation gains and losses, asset gains and losses, and currency exchange rate changes – would still have to be tracked and disclosed if they have a significant effect on assets or obligations.

If the final statement eliminates the reconciliations, it should also state that continuing to provide the reconciliations will satisfy the requirements to disclose the actual return on assets, employer contributions, participant contributions, and benefits paid.

Issue 9 – Disclosures Considered but Not Proposed

We agree that disclosure of the various items listed under issue 9 should not be required.

Issue 10 – Disclosures in Interim Financial Reports

We do not support the proposed disclosures of pension expense by component in interim financial reports. The proposed disclosure would provide disproportionately more detail about a single expense line item than about any other aspect of our business.

Issue 11 – Effective Date and Transition

- The proposed effective date – fiscal years ending after December 15, 2003 – is much too aggressive. It takes time to gather newly required information from multiple sources in different countries. We believe that, to enable employers to arrange for the collection and compilation of the new information, a minimum of six months is needed between the publication of the final statement and the earliest measurement date for which it could be effective.

▪

We appreciate the opportunity to comment on the proposed statement and would be happy to discuss any questions you may have our comments.

Sincerely,

Bo Sawyer
Director, Investment Management and Pension Finance
NCR Corporation