DISTRIBUTION LIST

J. Beard
S. Beard
P. Becker
L. Broderick
J. Dale
F. Dennis
J. Freidin
J. Garza
T. Geist
J. Hermann
J. Laurin
K. Leever
B. Leopardi
F. Long
A. Lucia
C. Kaiser
D. Rohan
S. Ross
B. Whipple
N. Umble
W. Ogden
M. O'Donnal
D. Michelson
L. Scott

file
12 campaigns

WCIRA WEST COAST INDUSTRIAL RELATIONS ASSOCIATION, INC.
4515 N. CHANNEL AVENUE • PORTLAND, OREGON 97217 • (503) 283-4181

TO: All Consultants & Attorneys

FROM: W.C. Thomas

DATE: August 27, 1979

SUBJECT: Inadequate Representation & Unfunded Pension Liabilities

Please find attached two recent articles on the above captioned topics which were published in the August 13, 1979 issue of Business Week.

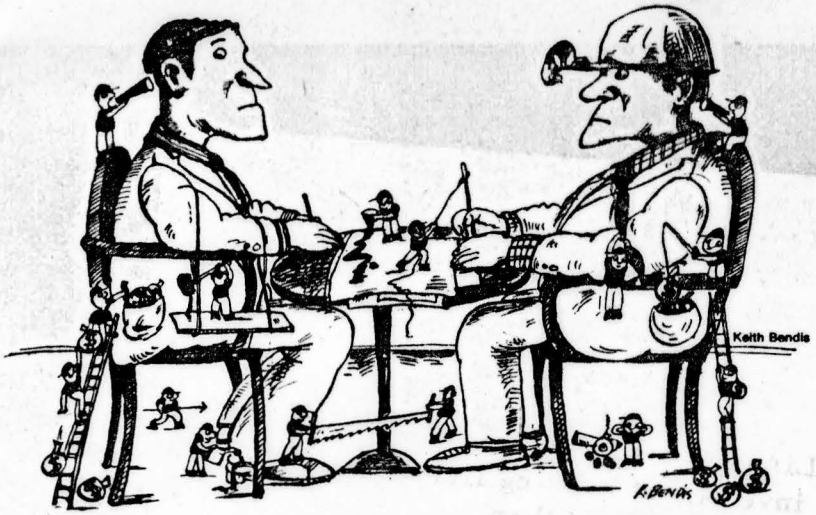
With respect to the question of "inadequate representation" (i.e. by a union) probably many of us have seen this trend developing for quite sometime particularly with the larger international unions. However, the greater scrunity now being placed on such charges by the NLRB, does provide us with yet another diversionary tool in dealing with disgruntled union members. But it also must be remembered that the use of such a technique is possibly a two edge sword, since in some instances employers can bear liability too.

Regarding the article on "unfunded pension liabilities", no great indictment can be made against negotiating either a fixed cents per hour contribution or fixed dollar per month per year of service pension plan. Since both must be footnoted (on 10-K or Annual Report) of a publicly held client, where any potential exists for unfunded service violations. I would think the use of these figures might be a very effective tool in any negotiations where a pension plan becomes a topic of dispute, since they tend to further corborate the devastating consequences of maintaining a pension program under ERISA.

W.C. Thomas

WCT:bjw

Attachments



Challenges by workers threaten to undermine the grievance system.

LABOR

On trial: A union's fairness

Traditionally, unions have enjoyed a broad charter to act for their members, and workers unhappy with their unions have mainly voted out their leaders. But now, in part because of a general litigiousness in American society, this is changing. More and more workers—often in lawsuits—are accusing their unions of failing to defend the rights of members under labor agreements. This trend is threatening to undermine the foundation of union-management relations: the union grievance system.

The "fair-representation" cases involve complaints by workers that their unions inadequately represent them in processing grievances. Although there are no comprehensive statistics, these complaints are increasing rapidly. John S. Irving, general counsel of the National Labor Relations Board, says that the number of such complaints the NLRB sees has tripled over the past 10 years to several thousand annually. The United Steelworkers and the Air Line Pilots Assn., for instance, say that fair-representation lawsuits filed against them have doubled during the last five years.

