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File Reference 1025-200

Subject: Exposure Draft – Proposed Statement of Financial Accounting Standards, Employers’ Disclosures about Pensions and Other Postretirement Benefits, an amendment of FASB Statements No. 87, 88 and 106 and a replacement of FASB Statement No. 132

Dear Mr. Smith:

The following comments are submitted on behalf of the Business Roundtable, an association of chief executive officers of leading corporations with a combined workforce of more than 10 million employees in the United States and \$3.7 trillion in revenues.

The Business Roundtable appreciates the opportunity to provide you with our views on the FASB Exposure Draft, “Employers’ Disclosures about Pensions and Other Postretirement Benefits” (ED), dated September 12, 2003.

The Business Roundtable supports the Board’s efforts to increase the transparency of pension and other postretirement benefit disclosures given the complex nature of FASB Statement Nos. 87, 106 and 132, and the impact on both the income statement and the balance sheet, the complexity surrounding regulatory funding rules and requirements, and the long-term investment strategies employed to ensure that assets grow sufficiently over time to meet the future benefit obligations.

However, we are concerned that the current focus on such disclosures may be an overreaction in response to short-term financial markets conditions (e.g., sharp decline in equity prices and a fall in interest rates) that have negatively impacted the financial status of these plans. The proposed disclosures emphasize short- and near-term conditions while the focus of the company is necessarily long- and longer-term. The majority of pension obligations extend well into the future, and the goal of a company and its pension fund managers is to ensure that long-term asset performance is sufficient to meet those obligations. We are concerned that the push for more frequent disclosures may serve to cause confusion, as investors may place too much emphasis on the normal short-term volatility in financial markets and lose sight of the long-term focus of investing decisions necessary to meet a longer-term obligation.

In general, we feel that there has not been an adequate deliberation period to fully consider all of the potential implementation issues and operational functionality of such a Standard. Given the complexity of the area and the significance of the proposed changes, we feel that the comment period for this ED is too short for financial statement users, preparers, actuaries, and pension fund managers to adequately consider all the ramifications of the proposed Standard.

Implementation of the proposed Standard by multinational companies will involve potentially hundreds of legal entities and multiple actuaries and investment consultants. The need to prepare clear year-end reporting instructions on this very complex area, to educate and train global staff on the new disclosure requirements, and coordinate efforts with local actuaries and consultants in such a short time frame, will further complicate the task. Given the difficulties that domestic and multinational companies will face in collecting the new information, meeting the disclosure requirements of a final standard issued in December 2003 that is effective for December 31, 2003, annual filings (for calendar year companies) will place undue burdens upon companies both in terms of resources and costs. This will be an even more challenging exercise given the SEC's accelerated filing deadlines.

Based on the challenges that we foresee for companies to comply with the 2003 effective date, we strongly believe the FASB should delay the effective date of any final rules for one year from issuance date (i.e., effective for years ending after December 15, 2004, for a final Standard issued during December 2003).

Our comments on the ED are expressed more fully in the attachment and we would be happy to discuss our views with you and the staff of the FASB.

Sincerely,



Mr. David L. Shedlarz
Executive Vice President & CFO
Pfizer Inc.
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The Business Roundtable

Attachment

The Business Roundtable Comments on FASB Proposed Statement of Financial Accounting Standards, Employers' Disclosures about Pensions and Other Postretirement Benefits

Request for Comments

Disclosures in Annual Financial Statements

Are the proposed disclosures described below 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?

Plan Assets

ED: Disclosure of the following information for each major category of plan assets (i.e., equity securities, debt securities, real estate, and all other 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;
- Expected long-term rate of return, presented on a weighted-average basis; and
- Range and weighted average of the contractual maturities, or term, of all debt securities.

Business Roundtable Response:

We believe that the current disclosures on plan asset information required by FAS 132 provide adequate information to financial statement users to understand the financial condition and results of plan assets. We are concerned that segregating the asset categories into four broad asset classes, each which may include investments that possess different risk characteristics (e.g., different investment grades, industries, countries, etc.), may be misleading to users of financial statements. In addition, the proposed disclosures assume a relatively static environment, when in fact many companies actively manage their asset allocations. For companies with numerous plans in multiple countries, obtaining fair value and maturity information from overseas plan trustees and aggregating it to meet the 2003 year-end disclosures may prove especially difficult and challenging.

