MINUTES

To: Board Members

From: Pension Team (Salo, ext. 312)

Subject: Minutes of August 20, 2003 Board Meeting **Date:** September 19, 2003

cc: Bielstein, Smith, Petrone, Polley, Swift, Leisenring, Sutay, Thompson, Gabriele, Intranet, Project Team

Topic: Pension Disclosures

Basis for Discussion: Memorandums dated August 13, 2003 and August 19, 2003

Length of Discussion: 10:20 a.m. to 11:50 a.m.

Attendance:

Board members present:	Herz, Batavick, Crooch, Schieneman, Schipper, Seidman, Trott
Board members absent:	None
Staff in charge of topic:	Proestakes
Other staff at Board table:	Leisenring, Smith, Kazazean, Salo
Outside participants:	None

Summary for ACTION ALERT:

The Board met today to discuss the following issues regarding disclosures for pensions and other postretirement benefits.

The Board considered several potential disclosures for multiemployer pension plans, including a narrative description of participation, the basis on which costs are charged and the cost rate, expected contributions for the next fiscal year, funded status of the plan, and the names of each of the plans. The Board unanimously agreed that none of the potential disclosures should be required.

The Board considered and unanimously agreed that disclosures similar to those required for pensions should be required for other postretirement benefits. The Board also considered whether disclosures, both pension and other postretirement benefits, should be subject to a quantitative significance threshold. The Board decided that there should not be any quantitative threshold for either pensions or other postretirement benefits. Management's discretion regarding whether the plans are immaterial, as applied today, should be continued as the only threshold.

The Board considered the potential elimination of the income statement classification of net pension cost, interim period disclosures of net pension cost, and disclosure of the projected benefit payments. The Board members agreed to eliminate the income statement classification of net pension cost while retaining the other disclosures.

The Board considered the addition of disclosures related to market-related value of plan assets, measurement date, and fair value of the benefit obligation. The Board agreed not to add any of the above disclosures and instead opted to add a disclosure requiring identification of significant changes that have occurred after the measurement date. Also, the Board agreed to add a disclosure regarding the make up of company contributions to distinguish between cash and non-cash contributions.

The Board discussed two alternative illustrations of the disclosures and decided on the condensed version of the illustration. That illustration differs from the original illustration in that it eliminates the reconciliation of plan assets and obligations, while retaining key information such as actual return on plan assets, benefit payments, and contributions. It streamlines disclosures of projected benefit payments and combines assumptions into one table. Board members reaffirmed that expected contributions should be split between minimum funding requirements and additional contributions to be made at management's discretion.

The Board also agreed with a year-end 2003 effective date for this proposed Statement. The Board directed the staff to make final revisions to the Exposure Draft, which is expected to be issued in the third quarter of 2003.

Matters Discussed and Decisions Reached:

Disclosures for Multiemployer Plans

1) Should disclosures be required to describe an entity's participation in multiemployer plans?

Mr. Proestakes opened the discussion and described the potential additional disclosures for multiemployer plans, which included a narrative description of participation in multiemployer plans, the basis on which costs are charged and the cost rate, expected contributions for the next fiscal year, funded status of the plan, and the names of each of the plans. He noted that this issue had been discussed in the July 30, 2003 Board meeting, but the Board wanted further analysis of the additional disclosures. Mr. Proestakes explained that after further analysis it was determined that the added disclosures about multiemployer plans did not add significantly more than what is available now. He specifically stated that disclosures, such as the funded status, would add complexity to the disclosures, while they would only marginally add value. He asked the Board whether or not it saw value in these additional disclosures for multiemployer plans.

Board members noted that although these additional disclosures were appealing, the costs outweighed the benefits, therefore no disclosures should be required to describe an entity's participation in multiemployer plans.