This trend is having serious consequences. In some cases, the cost of defending the suits is straining already-tight union budgets, despite the fact that unions successfully defend against most such suits. Employers are liable for damages if their action—such as firing a worker—prompted the suit. Recent court rulings have overturned arbitration decisions, threatening the established principle that arbitration is final. In sum, "the absence of clear standards and the extremely broad approach taken by some courts . . . adversely affect national labor policy," Irving contends. Thus on July 12 he ordered NLRB field offices to be more selective in choosing cases to pursue.

Union flexibility. The problem for unions is that the fair-representation trend undermines the principles and methods they use to administer contracts. Chief among these is the flexibility to pick which grievances should be pursued and which should not, for the good of all members. "If you believe in the principle of collective bargaining, you must believe in the collective interest and not the individual interest," declares Carl B. Frankel, an associate general counsel of the USW. Yet others think that the duty of fair representation should be even broader. Paul H. Tobias, a Cincinnati lawyer, argues that most firings should automatically be taken to arbitration on the chance that an arbitrator may be more lenient than an employer.

The duty of fair representation was first articulated in 1944, when the U. S. Supreme Court ruled that a railroad union had illegally negotiated contract terms that discriminated against black workers. The doctrine remained narrow, even after the NLRB in 1962 agreed to consider fair-representation complaints as unfair labor practice charges. Then in 1967 a landmark Supreme Court decision, Vaca vs. Sipes, expanded the doctrine. "Prior to Vaca it was pretty well understood that so long as the union's conduct was in good faith, there was no problem," says John A. Fillion, general counsel of the United Auto Workers. But the court added in Vaca that "a union may not arbitrarily ignore a meritorious grievance or process it in a perfunctory fashion," thus significantly broadening the test.

Grievance handlers. Tobias contends that suits are proliferating because many rank-and-file grievance handlers are "lazy" or "don't bother to check with union lawyers" when processing complaints. Unions concede that they make mistakes, and that some suits are legitimate. But "union agents who handle grievances are not lawyers," says George Murphy, general counsel of United Food & Commercial Workers. Tobias concedes that many meritless complaints are filed by lawyers inexperienced in labor law and unsure of whether they have a legitimate case. This can partly be traced to lower courts that have written increasingly wide interpretations of the Vaca standards. There is little disagreement about what constitutes bad faith or discrimination. But there is much confusion about what constitutes arbitrary or negligent behavior by unions.

In 1975, for instance, the Sixth U. S. Court of Appeals ruled that the UAW's failure to initiate arbitration on behalf of a wrongly fired worker was so serious that it was arbitrary, particularly in view of two deadline extensions granted by the company. Yet the same court exonerated the International Brotherhood of Teamsters in a similar case. The court ruled that although the Teamsters had refused to arbitrate the firing of a driver who had struck a low bridge with his truck, it was within its rights because no bad faith was involved. The NLRB also stresses the bad-faith test. Irving estimates that only 10% of the fair-representation complaints he reviews have "merit," compared with 33% of all other complaints the agency receives.

Great expense. Unions and employers also win the great majority of suits—but at a large expense of time and money. Frankel estimates that he and three other USW lawyers spend a third of their time on fair-representation or discrimination suits. Just preparing a defense costs at least $2,000, and in cases they have lost unions have had to pay attorneys' fees of up to $25,000.

In 10 years, complaints before the NLRB over grievances have tripled

More important, however, is the impact on a union's grievance system. Perhaps a union's most important task is pressing to win every legitimate grievance its members file, while at the same time maintaining credibility with employers by refusing to pursue groundless complaints.

"The overall impact [of fair-representation suits] has been to force a carrying along of a far greater volume of meritless grievances than in the past," says Fillion, who adds that the UAW will file a grievance whenever a fired employee wants one, although it usually will not take the matter to arbitration. Robert

Coulson, president of the American Arbitration Assn., believes that fair-representation suits are partly reponsible for an 8% increase in labor arbitration cases during the past year.

Moreover, NLRB board member John C. Truesdale thinks this may happen more and more. He argues that district and circuit courts are "attempting to monitor the effectiveness, as contrasted to the fairness, of union representation."

