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

| | Pension Benefits | | Other Postretirement Benefits | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | (in millions) | | | |
| Change in benefit obligation | | | | |
| Benefit obligation at January 1 | $ 691 5 | $ 650 1 | $ 138 8 | $ 139 0 |
| Service cost | 16 2 | 16 8 | 0 2 | 0 2 |
| Interest cost | 41 8 | 42 0 | 8 2 | 9 2 |
| Benefit payments | (52 4) | (47 6) | (13 3) | (13 8) |
| Actuarial (gain) loss | 46 4 | 12 2 | (4 4) | 4 2 |
| Exchange rate changes | 11 1 | 15 4 | — | — |
| Other | 9 1 | 2 6 | — | — |
| Benefit obligation at December 31 | 763 7 | 691 5 | 129 5 | 138 8 |
| Change in plan assets | | | | |
| Fair value of plan assets at January 1 | 584 6 | 534 3 | — | — |
| Actual return on plan assets | 50 9 | 68 9 | — | — |
| Employer contributions | 61 7 | 44 1 | 13 3 | 13 8 |
| Benefit payments | (49 8) | (45 6) | (13 3) | (13 8) |
| Exchange rate changes | 4 9 | 4 6 | — | — |
| Other | 8 2 | (21 7) | — | — |
| Fair value of plan assets at December 31 | 660 5 | 584 6 | — | — |
| Funded status | (103 2) | ( 106 9) | ( 129 5) | ( 138 8) |
| Unrecognized actuarial (gain) loss | 204 0 | 166 8 | (43 0) | (41 4) |
| Unrecognized prior service cost | 8 0 | 7 9 | (0 8) | (0 9) |
| Net amount recognized | $ 108 8 | $ 67 8 | $(173 3) | $(181 1) |
| Amounts recognized in the balance sheet consist of | | | | |
| Prepaid benefit asset | $ 120 2 | $ 80 1 | $ — | $ — |
| Accrued benefit liability | (124 1) | ( 111 7) | ( 173 3) | ( 181 1) |
| Accumulated other nonowner changes in equity | 112 7 | 99 4 | — | — |
| Net amount recognized | $ 108 8 | $ 67 8 | $(173 3) | $(181 1) |

The accumulated benefit obligation for defined benefit pension plans was $738 8 million and $673 3 million at December 31, 2004 and 2003, respectively

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets of defined benefit pension plans with accumulated benefit obligations in excess of plan assets were $298 3 million, $291 9 million and $175 0 million, respectively as of December 31, 2004 and $268 5 million, $262 6 million and $159 9 million, respectively at December 31, 2003