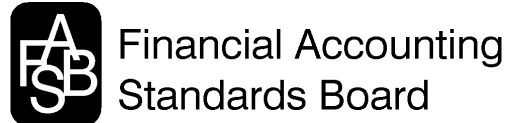


MINUTES



To: Board Members

From: Interpretation of Statement 87 Team
(Hurst, ext. 262)

Subject: Minutes of the February 11, 2004 Board Meeting **Date:** February 13, 2004

cc: Leisenring, Bielstein, Petrone, Smith, Polley, Mahoney, Cassel, Durbin, Hurst, Sutay, Thompson, Gabriele, Lapolla, Intranet

Topic: Discussion of the Definition of a Cash Balance Pension Plan

Basis for Discussion: Memorandum dated January 29, 2004

Length of Discussion: 9:15 a.m. to 9:30 a.m.

Attendance:

Board members present: Batavick, Crooch, Herz, Schieneman,
Schipper, Seidman, Trott

Board members absent: None

Staff in charge of topic: O'Callaghan

Other staff at Board table: Cassel, Durbin, Hurst, Smith

Outside participants: Anne McGeachin, IASB

Summary of Decisions Reached:

The Board met to discuss a revised definition of a *cash balance pension plan*. Based on its discussions with the Board at its January 21, 2004 meeting and with the project's resource group, the staff submitted the following revised definition, which the Board generally agreed is satisfactory for purposes of the project.

A cash balance pension plan is a defined benefit pension plan (as defined in the Glossary of Statement 87) that defines the promised employee benefit by reference to a notional account balance. An employee's notional account balance is increased with periodic notional principal credits and notional fixed and/or variable interest or investment credits, and may be increased for other notional ad hoc credits. Upon separation of employment, for any reason, by a fully vested employee, the employee is entitled to the notional account balance as either a lump sum or an actuarially equivalent annuity either immediately or at a future date. Subject to the terms of the plan or regulatory requirements, an employee may be entitled to a settlement amount greater than the notional account balance due to the crediting of future interest (or investment) credits that are not conditioned upon future service.

Matters Discussed and Decisions Reached:

Mr. O'Callaghan said that based on the Board's recommendations at its January 21, 2004 meeting and feedback from the project's resource group, the staff had revised the definition of *cash balance pension plan* and had returned to the Board for its approval of or requests for further modifications to the definition.

Mr. Trott said that he believed the definition, as revised, was appropriate and that it would be workable for purposes of the project. He said that he thought the definition could be manipulated so that cash balance pension plans could be designed to fit in or out of the definition in order to achieve certain accounting due to some of its "bright-line" characteristics but that for the time being it was satisfactory.

Mr. Leisenring asked the staff about the project's interaction with the IASB's project on plans with a guaranteed minimum return on contributions and notional contributions. Mr. O'Callaghan stated that the staff has been in contact with its

IASB counterparts in order to understand the similarities and differences between the projects.

Mr. Schieneman said that he believed it was critical to explain why the Board believes that cash balance pension plans are defined benefit pension plans and requested that the staff do so during the course of the project.

Follow-up Items:

None.

General Announcements:

None.