For example, the Eighth U. S. Court of Appeals ruled earlier this year that the USW unfairly represented several junior employees at Hussmann Refrigerator Co. in St. Louis. These workers were promoted above senior workers. Then the union filed and won grievances that gave the senior employees the jobs in dispute. The court ruled that the union should have considered the relative qualifications of the workers before it filed grievances. The USW has won a rehearing on the decision.

The Supreme Court has ruled that fair-representation plaintiffs are not entitled to punitive damages, and this could deter some complaints. Still, the momentum of lower courts is toward more liberal interpretations of the doctrine. And more suits are likely—perhaps until the Supreme Court defines what its standards really mean. ■

UNFUNDED PENSION LIABILITIES:

Because 1978 was a good year for corporate profits and a year in which most industries did not have to pay for expensive new labor settlements, many of the nation's largest corporations were able to make significant progress in controlling their pension liabilities. These obligations were gigantic in dollar terms, and they are still growing, but profits rose last year at an even faster pace. As a result, corporations improved their ability to carry unfunded burdens; many companies even managed to trim some of the overhang.

Those are the major conclusions drawn from BUSINESS WEEK's annual survey of unfunded pension obligations. For 100 major U. S. corporations, unfunded vested benefits—pension obligations that must be paid someday but are not yet covered by assets in the pension funds—rose by only 5.5% last year, compared with a 19% increase in 1977. Unfunded prior-service costs, a broader measure of total pension obligations, grew 8%, an increase similar to that of the prior year. But total corporate profits moved ahead 16% during 1978, compared with growth of only 10% a year earlier.

The survey, prepared by Denver-based Standard & Poor's Compustat Services Inc., covers the latest reported unfunded pension obligations of the largest U. S. companies, ranked by sales, for which such recent pension data are available.

Disclosure proposals. This year's report includes information on two of the most commonly used measures of corporate pension liability, unfunded vested benefits and unfunded prior-service costs, as well as data on annual pension costs. Forty other U. S. corporations, which

