Johnson & Johnson

Submit via email to: director@fasb.org

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Financial Accounting Standards Board
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File Reference: Proposed FSP FAS 132(R)-a
Employers’ Disclosures about Pensions and Other Postretirement Benefits

Johnson & Johnson would like to comment on the proposed FASB Staff Position related to the abovementioned topic. We understand that the objective of the FASB Staff in addressing this topic is to improve an employer’s disclosures about the asset portfolios of postretirement benefit plans. However, we are concerned that the draft requests some information that is difficult to obtain in a timely manner adding to an already complex Pension and Other Benefit Plans footnote disclosure.

Comments on the issues that the FASB specifically requested comments on follow:

Issue 1. Is the principle of disclosing categories by type of plan asset understandable?

Response: The principle of disclosing categories based on the types of assets held in the plan is understandable. We agree that significant categories are a meaningful disclosure and that insignificant categories/subcategories do not warrant separate disclosure. However, referencing the language in paragraph 6 and the illustrations in Appendix B, it is not clear whether there should be disclosures at the enterprise level or for all individual plans by location/country. If this were to be the case, we don’t understand why this would be a useful disclosure.

Issue 2. Are the asset categories that must be disclosed, if significant, representative of the types of assets held in postretirement benefit plans? Should any other categories be added?

Response: Yes, the asset categories listed in paragraph 6 of the proposed FSP are representative of the types of assets held in our postretirement benefit plans. However, we believe the proposed FSP should consider an “other assets” category for smaller international plans. We have multiple plans, located overseas, which represent only a small component of our overall plan assets. Such information can be difficult to obtain in the compressed timeframes to meet our external financial reporting requirements. Details would need to be gathered globally across different locations and differing local accounting norms. As a result, we may not have sufficient details to categorize all assets because the disclosures by asset category would need to reconcile to the plan assets disclosed in the audited footnotes as well as pass our audit and SOX controls. In addition, the designation of equities by geographic location doesn’t seem to be useful information.
Issue 3. Is the requirement to disclose concentrations of risk arising within or across categories of plan assets from a lack of diversification understandable, and is this information useful? Would another disclosure principle be better?

Response: In general, we are supportive that concentrations of risk should be disclosed as this increases transparency to users about potential events or trends that could cause a significant change in the value of the plan assets. However, the proposed FSP should better define what is meant by “concentrations of risk”, and should clarify that disclosures about risk should be focused on those arising from heavy concentrations in one type of investment. Further, disclosures about lack of diversification are useful at the enterprise level but not at the individual plan level.

Issue 4. Would the disclosures about fair value measurements of plan assets provide decision-useful information?

Response: Yes, we believe disclosures about fair value measurements of plan assets will provide decision-useful information to plan participants, but this information may be duplicative. Our benefit plans are professionally managed and decisions are made based on our evaluation of all aspects of the programs. Additionally, detailed financial information is filed annually and is publicly available to plan participants (US plans- Form 5500).

Issue 5. Would any of the required disclosures impose excessive incremental costs? If so, please describe the nature and extent of the additional costs.

Response: If all the individual plans were to be broken out separately, this level of disclosure, in this compressed timeframe would impose significant costs of questionable value. Such cost would include additional headcount, systems costs, and service provider fees. We believe these disclosures don’t provide sufficient benefits to overcome the additional costs to compile and prepare this information.

Issue 6. Is the time needed to compile the information required to support annual reporting disclosures sufficient given the proposed effective date for fiscal years ending after December 15, 2008? If not, please describe the nature and extent of the effort required and the time needed.

Response: As currently drafted, more time would be needed to comply with 2008 reporting requirements. Numerous international plans need to change the way they provide information because they are not set up to report in this manner. For the most part, our international pension plan managers do not prepare US GAAP financial statements and are not familiar with the disclosure requirements of FAS 157. It will be a considerable effort to educate plan managers so they have a consistent understanding of the requirements in FAS 157. We believe that the level of effort companies would have to put in place to collect and reconcile the FAS 157 disclosure data for our international plans is substantial. Additional planning and communication will be necessary to set clear definitions and a vehicle for gathering the data.

Thank you very much for taking our comments into consideration.

Sincerely,

Stephen J. Cosgrove
Vice President, Corporate Controller