MARKETPLACE

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HEADLINE: Company pension obligations hard to read
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KAI RYSSDAL, host:

One of the things that has been dragging Detroit down is its pension obligations. Between them, the big three car makers have millions of retirees that are effectively still paying. That is a problem for a struggling industry, and it's a problem for investors, too, because accounting rules let companies obscure those obligations. They are usually stuck someplace in a footnote of an already dense financial statement. But today the group that makes those rules changed them. As Ashley Milne-Tyte reports.

ASHLEY MILNE-TYTE reporting:

Right now it is not always clear to investors how many assets a company has to satisfy future pension obligations. If a company's promise of what it will pay future retirees is greater than the asset, that counts as a liability. George Batavick is with the Financial Accounting Standards Board. He wants that liability to show up on the company's balance sheet alongside others, even if that means a shock to readers.

Mr. GEORGE BATAVICK: Certain companies may also show assets where they hadn't show assets before. But primarily we would expect that there will be very large liabilities being shown and there is going to be an offset in stock holders equity.

MILNE-TYTE: It could come as a big surprise to some investors who haven't been reading the small print. Paul Hodgson is with the Corporate Library which specializes in corporate governance.

Mr. PAUL HODGSON: And if you own a company that has significant retirement benefits to fund, than most investors are going to look at that situation and say, you know, maybe I need to put my money elsewhere.

MILNE-TYTE: But Mark Johnson of Erisa Benefits Consulting isn't so sure. He says sophisticated investors have long known the liabilities of that and how they are accounted for. He doesn't expect the new transparency to effect companies market value much.

Mr. MARK JOHNSON: But I do think it will focus people's attention on the liabilities themselves. I think companies will become even more aware of these liabilities and will start managing these liabilities differently.

MILNE-TYTE: Meaning, he says, that companies will continue to reduce, freeze, or eliminate defined benefit pension plans. In New York, I'm Ashley Milne-Tyte for MARKETPLACE.

RYSSDAL: Wall Street brought the first quarter of the year to an end with a thud. We will have the details and we will make a call to that stock broker in Dallas when we do the numbers.