COMPANY	FY END	UNFUNDED PRIOR SERVICE COSTS $ MIL.	UNFUNDED PRIOR SERVICE COSTS AS % 3-YR. AVG. PRETAX PROFIT	UNFUNDED VESTED BENEFITS $ MIL.	UNFUNDED VESTED BENEFITS AS % NET WORTH	FISCAL 1978 OR 1979 PENSION & RETIREMENT EXPENSE $ MIL.	FISCAL 1978 OR 1979 PENSION & RETIREMENT EXPENSE AS % LABOR EXPENSE
Allied Chemical	12	$372.0	159.5%	$77.6	6.1%	$50.7	6.7%
Aluminum Co. of America (USW)	12	847.0	250.8	536.0	25.4	135.3	11.1
Amerada Hess	12	5.4	1.1	0.0	0.0	6.7	NR
American Brands	12	238.7	68.3	170.4	12.7	50.6	NR
American Can	12	365.7	178.1	178.3	18.0	84.2	7.7
American Home Products	12	0.0	0.0	NR	NR	5.5	0.8
American Telephone & Telegraph (CWA)	11	NR	NR	386.8	0.9	2354.4	15.3
Ashland Oil	9	21.5	6.3	0.0	0.0	27.5	NR
Atlantic Richfield (OCAW)	12	629.0	54.8	222.0	4.0	121.0	11.9
Beatrice Foods	2	113.6	25.5	0.0	0.0	45.5	NA
Bendix	9	570.3	263.0	346.2	37.2	80.5	7.2
Bethlehem Steel (USW)	12	1101.0	NEG	1247.0	52.8	273.9	10.7
Boeing (IAM)	12	NR	NR	204.0	13.8	126.5	7.5
CPC International	12	160.1	65.2	84.9	9.6	31.6	5.3
Caterpillar Tractor (UAW)	12	935.0	117.6	360.0	13.1	133.7	6.2
Chrysler (UAW)	12	1810.0	1140.8	1100.0	37.6	262.3	8.0
Cities Service	12	100.0	30.0	IS	0.0	33.2	7.5
City Investing	12	101.0	62.6	32.0	4.0	20.4	NR
Coca-Cola	12	IS	0.0	NR	NR	27.5	NR
Colgate-Palmolive	12	109.8	36.6	NR	NR	37.2	NA
Consolidated Edison of N.Y.	12	NR	NR	378.0	11.3	76.9	12.1
Consolidated Foods	6	5.9	3.1	IS	0.0	18.9	2.5
Continental Group	12	454.0	232.5	40.0	3.0	84.2	6.6
Dayton-Hudson	1	22.0	13.2	14.2	1.8	10.2	NA
Deere (UAW)	10	350.0	81.2	250.0	14.2	119.0	7.8
Dow Chemical (OCAW)	12	NR	NR	17.1	0.5	108.0	7.8
Du Pont	12	1252.7	119.5	622.1	13.1	301.5	9.4
Eastman Kodak	12	532.0	39.4	0.0	0.0	210.4	7.6
Eaton	12	369.0	165.4	229.0	27.6	55.0	NA
Engelhard Minerals & Chemicals	12	52.3	27.5	IS	0.0	16.4	NR
Esmark	10	155.0	133.3	149.0	18.3	31.1	NR
Exxon	12	NR	NR	0.0	0.0	391.0	11.5
FMC	12	146.0	73.0	NR	NR	30.2	3.4
Federal National Mortgage Assn.	12	NR	NR	0.0	0.0	2.4	NR
Firestone Tire & Rubber	10	407.6	525.5	141.1	10.0	74.4	4.7
Ford Motor (UAW)	12	3700.0	147.6	1170.0	12.1	703.0	5.6
General Dynamics (IAM)	12	NR	NR	115.0	16.3	67.6	5.4
General Electric (IUE FUE)	12	882.0	46.7	534.0	8.1	381.4	5.1
General Foods (FBT)	3	235.1	61.3	IS	0.0	54.7	6.6
General Motors (UAW)	12	8000.0	130.9	3900.0	22.2	1326.7	6.4
General Telephone & Electronics	12	476.0	41.2	0.0	0.0	236.0	NR
Georgia-Pacific	12	76.0	17.0	25.0	1.4	30.0	NR
Getty Oil	12	NR	NR	0.0	0.0	26.7	8.7
Goodyear Tire & Rubber (UAW)	12	703.6	199.5	423.0	20.1	127.3	6.4
Grace (W.R.)	12	NR	NR	0.0	0.0	26.0	2.6
Great Atlantic & Pacific Tea	2	20.0	NEG	0.0	0.0	47.9	NR
Gulf & Western Industries	7	339.0	131.8	156.0	11.3	53.5	NR
Gulf Oil	12	469.0	21.7	62.0	0.8	144.0	10.7
Halliburton	12	NR	NR	IS	0.0	64.4	3.1
International Business Machines	12	876.0	17.0	616.0	4.6	877.0	NR

GLOSSARY

FY end
Month in which company's fiscal year ends.

Unfunded prior service costs
The unfunded portion of a company's currently valued pension plan obligations. For most companies, prior service costs include both benefits that are vested as well as other promised benefits that are received only if present employees continue to meet specified employment conditions such as remaining with the company. Under ERISA, such costs must be amortized against earnings over a 30- to 40-year period. Some companies that have unfunded vested benefits, however, do not report unfunded prior service costs because they use a pension funding method that includes prior service costs as a part of their future annual pension charges or normal costs.

Unfunded prior service costs are adjusted from year to year for any changes in plan benefits, for changes in actuarial assumptions such as interest rates and employee longevity, turnover, and mortality, and for changes in the market value of pension plan assets.

Unfunded prior service costs as a % of a company's three-year average pretax profit
Pretax profit is income (operating and nonoperating) before provision for income taxes and minority interest.

A REIN ON THEIR GROWTH—FOR NOW

rank higher in annual sales than some of the companies in BUSINESS WEEK's group of 100, would have appeared in the survey but did not report data this year in sufficient detail to gauge their unfunded pension obligations or had not revalued their pension plans since 1977. Next year more data may be available as a result of new disclosure proposals from the Financial Accounting Standards Board (FASB).