The disclosure of the weighted average expected return by asset category and total plan may be misleading to the financial statement user community, as the total expected return is not simply the weighted sum of each asset class but rather, it includes the favorable portfolio diversification return effect of combining not fully correlated asset classes, the expected additional excess return from employing active management, as well as the benefits of rebalancing the portfolio on a systematic basis.

Given that the expected return is also driven by historical performance over the longer-term horizon (say 10 years), it would be useful to disclose long-term plan returns to put the expected returns into a better context.

Plan assets are comprised of many types of investments (e.g., equity, fixed income, real estate). It is not reasonable to assume that debt securities will be the primary source of cash flows to meet future benefit obligations. Consequently, disclosure of the range and weighted average of contractual maturities of debt securities will not provide investors with an enhanced understanding of assets designated to meet future benefit obligations.

Defined Benefit Pension Plan Accumulated Benefit Obligation

ED: Disclosure of the defined benefit pension plan accumulated benefit obligation.

Business Roundtable Response:

We support the disclosure of the accumulated benefit obligation since it is the measure of the pension obligation used to determine the amount of the minimum liability to be recognized. Also, the routine, annual disclosure of the accumulated benefit obligation will provide users of financial statements with another meaningful measurement of the plans' liabilities, which may provide more perspective on the plans' funded position.

Cash Flow Information

ED: Disclosure of:

- Estimated future benefit payments included in the determination of the benefit obligation for each of the five succeeding fiscal years, and the total amount thereafter, with separate deduction from the total for the amount representing interest necessary to reduce the estimated future payments to present value;
- The employer's contributions expected to be paid to the plan during the next fiscal year, showing separately contributions that are legally required, discretionary and noncash.

Business Roundtable Response:

For those companies that have a large majority of their pension assets with no fixed maturity date (i.e., equities), we don't believe that disclosing the amount and timing of benefit payments that can essentially be matched to asset maturities will provide meaningful information. In addition, the stream of estimated future benefit payments that you are proposing being disclosed is driven by a host of actuarial assumptions (e.g., turnover, retirement rates, lump sum vs. annuity elections, lump sum discount rates, etc.), and is, therefore, subject to significant change from year-to-year. Simply presenting the table without providing the rather complex assumptions behind these projections will not enhance understanding. In addition, the cost to generate the estimated future benefit payment amounts will be significant. We believe that this disclosure should be eliminated since the limited benefit of this disclosure does not justify the costs of compliance.

In general, we support the increased disclosures on expected contributions that are proposed in the ED and believe that this information will be useful to users of financial statements. However, we believe that disclosure of employers' contributions expected to be paid to a plan over the next year should be limited to those required by funding regulations or laws. A company's expected discretionary voluntary contributions should not be a required disclosure since actual discretionary contributions, by

their very nature, are likely to vary significantly from previously disclosed estimates rendering the company open to question on its estimates, and the information of limited decision-making usefulness. In addition, the long lag in time between when a company can estimate its discretionary voluntary contributions for the upcoming year, formulate its funding strategy, and the timing of when it makes the contribution, will increase the difficulties in explaining to financial statement users changes in discretionary contributions.

Moreover, we feel that these types of disclosures, which contain forward-looking information, would be difficult to audit and are more appropriately included in the MD&A versus footnote disclosure.

Assumptions

ED: Disclosure in tabular format of the following key assumptions on a weighted-average basis (separately identifying the assumptions used to measure benefit obligations as of the plan's measurement date and those used to measure net benefit cost or income for the period): the assumed discount rates, rates of compensation increase (for pay-related plans), and expected long-term rates of return on plan assets.

Business Roundtable Response:

We believe that the change in presentation of these disclosures will improve the clarity of the information.

Measurement Date(s)

ED: Disclosure of the measurement date(s) only when an economic event occurs, or economic conditions change, after the measurement date(s) but before the fiscal year-end, and if those changes may have had a significant effect on plan assets, obligations, or net periodic cost, had the fiscal year-end date been used as the measurement date.

