

**FASB ACTS TO EXPAND DISCLOSURE REQUIREMENTS FOR PENSIONS.  
YEAR-END 2003 STATEMENTS ARE AFFECTED**

The Financial Accounting Standards Board (FASB) agreed at a meeting on Tuesday to expand disclosure requirements for pensions and other postretirement benefits. The agreement followed closely their September 12, 2003 Exposure Draft (the ED), but with a few key changes most of which appear to be improvements over the ED. The new requirements could be effective as early as year-end 2003. FASB staff was directed to prepare a formal document for December approval by the Board.

A description of the ED can be found in our September 26, 2003 *For Your Information*. Our comment letter to FASB is available through your HR&IS consultant.

*Effective Dates*

For public companies, the new disclosures generally would apply to fiscal years ending after December 15, 2003. However, new disclosures for foreign plans and new benefit payment disclosures would be deferred until fiscal years ending after June 15, 2004. The Board has not decided whether the new asset disclosures would be required for fiscal years ending after December 15, 2003.

For nonpublic entities, the new disclosures would be required for fiscal years ending after June 15, 2004.

*Assets and Expected Rates of Return*

The fair value of assets would be disclosed, broken down into broad asset classes (i.e., equity, debt, real estate, other). Target allocations would also be disclosed, although these could be presented as ranges. If target allocations don't exist, a discussion of how assets are managed would be required.

The expected return assumption would be shown along with an explanation of its derivation. The Board agreed to drop ED proposals to disclose rates of return by asset class and the range of maturity dates of debt assets.

*Expected Contribution*

The employer's best estimate, once known, of the expected contribution for the year would be shown. The Board dropped the ED proposal to disclose required, discretionary and noncash contributions. The Board also added the words "best estimate, once known" to the ED proposal. It is not clear how good an estimate would be needed for it to be disclosed.

*Expected Benefit Payments*

The Board continues to believe that information about expected future benefits would be useful but were unsure of the details. FASB staff was directed to discuss with actuaries whether it is easier to determine benefit payments inclusive or exclusive of future service accruals. The Board tentatively agreed that payments would be shown for each of the first five years and for all years thereafter, along with a reconciliation of the expected payments to the Pension Benefit Obligation (PBO). This disclosure is subject to reconsideration by the Board and would be required no earlier than fiscal years ending after June 15, 2004.

### *Accumulated Benefit Obligation (ABO)*

The ABO would be disclosed, as it was before FAS 132 was issued.

### *Reconciliations of Assets and Liabilities*

The reconciliations of assets and liabilities would continue to be required. The ED proposed that the reconciliations be eliminated.

### *Measurement Dates*

Measurement dates that differ from the statement date would be disclosed in all cases. The ED would have required disclosure only if there had been a significant change in assets, obligations or costs due to an economic event or change in economic conditions in the interim between measurement date and statement date.

### *Interim Reports*

Interim reports would show benefit cost for the period broken down into components, and any significant change in expected contributions from the last previous disclosure. The ED would have also required the disclosure of required, discretionary and noncash expected contributions.

### *Nonpublic Entities*

Consistent with the ED, nonpublic entities would be held to the same standards as public entities except for the deferred effective date mentioned earlier and the exceptions already contained in FAS 132. Further, again consistent with the ED, the components of benefit cost would not be disclosed in interim reports of nonpublic entities.

### *Immediate Action Required*

The new disclosure requirements could be effective as early as December 31, 2003 financial statements. Reporting entities need to review their data collection procedures now. Decisions will have to be made on style of presentation, whether expected contributions can reasonably be estimated and how to describe the selection of a long-term rate of return assumption.