notes to consolidated financial statements

The investment objectives of the pension benefit plans are to secure the benefit obligations to participants at a reasonable cost to the Company. The goal is to optimize the long-term return on plan assets at a moderate level of risk, by balancing higher-returning assets such as equity securities, with less volatile assets, such as fixed income securities. The assets are managed by professional investment firms and performance is evaluated quarterly against specific benchmarks.

Equity securities in the U.S. plan included the Company's stock with a fair value of $33.6 million (0.9 million shares and 13.5% of total U.S. pension plan assets) and $26.4 million (0.9 million shares and 12.4% of total U.S. pension plan assets) at November 30, 2004 and 2003, respectively. Dividends paid on these shares were $0.5 million in 2004 and $0.4 million in 2003.

Pension benefit payments are made from assets of the pension plans. It is anticipated that future benefit payments for the U.S. plans will be as follows:

Fiscal year	United States Expected payments *(millions)*
2005	$ 13.0
2006	13.8
2007	15.0
2008	17.3
2009	18.1
2010 - 2014	117.7

It is anticipated that future benefit payments for the international plans will be as follows:

Fiscal year	International Expected payments *(millions)*
2005	$ 6.5
2006	4.2
2007	4.5
2008	5.7
2009	6.0
2010 - 2014	36.3

The Company expects to contribute approximately $28 million to its U.S. pension plans and $9 million to its international pension plans in 2005.

401(k) Retirement Plans

Effective March 22, 2002, the U.S. McCormick 401(k) Retirement Plan was amended to provide that the McCormick Stock Fund investment option be designated an employee stock ownership plan (ESOP). This designation allows participants investing in McCormick stock to elect to receive, in cash, dividends that are paid on McCormick stock held in their 401(k) Retirement Plan accounts. Dividends may also continue to be reinvested.

For the U.S. McCormick 401(k) Retirement Plan, the Company matches 100% of the participant's contribution up to the first 3% of the participant's salary, and 50% of the next 2% of a participant's salary. Certain U.S. subsidiaries sponsor separate 401(k) retirement plans. Company contributions charged to expense under all 401(k) Retirement Plans were $5.7 million, $5.4 million and $5.5 million in 2004, 2003 and 2002, respectively.

At the participant's election, all 401(k) Retirement Plans held 4.0 million shares, with a fair value of $144.2 million, of the Company's stock at November 30, 2004. Dividends paid on these shares in 2004 were $2.3 million.

10. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

During 2002, the Company changed certain postretirement benefits for employees who retire on or after January 1, 2004. Life insurance benefits changed to a fixed amount, Medicare eligible retirees have a fixed amount for medical plan coverage and the medical cost sharing for dependents increased.

The Company currently provides postretirement medical and life insurance benefits to certain U.S. employees who were covered under the active employees' plan and retire after age 55 with at least 10 years of service (earned after age 45). The benefits provided under these plans are based primarily on age at date of retirement.

The Company's other postretirement benefit expense follows:

(millions)	**2004**	2003	2002
Service cost	**$ 2.7**	$ 2.9	$ 3.1
Interest costs	**5.3**	5.7	5.7
Amortization of prior service cost	**(1.1)**	(1.4)	(.6)
Amortization of (gains)/losses	**1.1**	.9	–
One time recognition of curtailment gain	**–**	(3.5)	–
Discontinued operations	**–**	1.4	(2.4)
Postretirement benefit expense	**$ 8.0**	$ 6.0	$ 5.8

Rollforwards of the benefit obligation, fair value of plan assets and a reconciliation of the plans' funded status at November 30, the measurement date, follow:

(millions)	**2004**	2003
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 95.9**	$ 83.8
Service cost	**2.7**	2.9
Interest costs	**5.3**	5.7
Employee contributions	**2.6**	2.4
Plan changes	**–**	–
Actuarial (gain)/loss	**(6.7)**	8.1
Benefits paid	**(7.4)**	(7.0)
Benefit obligation at end of year	**$ 92.4**	$ 95.9
Change in fair value of plan assets		
Fair value of plan assets at beginning of year	**–**	–
Employer contributions	**$ 4.8**	$ 4.6
Employee contributions	**2.6**	2.4
Benefits paid	**(7.4)**	(7.0)
Fair value of plan assets at end of year	**$ –**	$ –
Funded status	**$(92.4)**	$(95.9)
Unrecognized net actuarial loss	**14.6**	22.5
Unrecognized prior service cost	**(7.7)**	(8.8)
Other postretirement benefit liability	**$(85.5)**	$(82.2)