



AMERICAN ACADEMY of ACTUARIES

October 1, 2012

Technical Director
File Reference No. 2012-200
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116, Norwalk, CT 06856-5116

Dear Sir or Madam:

I am writing on behalf of the American Academy of Actuaries¹ Pension Accounting Committee and appreciate the opportunity to comment on FASB's proposed Accounting Standards Update *Financial Instruments (Topic 825) – Disclosures about Liquidity Risk and Interest Rate Risk* (the "proposed Update").

We are broadly supportive of the overall objective of the proposed Update to "improve financial reporting about certain risks inherent in financial instruments and how they contribute to broader risks to which the reporting organization is exposed." However, we are concerned by the apparent inclusion of obligations for pension benefits, other postretirement benefits including health care and life insurance benefits, and postemployment benefits (collectively "employee benefit plans") within the scope of the proposed Update. We believe there are substantive differences between employee benefit plans and other financial instruments making it inappropriate to include both within a single disclosure standard.

Employee benefit plans are subject to significant uncertainty in excess of other financial instruments where optionality may relate only to specific contractually defined decisions at specific times. The reporting entity, its employees or their representatives, and regulators can all make decisions at any time that can have a substantial impact on the future contributions to the plan by the company. In addition, projections of future employer contributions are sensitive to assumptions about discount rates and assets returns. These factors are likely to produce projections of expected employer contributions that are largely speculative and difficult to audit particularly for periods beyond the first year.

Employee benefit plans are also already the subject of extensive disclosures required by ASC 710 and 715 including the funded status that reflects the expected present value of future employer contributions in respect of the past service obligation. Specific disclosures for employee benefit plans are likely to provide readers of financial statements more useful information about the risks and obligations of these plans than disclosures under a generic

¹ The American Academy of Actuaries is a 17,000-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.

framework for all financial instruments. Hence, we believe any additional disclosures applying to employee benefit plans should be part of a specific reconsideration of employee benefits accounting.

Lastly, we note that the Board has previously excluded employee benefit plans from certain other sections of the ASC applying to financial instruments allowing for the unique qualities of employee benefit plans (e.g., ASC 825-10-15-5 and ASC 825-10-50-8). We urge the Board to similarly exclude employee benefit plans from the scope of this proposed Update.

Thank you for affording us this opportunity to provide comments. Please contact David Goldfarb, the Academy's pension policy analyst (202-785-7868, goldfarb@actuary.org) if you have any questions.

Sincerely,

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Chairperson, Committee on Pension Accounting
American Academy of Actuaries