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Corporate Accounting Division
DB/cj – N°2003-053

Paris La Défense, 24 october 2003

Dear Sirs,

As Chief Accounting Officer and Compensation and Benefits Manager, we hereby reply to your letter dated September 10th, 2003, to provide you with our comments on the new Exposure Draft FAS 15X on Pensions, as encouraged by the Board.

As both users and preparers of financial statements, we understand the need for transparent accounting and reporting by public companies. However, we have significant concerns about the proposed statement of financial accounting standards, *Employers' Disclosures about Pensions and Other Postretirement Benefits* :

- ✓ Much of the newly required information would be of limited value to shareholders and analysts, and would even be misleading in many situations compared to the time and excessive cost to compile such disclosures for year-end,
- ✓ As a result, much of the new disclosures would not meet FASB stated objective to help users to understand the financial condition and results, market risks, and cash-flows associated with pension plans and other post retirement benefit plans.
- ✓ The proposed effective date – fiscal year 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 statements 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 is presented. However, these additional disclosure requirements would imply substantial additional work for public entities.

➢ **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 statements users. We believe that the disclosure of the actual allocations at each measurement date is far more meaningful and is sufficient to satisfy the needs of financial statements users.

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- **Bond maturity information**

  We do not support disclosure of the range and weighted average period to maturity for all debt securities. 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, while contributions and asset sales are others. 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.

Issue 2 - Defined Benefit Pension Plan Accumulated Benefit Obligation

We do not believe that disclosing the global ABO will result in direct understanding of the AML calculation at year-end for financial statements users. Nevertheless, this new requirement should not add significant extra work for companies.

Issue 3 - Cash Flow Information

- **Estimated future benefits**

  Although we understand the general objective of this new disclosure, which is to enable users to assess the amounts, timing, and pattern of cash flows and how well asset maturities align with benefit payments, we strongly question the benefit of this new disclosure for users of financial statements, compared to the additional complex computations that this statement would require. Projecting only the portion of expected future benefits that is included in the obligations understates the total cash flows. Combining funded and unfunded plans in this 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 to thereafter, and the discount for interest. Practically, as this information is not available in most actuarial valuation systems, it would mean significant additional cost for companies for little use for financial statements users.

- **Estimated contributions**

  We believe this requirement will lead to burdensome additional extra work for companies and confusion for readers. Decisions to make contributions might happen throughout the year and regulatory environment regarding minimum funding requirements might also be subject to changes from one year to another. Furthermore, while in a US funding perspective these amounts are readily determinable, in other geographies the determination of what is considered the legal minimum could be left open to interpretation and could lead to a source of confusion and lack of comparability between and within a company. This new disclosure would then lead to complex computations and frequent interim adjustments for companies, with very little benefit for financial statement users given that the application could be inconsistent across all companies and geographies.

Issue 4 - Assumptions

We support this disclosure which will clearly help financial statements users to measure the impact of pensions on the expense or the income of the period and the balance sheet at year end.

Issues 5 to 7

We have no specific comments on those issues.

Issue 8 - Reconciliation of Beginning and Ending Balances of Plan Assets and Benefit Obligations

We believe that users of financial statements will lose key information if the FAS Board confirms this requirement, although companies might appreciate the simplification proposed here by the Board. The reconciliation as per FAS 132 provides complete and straightforward explanation of changes in assets and benefit obligations, and thus should be maintained.

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 Statements

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 companies accounts. We believe that for interim financial statements purposes, the net provision variation should be sufficient. Publishing the detailed components of the net periodic pension cost would not provide additional useful information for users of financial statements and would make interim publications more burdensome. Comparison between expected contributions and real contributions might also be confusing for readers as there may be some discretionary timing to these contributions which causes the quarterly statements to fluctuate dramatically due to slight adjustments in the timing of contributions.

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. 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 fiscal year 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 on our comments.

Sincerely,

Dominique BONSERGENT
Chief Accounting Officer

Pascal VRILLON
Compensation and Benefits Manager