Most of those who track pension obligations first examine a company's unfunded vested benefits. These represent the difference between the present value of pension benefits that under law must eventually be paid to current employees, even if they leave the company, and the assets socked away in the pension fund. Since the passage of the Employee Retirement Income Security Act (ERISA) five years ago, if a company goes bankrupt or its plan terminates, the government can go after corporate assets to make up any shortfall, taking up to 30% of a company's net worth.

Thus, analysts find it useful to compare unfunded vested benefits to a company's net worth. For 1978 the average level of such unfunded obligations came to slightly more than 7% of net worth, compared with 7.2% a year ago. Companies with older, highly unionized labor forces and those where profits have been sluggish feel the most pressure. For example, unfunded vested benefits amount to more than 100% of net worth at Lockheed and LTV, more than 50% of net worth at Trans World and Bethlehem Steel, and about 40% at National Steel, Republic Steel, and Chrysler.

But General Motors' $3.9 billion liabil-

Unfunded vested benefits
The amount of vested benefits in a company's pension plan that are not funded; the amount by which such benefits exceed fund assets.

Vested benefits are the estimated current legal obligations of the pension plan—and of the company itself—that eventually must be paid at a future date even though the employee leaves the company or the plan is terminated.

Unfunded vested benefits as a % of net worth
Net worth equals the sum of preferred stock, common stock, capital surplus, and retained earnings.

Pension and retirement expense
The cost of all pension plans and profit-sharing retirement plans of the company and consolidated subsidiaries included as an expense on the income statement for fiscal 1978 or 1979.

Pension and retirement expense as a % of a company's reported labor expense for fiscal 1978 or 1979
Labor expense is the total amount of employee wages and benefits for the company's consolidated operations, including salaries, pension costs, profit-sharing, incentive compensation, payroll taxes, and other employee benefits.

NR=not reported NA=not available NM=not meaningful IS=insignificant NEG=earnings deficit
Data: Standard & Poor's Compustat Services Inc.

