MINUTES

Financial Accounting Standards Board

To: Board Members

From: Pension Team (Kazazean, ext. 327)

Subject: Minutes of April 16, 2003 Board Meeting **Date:** April 22, 2003

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

Topic: Pension Disclosures

Basis for Discussion: Memorandum dated April 7, 2003

Length of Discussion: 10:00 a.m. to 10:45 a.m.

Attendance:

Board members present: Herz, Crooch, Foster (by phone), Schieneman, Schipper, Trott, and Wulff

Board members absent: None

Staff in charge of topic: Proestakes

Other staff at Board table: Kazazean

Outside participants: None

Summary for ACTION ALERT:

The Board began its discussion of pension disclosures and made several decisions related to the overall scope of the project. First, the Board decided not to exclude from its scope disclosures that are already prescribed by the SEC. Board members cited diversity in practice and the need to apply standards to non-public companies as reasons for this decision. Second, the Board decided to consider additional disclosures to describe items including: the portfolio of plan assets, investment strategy, projected cash flows, and sensitivity information about key assumptions. The Board then discussed the next steps of the project, which will include further analysis of users' input, operationality issues, and the costs and benefits of potential additional disclosures.

Matters Discussed and Decisions Reached:

Mr. Proestakes stated that the purpose of the meeting was to obtain direction from the Board in three areas related to pension disclosures. First, he asked the Board to provide input on a proposed disclosure framework created by the staff. Second, he asked the Board for its opinion on whether to provide guidance for areas already addressed by the SEC for inclusion in companies' Management's Discussion & Analysis (MD&A). Although a Board decision to require disclosures similar to those prescribed by the SEC might lead to duplicative guidance, he noted two reasons for issuing this additional guidance: 1) the SEC guidance does not apply to non-public companies, and 2) the need for consistency in the extent and presentation of information in companies' MD&A. Finally, Mr. Proestakes asked the Board to offer its feedback on potential additional disclosures. Specifically, he asked them to identify any disclosures that should be removed from consideration at this time.

A few Board members expressed their approval of the staff's framework. They noted that it would be useful in helping the Board to identify areas in which there may be too much or too little information disclosed.

Ms. Schipper noted that she thought the staff's proposed framework appeared to be more like a list than a framework. Ideally, she said, a framework would establish the structure, goals, and objectives of disclosures. She suggested that the staff test their list against such a framework, and she further suggested that the staff test current pension disclosure requirements against a framework to identify items that could be eliminated. Mr. Schieneman, Mr. Crooch, and Mr. Herz agreed.

Mr. Schieneman stated his interest in getting users' input for each item on the staff's list, including how they would use the information disclosed for each item. He questioned whether footnotes should be limited to describing information presented in the financial statements or whether their scope should extend beyond this, potentially including forward-looking information.

The Board generally agreed that the possibility of creating redundancy with disclosures currently recommended by the SEC should not affect its decisions. They cited several reasons for this decision, including: 1) a desire to eliminate the inconsistency with which companies currently satisfy the SEC disclosure guidance, and 2) the need for guidance that would apply to all companies, including those that are non-public.

The Board members then gave their input regarding the usefulness of specific disclosures. They unanimously agreed to remove pro forma disclosures from consideration at this time, stating their apprehension about the usefulness of this information.

Mr. Wulff stated his preference for requiring additional disclosures to describe the risks related to pension plans. He felt that these risks would be more transparent to users if they were given additional information on asset mix, duration, and workforce demographics.

Mr. Crooch noted that the primary audience for potential additional disclosures consists of investment analysts. As such, he stated his belief that one of the analysts' main focuses when examining financial statements is to understand the cash requirements of an entity related to their pension plans (Mr. Foster agreed). The goal, he said, is to help analysts have access to that information. Mr. Wulff added that pension-holders are also part of the audience for these additional disclosures.

Mr. Foster and Mr. Schieneman agreed that historical returns on pension assets are not relevant for understanding future returns. Mr. Schieneman further added that there are two key issues related to pensions: the long-term solvency issue and the short-term liquidity issue. In his opinion, long-term solvency cannot be addressed with much precision, unless a company invests solely in bonds. However, he thinks that short-term liquidity is an issue that is of great concern to users, and that this should be the Board's primary focus in this project.

Mr. Schieneman and Mr. Wulff expressed concern about interim disclosures. Mr. Wulff noted that they may pose substantial incremental costs to preparers. He also noted, however, that users would benefit from this information. Mr. Herz expressed a different view—he believes that pension cost information should be made available quarterly.

Mr. Wulff asked the staff to consider the presentation of proposed disclosures (Ms. Schipper agreed with this request). Specifically, he asked them to present the disclosures in a tabular format that would facilitate their analysis.

Follow-up Items: None.

General Announcements: None.