Dear Mr. Herz:

This letter is in response to the Board's request for comments regarding its Exposure Draft on proposed Employers' Disclosures about Pensions and Other Postretirement Benefits. We support the Board's efforts to be responsive to users of financial statements. However, we have specific concerns both about the timing of the proposed changes and their content. We have chosen to respond to only those issues that we have concerns or comments.

The following numbering corresponds to that included in the Notice to Recipients of This Exposure Draft:

1) Plan Assets — Disclosures for each major category of plan assets, with broadest categories being equities, debt, real estate, and all other.
   We support the proposed specific disclosures. However, we recommend that the named categories of plan assets be limited only to those having a material allocation. For example, Ford's pension funds do not have a material allocation to real estate, and we believe a statement to this effect could be more useful to readers than a blank row in a table. In addition, we recommend the disclosure of any specific instruments or arrangements designed to alter the risk/return characteristics of the underlying securities held as a separate asset class by the pension fund (e.g. — put/call options or other types of non-currency hedges), as these could have a significant effect on the behavior of the fund as a whole.

3a) Cash Flow Information — Schedule of future benefit payments underlying the Projected Benefit Obligation (PBO)
   We have several concerns about this proposed disclosure.
   - On a purely practical level, such information is not readily available for all plans as it is not produced by all valuation systems used by external actuarial firms. For example, the valuation of Ford's UK pension obligations utilizes
annuity factors to generate present values of pension obligations. While the benefit payment projections certainly can be obtained eventually, there would be substantial reprogramming and cost involved. We are very concerned about the ability to generate such information in a high-quality, controlled manner within the required timing (Item 11).

In addition to our serious practical concerns, we do not believe that disclosure of future benefit payments conveys especially meaningful information regarding a funded pension plan's financial condition (the benefit payments reduce both the assets and the obligation, so no net effect on funded status), the employer's cash flows (at best an indirect effect on near-term contributions) or on market risks. Present disclosures already include the actual benefit payments. While we recognize that information regarding the pattern of future benefit payments could provide some insight into the maturity of the pension obligations, we believe that this could be achieved more directly (and economically) by requiring additional disclosure of the PBO and ABO split according to actives/retirees as well as the average ages of actives/retirees.

3b) Cash Flow Information - Employer's expected contributions during next fiscal year, showing required, discretionary and non-cash amounts.

We recognize that the users of financial statements struggle with translating the US GAAP pension status into meaningful information about an employer's future contributions to investment trusts. While the Board's proposal appears to be a modest step in this direction, we believe it may create more confusion than it resolves unless far greater clarity is provided regarding the definitions of "expected" and "discretionary".

With regard to "expected" contributions: alternative contribution scenarios frequently may be reviewed and included in the employer's internal projections, and final determination and approval of the ultimate amount of the contribution may come only shortly before the contribution actually is made. We would not consider the alternatives considered to be "expected" contributions.

With regard to "discretionary" contributions: in some of our plans (particularly in the UK) the determination of contributions is based on input of the employer, the trustee board and the external actuary, in accordance with the plan document. Such contributions may exceed the statutory minimum for an ongoing plan, but once agreed are published in a schedule of contributions. It's not clear if the Board would consider these discretionary.

We recommend that the proposed disclosure be limited to contributions during the next fiscal year, which the employer has committed to pay, either by law, by separate agreement (as in the UK example), or by a formally approved internal plan.

6) Sensitivity Information about Changes in Certain Assumptions – Considered but not included in the proposed Statement

We understand the Board's concerns about the effects of changing economic conditions and the interaction of multiple assumptions. Frankly, we have similar fundamental concerns regarding the point-in-time nature of many of the postretirement disclosures (both present
and proposed). However, given the point-in-time nature of the disclosures, we believe it is useful to provide readers of the financial statements with certain sensitivities. Specifically, we suggest inclusion of the effect on the PBO of a 50 basis-point movement in the discount rate. However, if the Board maintains its position regarding additional sensitivities, then we would expect that the same reasoning should result in elimination of the present required postretirement healthcare and life insurance sensitivities.

8) Reconciliation of Beginning and Ending Balances of Plan Assets and Obligations - Eliminate present reconciliations, retain key elements
We support the retention of the present reconciliations. We believe they have been useful in facilitating understanding of how the obligations and assets change over time, and they do not present excessive difficulties in developing the information.

10) Disclosures in Interim Financial Reports
Generally, we have no issue with the proposed interim disclosures. We do wonder about the usefulness of showing the components of expense on a quarterly basis, as these generally will not vary from quarter to quarter.

11) Effective Date and Transition
We believe the proposed effective date of year-end 2003 is unrealistic and, if not changed, may put at risk the quality of new information required to be disclosed. As noted above, the reprogramming and checking of actuarial valuation systems, at a peak workload period, is a real practical concern. We would suggest that any additional disclosures be effective no earlier than six months following the Board's issuance of the final Statement.

We understand the Board's desire to be responsive to concerns expressed by users of financial statements regarding their need for additional information about pension assets, obligations, cash flows and cost. However, we have serious concerns about the ability to implement the proposed changes to disclosures in a high-quality manner in the time allowed. Additionally, the present pension disclosures already include a great deal of detailed information and it is not clear to us that the proposed changes - specifically those regarding projected benefit payments and contributions - will in reality provide further meaningful information to knowledgeable users of the financial statements.

We would be happy to discuss any of these issues with you.

Sincerely,

/s/ Original signed by
Patricia A. Little
Director of Accounting