

Dear TA & I Director,

Letter of Comment No: 9
File Reference: 1025-200
Date Received: 10/15/03

RE: File Reference Number 1025-200

Winklevoss Technologies supports the FASB's strengthening of disclosure requirements for pension and OPEB plans. In particular, we believe the disclosure of benefit cash flows serves an important need.

Our concern is that actuaries will go to extremes to calculate the benefit cash flows exactly as spelled out. We believe there is an alternative that will make the benefit cash flow requirement easier to fulfill while still meeting the FASB's goals. The alternative is to reflect future service in expected future benefit payments (as used in the EBO/EPBO) instead of reflecting only service earned to date (as used in the PBO/APBO).

Reflecting service earned to date is complex because year-end disclosure is often (perhaps over 99% of the time) based on calculations done at an earlier valuation date. While expected future benefit payments reflecting earned service can be readily calculated as of the valuation date, they cannot easily be "rolled forward" to reflect service earned through the end of the year. Reflecting future service in the benefit payments removes this complexity.

A comparison of benefit payments reflecting earned service vs. future service shows that, in general, the first 5 years of benefit payments will change very little. The only material impact will be on the total benefit payments beyond 5 years. Here is a comparison of the two methods for a typical plan.

Estimated Future Payments	Reflecting Earned Service	Reflecting Future Service
20X4	\$1,928	\$1,928
20X5	1,892	1,893
20X6	1,890	1,892
20X7	1,843	1,847
20X8	1,793	1,798
Thereafter	68,789	133,402
Total undiscounted payments	78,135	142,760

The proposed statement also reconciles total undiscounted payments with the benefit obligation. This can still be done when reflecting future service as follows:

Less discount for interest	(51,363)	(110,642)
Less value of future service accruals		(5,346)
Benefit obligation	<u>26,772</u>	<u>26,772</u>

In the “reflecting future service” column:

- “Discount for interest” is the difference between the year-end EBO/EPBO and the “Total undiscounted payments”.
- “Value of future service accruals” is the difference between the year-end “Benefit obligation” (PBO/APBO) and the year-end EBO/EPBO.

We welcome the opportunity to discuss this further with the FASB if we’ve overlooked something, misinterpreted the intent of the statement, or could otherwise benefit from the FASB’s insights.

Respectfully submitted,

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Winklevoss Technologies is the leading provider of third party valuation software for pension and OPEB plans in the U.S.