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Frank M. Svoboda, CPA
Executive Vice President
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Via Email: director@fasb.org

August 12, 2015

Mr. Russell G. Golden
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2015-270: Proposed Accounting Standards Update, Compensation-Stock Compensation (Topic 718)

Dear Mr. Golden:

Torchmark Corporation ("Torchmark") is pleased to have the opportunity to respond to your request for comments on the Financial Accounting Standards Board ("FASB") Proposed Statement of Financial Accounting Concepts: *Compensation-Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting* ("Proposal"). As the parent company of Globe Life and Accident Insurance Company, Liberty National Life Insurance Company, United American Insurance Company, American Income Life Insurance Company, and Family Heritage Life Insurance Company of America, insurance companies that specialize in life and supplemental health insurance with premiums exceeding $3.1 billion, this is a relevant and significant issue for Torchmark.

We agree with the proposed changes related to forfeitures, cash flow classification, and the standardization of the minimum tax withholding threshold to qualify for equity classification. In addition, we do not disagree with the elimination of the APIC pool with certain considerations discussed below. These changes will reduce the complexity of the accounting for employee share-based payments without adversely affecting the usefulness of the financial statements. However, we do not agree with the proposed change to record excess tax benefits and tax deficiencies directly to earnings, as such proposed changes will adversely affect the usefulness of the financial statements as discussed further below.

Stock-based compensation is comprised of two distinct transactions: 1) the grant of an equity award, and 2) the exercise of said award. When the equity award is granted to an employee, the fair value of the award at the time of grant determines the amount of compensation that is recorded in the financial statements. It is a

compensatory transaction, and rightly treated as compensation expense and recorded in earnings as a component of income, net of the associated tax benefits. Upon the exercise or vesting of the equity award, the transaction becomes an equity transaction that is based, in the case of stock option awards, on the personal decision of the award holder whether and when to exercise his/her award, and is measured by the difference between fair market value of the company's stock on the date of vest/exercise as compared with the award's value on the date of grant. The personal actions of the award holders and the day to day changes in the fair market value of the company's stock are clearly not reflective of the operations of the company. Therefore, recording the excess tax benefits and tax deficiencies in earnings will negatively impact the usefulness of the company's reported earnings by inserting unnecessary and unpredictable volatility without providing meaningful insight into its operations.

Consistent with our view regarding the treatment of excess tax benefits being reported in earnings, we do not agree with the proposed changes to the diluted shares outstanding calculation used to calculate diluted earnings per share. The Proposal suggests removing the unrecognized excess tax benefits from the calculation of the average diluted shares outstanding. The proceeds from the exercise of equity awards along with the tax benefits associated with the exercise are used to repurchase shares in the market to offset the dilutive effect of the exercise. Regardless of the Proposal's treatment of excess tax benefits for exercised shares, the proceeds in the form of tax benefits related to exercises will continue to be used to repurchase shares upon exercise of an equity award. The current treatment of including the proceeds of unrecognized tax benefits as additional proceeds for the dilution calculation is consistent with current practice and reality, and therefore, no change to the current guidance is necessary.

We share the Board's desire to simplify the complexity of the share-based compensation accounting model, and we agree with the proposed changes to forfeitures, cash flow classification, the standardization of the minimum tax withholding threshold to qualify for equity classification, and the elimination of the APIC pool. However, recording excess tax benefits and tax deficiencies, which are more appropriately characterized as equity transactions, in the income statement will create additional and unnecessary earnings volatility and make the financial statements less useful to the users. We recommend continuing to record <u>all</u> excess tax benefits and tax deficiencies in additional paid in capital and no changes to the calculation of diluted earnings per share.

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We greatly appreciate the opportunity to comment on the Proposal. Should you have any questions, please feel free to contact me directly at (972) 569-3659, or Shane Henrie at (972) 569-3671. In addition, we are willing to work with the FASB as you proceed with further deliberations on this topic.

Sincerely,

Frank M. Svoboda
Executive Vice President and Chief Financial Officer