Letter of Comment No: 13
File Reference: 1025-300

Financial Accounting Standards Board
Technical Director-File Reference No. 1025-300

Dear Sirs:

Thank you for the opportunity to comment on the Exposure Draft concerning amendments to FASB Statements No. 87, 88, 106 and 132(R). CUNA Mutual Group provides actuarial and administrative services to approximately 1,000 defined benefit plans covering about 30,000 total participants in the credit union marketplace.

We strongly disagree with the concept of using the projected benefit obligation (PBO) instead of the accumulated benefit obligation (ABO) as a balance sheet liability. The PBO is a product of the projected unit credit cost method, and is used in the determination of the contribution under that method. The projected unit credit cost method attributes a larger contribution than the actual benefit earned in the early years of the plan, in order to build up a reserve in excess of the accrued liability so costs will be lower than the actual benefit earned in later years. The ABO represents the accrued liability, and is the amount that can be effectively settled under FASB 88. The excess of the PBO over the ABO can not be settled, and lacks any economic substance.

Balance sheet liabilities represent economic obligations as of the statement date. Unless n obligation to increase future pay levels exists, there does not appear to be a valid reason for reflecting the value of future salary increases directly in the balance sheet. An employer is certainly not obligated to provide future pay increases to employees, just as the employer is not obligated to provide a pension plan in the future either.

Using the PBO in this manner will result in increased liabilities for many plan sponsors, and is not an accurate or true measure of the liabilities incurred as of the statement date. It would be a real tragedy if the use of an inappropriate measure of a plan's liability should cause many plan sponsors to discontinue sponsoring a defined benefit plan for their employees. That is an outcome we are desperately trying to avert, and is why we are submitting these comments.

Sincerely yours,

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