

The Company accrues warranty liabilities when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Warranty provision is included in cost of sales in the Consolidated Statements of Operations.

A summary of the warranty liabilities is as follows:

(in thousands) December 31,	2012	2011
Balance at beginning of period	\$ 16,379	\$19,198
Expense	6,190	6,759
Changes due to acquisitions/divestitures	(498)	11
Payments / deductions	(11,426)	(9,545)
Currency translation	73	(44)
Balance at end of period	\$ 10,718	\$16,379

## Note 5 – Other Liabilities

(in thousands) December 31,	2012	2011
Environmental	\$ 33,825	\$49,959
Other	43,046	26,756
	\$ 76,871	\$ 76,715

## Note 6 – Research and Development

Research and development costs are expensed when incurred. These costs were \$66.9 million, \$64.2 million and \$65.9 million in 2012, 2011 and 2010, respectively.

## Note 7 – Pension and Postretirement Benefits

In the United States, the Company sponsors a defined benefit pension plan that covers approximately 28% of all U.S. employees. In the fourth quarter of 2012, the Company announced that pension eligible employees will no longer earn future benefits in the domestic defined benefit pension plan effective January 1, 2013. The benefits are based on years of service and compensation on a final average pay basis, except for certain hourly employees where benefits are fixed per year of service. This plan is funded with a trustee in respect of past and current service. Charges to expense are based upon costs computed by an independent actuary. The Company's funding policy is to contribute annually amounts that are allowable for federal or other income tax purposes. These contributions are intended to provide for future benefits earned to date. A number of the Company's non-U.S. subsidiaries sponsor defined benefit pension plans that cover approximately 14% of all non-U.S. employees. The benefits are typically based upon years of service and compensation. These plans are funded with trustees in respect of past and current service. Charges to expense are based upon costs computed by independent actuaries. The Company's funding policy is to contribute annually amounts that are allowable for tax purposes or mandated by local statutory requirements. These contributions are intended to provide for future benefits earned to date.

Non-union employees hired after December 31, 2005 are no longer eligible for participation in the ELDEC Corporation ("ELDEC") and Interpoint Corporation ("Interpoint") money purchase plan. Qualifying employees receive an additional 2% Company contribution to their 401(K) plan accounts. Certain of the Company's non-U.S. defined benefit pension plans were also amended whereby eligibility for new participants will cease.

Postretirement health care and life insurance benefits are provided for certain employees hired before January 1, 1990, who meet minimum age and service requirements. The Company does not pre-fund these benefits and has the right to modify or terminate the plan.

A summary of benefit obligations, fair value of plan assets and funded status is as follows:

(in thousands) December 31,	Pension Benefits		Postretirement Benefits	
	2012	2011	2012	2011
<b>Change in benefit obligation:</b>				
Beginning of year	\$786,592	\$ 674,136	\$ 12,562	\$ 13,108
Service cost	13,503	11,710	107	121
Interest cost	37,653	38,163	497	588
Plan participants' contributions	1,324	1,389	—	—
Amendments	3	177	—	—
Actuarial loss	104,539	96,558	670	129
Settlement	(466)	(123)	—	—
Benefits paid	(35,561)	(31,911)	(1,226)	(1,374)
Foreign currency exchange impact	15,513	(2,777)	10	(10)
Acquisition/divestitures/curtailment	(16,223)	—	—	—
Adjustment for expenses/tax contained in service cost	(613)	(730)	—	—
<b>Benefit obligation at end of year</b>	<b>\$ 906,264</b>	<b>\$ 786,592</b>	<b>\$ 12,620</b>	<b>\$ 12,562</b>
<b>Change in plan assets:</b>				
Fair value of plan assets at beginning of year	\$ 678,250	\$ 661,319		
Actual return on plan assets	73,981	3,192		
Foreign currency exchange impact	14,877	(2,059)		
Employer contributions	4,278	47,495		
Administrative expenses paid	(1,103)	(1,056)		
Plan participants' contributions	1,324	1,389		
Settlement	(466)	(119)		
Benefits paid	(35,561)	(31,911)		
<b>Fair value of plan assets at end of year</b>	<b>\$ 735,580</b>	<b>\$ 678,250</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Funded status</b>	<b>\$ (170,684)</b>	<b>\$ (108,342)</b>	<b>\$ (12,620)</b>	<b>\$ (12,562)</b>

Amounts recognized in the Consolidated Balance Sheets consist of:

(in thousands) December 31,	Pension Benefits		Postretirement Benefits	
	2012	2011	2012	2011
Other assets	\$ 52,304	\$ 59,891	\$ —	\$ —
Current liabilities	(817)	(1,169)	(1,188)	(1,248)
Accrued pension and postretirement benefits	(222,171)	(167,068)	(11,432)	(11,314)
	\$ (170,684)	\$ (108,346)	\$ (12,620)	\$ (12,562)