COMPANY	FY END	UNFUNDED PRIOR SERVICE COSTS $ MIL.	UNFUNDED PRIOR SERVICE COSTS AS % 3-YR. AVG. PRETAX PROFIT	UNFUNDED VESTED BENEFITS $ MIL.	UNFUNDED VESTED BENEFITS AS % NET WORTH	FISCAL 1978 OR 1979 PENSION & RETIREMENT EXPENSE $ MIL.	FISCAL 1978 OR 1979 PENSION & RETIREMENT EXPENSE AS % LABOR EXPENSE
International Paper	12	234.0	64.5	137.0	6.4	65.0	5.7
International Telephone & Telegraph (CWA)	12	409.0	44.8	105.0	1.9	209.0	NR
Jewel Cos.	1	0.0	0.0	0.0	0.0	21.1	NR
Johnson & Johnson	12	NR	NR	0.0	0.0	42.3	3.8
K mart	1	NR	NR	0.0	0.0	35.1	2.1
Kraft	12	5.7	1.8	3.8	0.3	34.4	4.4
Kroger	12	119.0	102.5	52.7	9.5	59.1	NR
LTV	12	860.0	NM	557.0	100.7	101.0	NR
Litton Industries	7	IS	0.0	76.0	10.0	38.5	NR
Lockheed (IAM+UAW)	12	869.0	839.9	440.0	157.0	116.0	8.9
Loews	12	69.8	26.9	24.7	2.9	15.3	NR
Marathon Oil	12	NR	NR	0.0	0.0	26.1	11.1
McDermott (J. Ray)	3	330.0	140.6	0.0	0.0	56.6	NA
McDonnell Douglas (IAM)	12	NR	NR	153.0	12.7	151.5	8.3
Minnesota Mining & Mfg.	12	380.0	46.9	0.0	0.0	59.5	4.5
Monsanto	12	384.1	67.1	5.4	0.2	84.2	6.4
National Steel	12	NR	NR	596.0	44.4	90.2	8.0
Occidental Petroleum	12	89.0	10.7	NR	NR	26.8	3.8
PPG Industries	12	305.0	126.6	116.0	10.0	53.0	6.8
Pacific Gas & Electric	12	NR	NR	0.0	0.0	70.4	11.1
Penney (J.C.)	1	150.0	30.9	0.0	0.0	49.0	NR
PepsiCo	12	NR	NR	3.5	0.3	31.8	NR
Philip Morris	12	35.4	5.8	NR	NR	41.8	NR
Raytheon	12	26.4	12.9	82.5	11.2	35.6	3.5
Republic Steel (USW)	12	895.0	1119.8	565.0	40.1	96.9	8.2
Reynolds (R.J.) Industries	12	193.0	24.8	44.0	1.7	58.0	NR
Reynolds Metals	12	620.0	408.2	273.0	25.3	64.9	7.0
Rockwell International	9	483.7	157.4	320.0	23.6	199.7	8.3
Safeway Stores (IBT)(UFCW)	12	NR	NR	0.0	0.0	93.8	NR
Sears, Roebuck	1	886.6	75.3	189.2	2.7	172.7	NR
Shell Oil (OCAW)	12	140.3	11.0	NR	NR	141.2	13.4
Signal Cos.	12	221.0	108.9	NR	NR	63.8	NR
Southern	12	45.3	9.3	0.0	0.0	19.9	4.0
Southland	12	NA	NA	0.0	0.0	NA	NA
Standard Oil Co. of California (OCAW)	12	316.0	18.6	0.0	0.0	73.5	NR
Sun	12	18.0	2.5	7.0	0.2	69.6	NR
TRW	12	390.0	135.9	172.0	16.6	85.3	4.9
Tenneco	12	190.0	24.9	50.0	1.4	79.0	NR
Textron	12	245.0	93.3	0.0	0.0	54.0	4.2
Trans World (IAM, IBT ALPA)	12	314.1	396.8	308.0	57.1	61.9	4.6
UAL (IAM ALPA)	12	430.0	277.6	95.0	8.0	167.1	NR
Union Carbide (OCAW)	12	879.0	134.3	200.0	5.5	157.5	NR
Union Oil Co. of California (OCAW)	12	NR	NR	0.0	0.0	33.6	7.5
U.S. Steel	12	1200.0	413.7	1000.0	18.9	363.7	8.1
United Technologies (IAM)	12	202.0	48.6	46.0	2.6	127.3	4.9
Warner-Lambert	12	123.0	36.9	69.0	5.0	42.4	NR
Westinghouse Electric (IUE + UE)	12	770.0	183.8	740.0	30.3	136.3	NR
Weyerhaeuser	12	210.0	43.7	NR	NR	56.0	5.4
Woolworth (F.W.)	1	NR	NR	59.0	5.0	23.3	NR
Xerox	12	NR	NR	0.0	0.0	198.0	NR
Composite		40041.7	83.7	20276.5	7.1	13756.7	7.7

ity, now more than three times larger than that of any other company, comes to just 22% of that company's net worth, while AT&T's $387 million unfunded obligation is less than 1% of its book value. As a measure of financial soundness, one-third of the companies in BUSINESS WEEK's survey again reported no significant unfunded pension liabilities this year.

Recession threat. Even though the total unfunded vested benefits of all 100 companies grew only 5.5% during 1978, some worry that this improvement may be short-lived. If profits are dampened by a recession and if pending wage and fringe-benefit settlements are large, annual increases in pension liabilities again could rise to double-digit levels during the next two years.

Another key pension obligation measure, unfunded prior-service costs, is a rough gauge of pension claims on a company's future earnings. For most companies, the figure includes not only vested benefits but also the present value of those benefits promised to current employees that actuaries expect will become vested. Unfunded prior-service costs is also a net figure: the difference between a company's estimated pension obligations and the assets in its pension fund.

With the advent of ERISA, such liabilities must be funded over 30 to 40 years, although many companies use shorter periods. For that reason, some analysts compare unfunded prior-service costs with a company's pretax earnings to get some notion of the potential drag on earnings.

They note, however, that the pretax profit figure already reflects the cost of present pension funding. Therefore unless unfunded prior-service costs have risen or are about to rise—as the result of a wage settlement, for example, or bad portfolio investment performance—there may be no additional drag on future earnings.

