Subject:

FW: Cashflow requirements under proposed revisions to FAS-132

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----Original Message----

From: Richard J Barney [mailto:Richard_J_Barney@mony.com]

Sent: Thursday, November 20, 2003 2:26 PM

To: Director - FASB

Subject: Cashflow requirements under proposed revisions to FAS-132

The comments which follow are my own as a pension actuary with 25 years experience in the profession and do not necessarily reflect the opinions of either my employer or other pension actuaries.

It is my understanding from those who attended recent meetings with the Financial Accounting Standards Board with regard to the above proposal that the Board is considering the adoption of a liability cashflow disclosure that would encompass all future benefits whether earned to the date of disclosure or not. I would strongly recommend against such a proposal on the following grounds:

of fixed income investments or any employer contributions beyond a one-year time horizon, there is no longer any basis to provide cashflow information for purposes of asset/liability matching. For plans offering their participants the option to settle their pension benefits for a single lump sum, the parameters that will be required for calculation of future lump sums and the percentage of annuities thus settled is virtually unpredictable, but can have significant impact on the timing of future cashflows, if not necessarily the total present value of those cashflows. While the requested cashflow information may be "useful information," that does not rise to the level of necessity that should be required to inflict significant costs and liability exposures to plan sponsors. Many plan sponsors perform longer-term budgeting projections for plan expense and cash funding for internal purposes. I am sure that would all be "useful information" to financial analysts, but the Board has wisely rejected that request due to the risks that those requirements would pose for many plan sponsors. Simply because a number can be mechanically calculated should not, in and for itself, lead to a requirement that it be so calculated and disclosed. Finally, to disclose potential cashflows for benefits not yet earned in a plan which may no longer even exist at the time when future retirements occur invites distortion and misinformation to the public. Too many investment analysts are already demanding the placement of the Projected Benefit Obligation on the plan sponsor's balance sheet as if

it were a legal obligation of the plan. That becomes even more misleading when benefit numbers for future accruals become part of the

With the removal of the requirement to disclose the maturity structure

I hope you will give serious consideration to the potential damage to be done by your proposed cashflow disclosure before making it a universal requirement.

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disclosure.