

Table of Contents

COOPER INDUSTRIES, LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Defined benefit pension plan assets consist of

Asset Category	Percentage of Plan Assets at December 31,	
	2004	2003
Equity Securities	75%	53%
Debt Securities	25%	47%
	<u>100%</u>	<u>100%</u>

Cooper's policy is to invest its pension assets in equity and fixed income investments. The plan investments are managed by outside investment advisors and include equity futures, other equity derivatives, fixed income futures and short to intermediate duration fixed income securities. The allocation of plan assets is determined based on plan liabilities and funded status.

Cooper's overall expected long-term rate of return on assets assumption is based upon (i) a long-term expected inflation rate, (ii) long-term expected stock and bond market risk premiums over the expected inflation rate, and (iii) a target allocation of equity and fixed income securities that will generate the overall expected long-term rate of return.

During 2005, Cooper expects to contribute approximately \$20 million in cash to the defined benefit pension plans. Other postretirement benefit plans are not subject to any minimum regulatory funding requirements. Cooper funds these benefits payments as incurred.

Estimated future benefit payments for the next five fiscal years, and in the aggregate for the five fiscal years thereafter, are \$48.6 million in 2005, \$53.8 million in 2006, \$54.3 million in 2007, \$53.7 million in 2008, \$57.3 million in 2009 and \$297.3 million for 2010 through 2014.

During the fourth quarter of 2003, Cooper recorded a \$12.5 million restructuring charge as an estimate of Cooper's portion of unfunded benefit obligations related to the withdrawal from a multiple-employer pension plan associated with the closing of Cooper Wiring Device manufacturing operations in New York City. Cooper participates in three other multiple-employer plans. Obligations under these plans are insignificant.

During 2004, 2003 and 2002, expense with respect to domestic and foreign defined contribution plans (primarily related to various groups of hourly employees) totaled \$16.4 million, \$14.1 million and \$15.5 million, respectively.

NOTE 14: RETIREMENT SAVINGS AND STOCK OWNERSHIP PLAN

All full-time domestic employees, except for certain bargaining unit employees, are eligible to participate in the Cooper Ohio Retirement Savings and Stock Ownership Plan ("CO-SAV"). Under the terms of the CO-SAV plan, employee savings deferrals are partially matched with Cooper common stock.

Compensation expense for the CO-SAV plan was \$20.0 million, \$18.9 million and \$19.3 million in 2004, 2003 and 2002, respectively.

NOTE 15: INDUSTRY SEGMENTS AND GEOGRAPHIC INFORMATION

Industry Segments

Cooper's operations consist of two segments: Electrical Products and Tools & Hardware. Markets for Cooper's products and services are worldwide, with the United States being the largest market.