

Monday, October 21, 2002

Something's Not Working

U.S. companies may have been shy about their pension woes, but the issue is hardly retiring. In a recent report Credit Suisse First Boston analyst David Zion estimated that the defined-benefit pension plans of the companies listed below are underfunded by at least 25% of the companies' market values. These liabilities do not have to be paid in their entirety this year, thanks to pension rules. But if the stock market does not rebound and interest rates don't rise, companies ultimately will have to fund their obligations, potentially draining cash flow, decreasing reported earnings and harming their balance sheets.

Company	2002E Underfunded Amount (mils)	Current Stock Market Value (mils)	2002E Underfunded/Mkt. Val.	2003E Noncash Pension Expense/Share	2002E Charge to Equity/Total Equity*
AMR Corp	\$3,367	\$560	601%	-\$2.47	19%
Delta Air Lines	4,376	1,240	353	-3.75	34
Goodyear	1,965	1,386	142	-1.39	24
General Motors	29,428	21,421	137	-5.83	55
McDermott Intl	448	333	134	-0.24	21
Delphi	4,245	4,811	88	-0.32	3
Navistar Intl	1,093	1,249	88	-1.24	42
Ford Motor	14,273	17,026	84	-0.16	39
Cummins	729	902	81	-0.74	43
CMS Energy	590	1,108	53	-0.26	13
Xerox	2,297	4,352	53	-0.07	45
Visteon	651	1,297	50	-0.36	1
Hercules	477	954	50	-0.12	54
Allegheny Tech	237	500	47	-0.49	48
Boise Cascade	613	1,356	45	-0.98	7
US Steel	515	1,170	44	0.57	64
Lucent Tech	1,466	3,364	44	0.12	0

Williams Cos	392	909	43	-0.03	4
Dana	848	2,001	42	-0.22	12
Maytag	638	1,800	35	-0.52	397
Georgia-Pacific	1,141	3,235	35	-1.15	9
NCR	729	2,110	35	0.36	36
Corning	523	1,556	34	-0.06	4
Unisys	750	2,230	34	0.30	47
AES	380	1,210	31	-0.05	2
Raytheon	3,612	12,651	29	-0.09	25
Goodrich	561	1,993	28	-0.04	24
EDS	1,540	5,610	27	-0.50	3
Boeing	6,846	27,936	25	0.18	31

*based on shareholders total equity as of Dec. 31, 2001.

Sources: Company data, CSFB estimates.

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