Disclosures for Other Postretirement Benefits

Mr. Proestakes opened the discussion by stating that the Board had three options for the disclosures of other postretirement benefits. The Board could require the same disclosures as for pensions, require the disclosures based on a significance threshold, or could not require any disclosures for other postretirement benefits. He further explained that the materiality threshold could be quantitative, such as plan assets to total assets or plan obligations to total liabilities, or qualitative, based on management's judgment as to the significance of the information and the plan. The quantitative threshold would reduce the cost of compliance for smaller companies, but it may cause consistency to suffer if companies are required to disclose this year but not next year and vice versa.

All Board members agreed that other postretirement benefits should require the same disclosures as pensions. The Board also agreed that there should not be any imposed quantitative materiality threshold, and management should use its judgment to determine if the information is immaterial and therefore does not need to be disclosed.

One Board member supported a quantitative materiality threshold. That Board member reasoned it should be used to ease the burden of compliance for companies with pension and other postretirement benefits that are beyond material, but not significant.

Elimination or Addition of Disclosures Required by Statement 132 and Those Added in This Project

Mr. Proestakes introduced the discussion and asked the Board to consider the illustration of what a sample note, including Statement 132 disclosures and those added in this project, would look like. He asked the Board if they wanted to eliminate any of the disclosures, specifically income statement classification of net pension cost, interim period disclosures of the components of net pension cost, or disclosure of the projected benefit payments. Mr. Proestakes also inquired if the Board wanted to require any additional disclosures, such as disclosure of market-related value of plan assets, disclosure of measurement date, and disclosure of the fair value of the benefit obligation.

Board members agreed to eliminate the income statement classification of net pension cost. One Board member stated that discussions with the User Advisory Council indicated that they wanted income statement classification of net pension cost. The Board member wanted to clarify that the disclosure would be eliminated because the amounts were small since, in most situations, the net pension cost is very small in relation to the income statement line items. The Board also decided to retain the interim period disclosures of the components of net pension cost (i.e., service cost, interest, etc.) and the disclosure of any significant changes in the previously disclosed contributions.

The Board agreed not to require the disclosure of market-related value of plan assets, disclosure of measurement date, and disclosure of the fair value of the benefit obligation. Some Board members believed that the addition of a disclosure of measurement date had merit, but the difficulty and cost of applying this disclosure for companies with multiple plans and measurement dates overcame the benefits of requiring the disclosure.

The Board added a disclosure requiring identification of significant changes that have occurred after the measurement date. Also, the Board agreed to add a disclosure regarding the make up of company contributions to distinguish between cash and non-cash contributions.

Modification of the Illustration Presented in Board Memorandum

Mr. Proestakes asked the Board if it was satisfied with the illustration of disclosures, as presented in the Board Memorandum, and, if it was not, what changes they would like to see made. The Board discussed the illustration and an alternate illustration, which is a more streamlined, condensed version of the set of disclosures. The alternate differs from the original illustration in that it eliminates the reconciliation of plan assets and obligations, while retaining key information such as actual return on plan assets, benefit payments, and contributions. It also streamlines disclosures of projected benefit payments and combines the disclosure of assumptions into one table separately identifying the discount rates used to measure benefit obligations as of the plan's measurement date and those related to net benefit cost or income for the period.

Board members discussed the importance of retaining the complete reconciliation of pension assets and obligations. Some Board members believed that users want this complete information, while others believed that the reconciliation contains more information than is actually used. The Board decided in favor of eliminating the reconciliation, yet retaining some of its key elements. The Board stated that a specific question would be included in the Exposure Draft to gain input on whether the condensed version of the reconciliation was adequate or whether the full reconciliation should be retained.

The Board also discussed the benefit payment disclosure as presented in both versions of the illustration. The Board members agreed to use the condensed disclosure, in the alternate illustration, as it lists benefit payments required each year in the near future. Board members believe that this level of detail is more valuable to users.

Board members agreed to use the alternate illustration, but it decided to continue to require disclosure of minimum funding requirements and amounts management intends to contribute beyond the minimum funding requirements.

The Board also agreed with a year-end 2003 effective date for this proposed Statement.

Follow-up Items: The Board directed the staff to make final revisions to the exposure draft, which is expected to be issued in the third quarter of 2003.

General Announcements: None.