To even out unusual swings, BUSINESS WEEK's calculation relates this unfunded liability to a company's average pretax profits for the past three years. The study shows that the average large corporation could cover these liabilities with the equivalent of 10 months' pretax earnings at current levels. Last year the figure was 11 months.

Numbers problems. Even though Ford, GM, and Du Pont are among the companies with the largest dollar amount of unfunded prior-service costs, they could cover the entire present burden with a bit more than a year's pretax earnings. Companies such as Chrysler and Republic Steel, with more sluggish profits, would need roughly 11 years' pretax earnings. And for LTV, Bethlehem Steel, and A&P, where recent earnings have been even more shaky, profits are simply too low to calculate a meaningful figure.

There are problems, however, in using unfunded prior-service cost numbers. For one thing, many large companies, such as AT&T, use a pension funding method that by definition has no prior-service costs, even though some companies may have considerable unfunded vested benefits. For another, the unfunded numbers are extremely sensitive to differences in actuarial assumptions. Those include such things as anticipated returns on pension fund assets, employee turnover, and mortality—assumptions that vary greatly among companies and that are almost never disclosed.

standard spells out what a company has to reveal to shareholders in annual reports. Because many corporations have dozens of separate plans, the information for investors represents a shorter, easy-to-grasp consolidation of those key data. But some companies may have to make two breakdowns, one for the combined results of all pension plans that are fully funded and another for plans that are not.

In each of these categories, a company must first reveal the actuarial present value of vested benefits, the present value of nonvested benefits for employees expected to become vested in the future, and the total of the two numbers.

Measuring industry's unfunded pension liabilities

The 15 largest in dollars . . .	Millions of dollars	Percent change from prior year	. . . and as a percent of net worth (Unfunded vested benefits)	Percent
General Motors	$3,900	+ 11%	Lockheed	157%
Bethlehem Steel	1,247	+ 3	LTV	101
Ford Motor	1,170	− 9	Trans World	57
Chrysler	1,100	− 13	Bethlehem Steel	53
U.S. Steel	1,000	+ 67	National Steel	44
Westinghouse	740	+ 7	Republic Steel	40
Du Pont	622	− 10	Chrysler	38
IBM	616	+109	Bendix	37
National Steel	596	+ 5	Westinghouse	30
Republic Steel	565	+ 3	Eaton	28
LTV	557	+ 20	Alcoa	25
Alcoa	536	− 3	Reynolds Metals	25
General Electric	534	− 10	Rockwell Intl.	24
Lockheed	440	+ 9	General Motors	22
Goodyear	423	− 3	Goodyear	20

Data: Standard & Poor's Compustat Services Inc.

But soon, thanks to two new proposals just made by the FASB, there will be far more significant and comparable data on pension obligations. These will begin to show up for the first time in next year's annual reports. Even before passage of ERISA, the accounting board had been wrestling with the pension disclosure issue. But it has taken five years to work through myriad thorny issues with the help of actuaries and the Labor Dept., which monitors pension fund reporting.

FASB Chairman Donald J. Kirk says that even though ERISA called for reporting based on generally accepted accounting principles, "there literally were no standards dealing with the financial reporting of pension plans or with how pension promises should be measured and disclosed by employers." If approved later this year, the new FASB rules will go into effect for fiscal years beginning after Dec. 15, 1979, although the board hopes that most companies will put the data in their 1979 annual reports.

One proposal prescribes financial reporting for each pension plan. A second

Then it must show the net assets accumulated to cover such benefits, so that investors and employees can easily calculate any shortfall.

Miniature balance sheets. Separate reports on each individual plan, which are filed with the Labor Dept., are much more detailed. That disclosure calls for miniature balance sheets for plan assets, liabilities, and benefits, together with statements explaining annual changes in the value of benefits and net assets.

Investors will also be getting other disclosures in narrative form. In its annual report, a company must reveal such things as total pension expense for the year, the amortization period for its past service costs, and its key actuarial assumptions: mortality rates, average retirement age, and the rate of return it expects on pension assets.

Another pension-related project in the works at the FASB may determine, among other things, if pension obligations should be placed on corporate balance sheets. But a decision on that issue is still probably years away. ■