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

Cooper entered into a settlement with the Internal Revenue Service covering years 1994-1996 which also included final disposition of certain refund claims relating to tax years prior to 1994 During October 2003, Cooper received a refund of $75 9 million including interest of $28 6 million after the settlement was approved by the Joint Committee on Taxation of Congress The $47 3 million refund balance primarily reduced tax-related assets

	December 31, 2004	December 31, 2003
	(in millions)	
Components of deferred tax assets and liabilities		
Deferred tax assets		
Postretirement and other employee welfare benefits	$ 71 2	$ 72 8
Accrued liabilities	211 6	182 3
Minimum pension liability	45 1	39 8
Other	24 4	61 2
Total deferred tax assets	352 3	356 1
Deferred tax liabilities		
Property, plant and equipment and intangibles	(180 5)	(167 2)
Inventories	(13 9)	(14 4)
Pension plans	(71 0)	(53 9)
Other	(4 0)	(7 7)
Total deferred tax liabilities	(269 4)	(243 2)
Net deferred tax asset	$ 82 9	$ 112 9

Generally, Cooper provides United States income tax that would be imposed on the repatriation of the earnings of its non-U S operations However, as of December 31, 2004, United States income taxes have not been provided on approximately $110 million of undistributed non-U S earnings that are expected to be permanently reinvested outside the United States

Cooper is currently under audit by the Internal Revenue Service for the years 2000-2001 as well as by other taxing authorities Cooper fully cooperates with all audits, but defends existing positions vigorously These audits are in various stages of completion To provide for potential tax exposures, Cooper maintains an allowance for tax contingencies, which management believes is adequate The results of future audit assessments, if any, could have a material effect on Cooper's cash flows as these audits are completed However, management does not believe that any of these matters will have a material adverse effect on Cooper's consolidated results of operations

NOTE 13: PENSION AND OTHER POSTRETIREMENT BENEFITS

Cooper and its subsidiaries have numerous defined benefit pension plans and other postretirement benefit plans The benefits provided under Cooper's various postretirement benefit plans other than pensions, all of which are unfunded, include retiree medical care, dental care, prescriptions and life insurance, with medical care accounting for approximately 90% of the total Current employees, unless grandfathered under plans assumed in acquisitions, are not provided postretirement benefits other than pensions The vast majority of the annual other postretirement benefit expense is related to employees who are already retired The measurement date for all plan disclosures is December 31