



AMERICAN ACADEMY *of* ACTUARIES

January 8, 2014

RE: **Financial Accounting Standards and MAP-21**

Dear Representative:

On behalf of the American Academy of Actuaries¹ Pension Practice Council, I am writing to you regarding your September 20, 2013 [letter](#) to the Securities and Exchange Commission and the Financial Accounting Standards Board that urged making Generally Accepted Accounting Principles (GAAP) consistent with the pension funding rules as amended by Section 40211 of the Moving Ahead for Progress in the 21st Century Act (MAP-21).

The letter suggests that discount rates derived from 25-year average interest rates, as required under MAP-21, "...provide a more accurate and consistent measure of pension liabilities." However, as the Pension Practice Council [advised](#) House and Senate Conferees to the MAP-21 legislation on May 2, 2012, discount rates determined using 25-year average interest rates "...are insufficient to settle obligations or fund obligations with a low risk portfolio and do not provide meaningful information about the current funded status of the plan."

Congress added Section 40211 in MAP-21 to create more stability in contributions by adding a corridor to the discount rate based on the 25-year average of corporate bond rates. Congress recognized that this discount rate did not provide adequate disclosure and therefore required disclosure to participants on both a stabilized and pre-stabilized basis.

Although using discount rates derived from 25-year average interest rates may help stabilize required contributions, the rates do not reflect current market conditions and do not provide a meaningful measurement of a pension plan's liabilities for financial reporting. Financial reporting of pension information should remain consistent with FASB's Conceptual Framework.

We would be happy to discuss this issue with you at your convenience. Please contact David Goldfarb, the Academy's Pension Policy Analyst (202-785-7868, Goldfarb@actuary.org) if you have any questions or would like to discuss this issue further.

¹ The American Academy of Actuaries is a 17,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

Sincerely,

Donald E Fuerst, MAAA, FSA, FCA, EA
Senior Pension Fellow
American Academy of Actuaries

Cc: The Honorable Mary Jo White, Chairwoman, U.S. Securities and Exchange Commission
Mr. Russell G. Golden, Chairman, Financial Accounting Standards Board