Business Roundtable Response:

We believe the assessment of whether it is necessary to disclose the measurement date(s) used to determine pension and other postretirement benefit measurements would be burdensome and costly for those companies with measurement dates that differ from their fiscal year-end. Companies that elect to use a measurement date other than their fiscal year-end, as permitted under SFAS Nos. 87 and 106, will be required to consult with actuaries and plan asset trustees to evaluate whether any economic event had a "significant" effect on plan assets, obligations, or net periodic cost. This proposal would negate the practical benefits of using a measurement date other than a company's year-end, and we do not support this proposed change.

Reconciliations of Beginning and Ending Balances of Plan Assets and Benefit Obligations

ED: Elimination of the requirement in Statement 132 to provide reconciliations of beginning and ending balances of the fair value of plan assets and benefit obligations. Disclosure of ending balances and retention of key elements of the reconciliations that are not disclosed elsewhere: actual return on assets, benefit payments, employer contributions, and participant contributions.

Should the reconciliations, as required by Statement 132, be eliminated or retained and why?

Business Roundtable Response:

We believe that the reconciliations, as required by Statement 132, should be retained since the reconciliations provide a readily accessible format for complete disclosure of changes in the fair value of plan assets and benefit obligations that are well accepted and understood by users of financial statements. Elimination of the reconciliation will place the onus and difficulty of reconstructing all of the different components that comprise the change in the assets and liabilities on financial statement users.

Disclosures in Interim Financial Reports

ED: Disclosure of the following information in interim financial statements:

- The amount of net periodic pension and other postretirement benefit cost recognized, showing separately the service cost component, the interest cost component, the expected return on plan assets for the period, the amortization of the unrecognized transition obligation or transition asset, the amount of recognized gains and losses, the amount of prior service cost recognized, and the amount of gain or loss recognized due to a settlement or curtailment;
- The employer's contribution paid, or expected to be paid during the year, if significantly different from previous annual disclosures, showing separately (1) contributions required by funding regulations or laws, (2) additional discretionary contributions, and (3) the aggregate amount and description of any non-cash contributions.

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?

Business Roundtable Response:

We believe that the proposed interim disclosures should be eliminated since they are of limited decision-making usefulness. Many elements of net benefit cost are determined on an annual basis and pension obligations are long-term in nature. Such disclosures seem to suggest a short-term perspective about long-term obligations. In addition, the assumptions used to estimate annual net benefit cost would typically not be finalized, in some cases, until the third quarter of the fiscal year. This further reduces the relevance of interim disclosures of net benefit cost. Given this limited usefulness along with companies having to meet accelerated SEC reporting deadlines, we feel strongly that these disclosures should be eliminated.

Effective Date and Transition

ED: The provisions of this proposed Statement would be effective for fiscal years ending after December 15, 2003. The interim-period disclosures in this proposed Statement would be effective for the first fiscal quarter of the year following initial application of the annual disclosure requirements. The disclosures for earlier annual periods presented for comparative purposes would be restated for (a) the percentages of each major category of plan assets held, and (b) the accumulated benefit obligation.

The disclosures for earlier interim periods presented for comparative purposes would be restated for the components of net benefit cost.

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.

Business Roundtable Response:

We feel very strongly that the Board should reconsider the effective date and transaction provisions as proposed in the ED. Implementation of the proposed Standard by multinational companies will involve potentially hundreds of legal entities and multiple actuaries and investment consultants. Given the timing of the issuance of a final Standard that would be effective for companies with December 31 fiscal year-ends, and the SEC's accelerated filing deadlines, we feel that there will be insufficient time for companies to comply with the 2003 annual disclosures. The need to revise and distribute year-end reporting instructions, the education and training efforts required for global staff at international subsidiaries, and coordination with local actuaries and consultants to collect data not previously requested, all in such a short time horizon, will place undue burdens upon companies in terms of costs and resources.

Based on the difficulties that we foresee for companies to comply with the 2003 effective date, we strongly believe the FASB should delay the effective date of any final rules for one year from issuance date (i.e., effective for years ending after December 15, 2004, for a final Standard issued during December 2003).