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Ms. Susan M. Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
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August 14, 2015

Re: Exposure Draft – Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting
File Reference No. 2015-270

Dear Ms. Cosper:

MetLife, Inc. ("MetLife" or "we") appreciates the opportunity to provide comments on the FASB's Exposure Draft, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* (the "Exposure Draft"). MetLife is a leading global provider of insurance, annuities and employee benefit programs. Through its subsidiaries and affiliates, MetLife holds leading market positions in the United States, Japan, Latin America, Asia, Europe and the Middle East.

In general we support the proposed amendments for accounting for forfeitures, exception to liability classification related to taxes withheld and classification of cash flows. However, we do not agree with the tax accounting proposals outlined in the Exposure Draft as discussed in our response to Question 2.

Our comments relate solely to Questions 1-6 in the Exposure Draft and are included in the attached Appendix.

If you have any questions on the contents of this letter, please do not hesitate to call me.

Sincerely,

Peter M. Carlson

cc: John C.R. Hele
Executive Vice President and
Chief Financial Officer

Appendix

Question 1: Do you agree that the proposed amendments result in a reduction (or potential reduction) of cost and complexity while maintaining or improving the usefulness of information provided to users of financial statements? If not, why?

We agree that the current stock-based accounting model warrants simplification and we support the proposed amendments for several aspects of employee share-based payment transactions, including forfeitures, exception to liability classification related to taxes withheld and classification of cash flows. These amendments would result in a reduction of cost and complexity while maintaining the usefulness of information provided to users of financial statements. However, we do not believe that the proposed amendments to record all excess tax benefits and tax deficiencies in the income statement would represent an improvement to the current accounting as the proposed change lacks conceptual merit. This is discussed below in our comment on Question 2.

Question 2: Should excess tax benefits and tax deficiencies be recognized in the income statement? If not, why and are there other alternatives that are more appropriate? Should an entity delay recognition of an excess tax benefit until the benefit is realized through a reduction to taxes payable? If yes, why?

Recognition of Excess Tax Benefits and Tax Deficiencies

MetLife generally accounts for equity awards under ASC 718 by recognizing compensation expense over the vesting period based on the fair value of the award on the date of grant. As compensation expense is recognized, a corresponding deferred tax asset (DTA) is established which accumulates until the award is settled (e.g., vesting of restricted stock). At settlement, the benefit of MetLife's tax deduction related to the award is compared to the DTA, which results in an excess tax benefit or a tax deficiency. All excess tax benefits are recognized in additional paid-in capital (APIC) and tax deficiencies are recognized either in the income tax provision or, to the extent we have previous excess tax benefits built up in additional paid-in capital (APIC pool), tax deficiencies are offset against the APIC pool, resulting in a decrease to equity, rather than recognizing additional tax expense.

We believe that the current approach to accounting for income taxes results in complexity in the accounting for share-based compensation plans. Specifically, the requirement to track tax effects for each award grant, including tracking the information needed to properly account for any tax deficiencies and the related APIC pool impacts, results in complexity. The Board is proposing an approach to accounting for the income tax effects of share-based payments that would require all excess tax benefits and tax deficiencies be recognized in the income statement. The Board's proposed earnings approach eliminates this complexity. However, we do not believe that conceptually all tax consequences of a compensation arrangement should be recorded in the income statement. We believe that the income tax benefit recognized in the income statement for the award should correspond to the amount recognized as compensation expense for financial reporting purposes. For awards that meet the conditions in ASC 718 for "equity" accounting, the difference between compensation expense recognized for financial reporting purposes and the fair value of the stock on the settlement date is never recognized in earnings. Accordingly, the tax effect of that difference (the excess tax benefit or tax deficiency) should not be reflected in earnings. Additionally, this proposed amendment could increase earnings volatility resulting from changes in a company's stock price that would not be reflective of a company's operating results. This could potentially lead to an increase in use of non-GAAP measures as companies adjust for the excess tax benefit or tax deficiency on a segment basis to arrive at operating earnings.

We believe that the current model, whereby tax deficiencies are recognized to APIC to the extent there is a sufficient APIC pool to absorb the deficiencies, should be amended. A symmetrical equity approach in which all excess tax benefits and tax deficiencies are recorded in APIC would eliminate the need to track APIC pools. This approach would also accomplish the Board's simplification objective and result in consistent accounting across entities. In addition, a symmetrical equity approach would avoid the potential earnings volatility that would result from the Board's proposed earnings approach. As an alternative to requiring that all excess tax benefits and tax deficiencies be recognized in the income statement, we would suggest that the Board consider requiring disclosure of all tax amounts recorded in APIC.

Delayed Recognition of Excess Tax Benefits

In certain instances, an award can result in an excess tax benefit but the corresponding tax deduction does not reduce cash taxes payable because the entity is not in a taxpaying situation due to a net operating loss position or foreign tax credit carryforward position. Current rules prohibit entities from recording the excess tax benefit in APIC until the corresponding deduction reduces cash taxes payable. This requires companies to separately track these suspended excess tax benefits.

MetLife agrees with the Board's proposal to eliminate this requirement and allow companies to recognize an excess tax benefit even if the tax deduction does not reduce cash taxes payable. Excess tax benefits would be recognized regardless of whether the benefit reduces payable taxes in the reporting period. We believe this proposed change will simplify current accounting in this area.

Question 3: Should the effect on tax cash flows related to excess tax benefits be classified as an operating activity on the statement of cash flows? If not, what classification is more appropriate and why?

Currently, excess tax benefits are presented as financing activities in the statement of cash flows although there is no cash inflow, only a reduction in taxes payable. A reclassification is made in the statement of cash flows to reflect a hypothetical inflow in financing activities and a hypothetical outflow from operating activities for the gross amount of excess tax benefits.

The Board is proposing to eliminate the requirement to reclassify excess tax benefits from operating activities to financing activities. Excess tax benefits would be classified in the same manner as other cash flows related to income taxes.

MetLife believes that excess tax benefits should be recorded in APIC and that the classification of cash flows related to excess tax benefits should correspond to the accounting for the award. Therefore, we believe the requirement to reclassify excess tax benefits from operating activities to financing activities should not be eliminated. If the Board was to move forward with its proposed earnings approach, then we would agree that the current noncash reclassification related to income taxes would be inconsistent and confusing to users of financial statements and a presentation of all tax effects under operating activities would be more appropriate.

Question 4: Should entities be permitted to make an accounting policy election either to account for forfeitures when they occur or to estimate forfeitures? If not, why?

Under current accounting, when recognizing compensation expense for share-based payments, MetLife estimates the number of awards that will be forfeited prior to vesting, then we true-up the estimate for actual forfeitures as they occur.

Under the Board’s proposal, companies would be allowed to make an accounting policy election to either (i) estimate the number of forfeitures or (ii) recognize forfeitures as they occur. Companies will have to apply the selected treatment consistently for all awards, rather than on a grant-by-grant basis.

We agree with the Board’s proposal to permit an accounting election to recognize forfeitures as they occur and the requirement to apply the selected treatment consistently for all awards.

Question 5: Is the proposed expansion of the exception to liability classification related to the amount withheld for employee’s taxes appropriate? If not, is there another exception that is more appropriate and why?

MetLife allows employees to pay for the tax withholding when share-based payments are settled through a “net settlement” feature, whereby MetLife, in effect, retains a portion of the employee’s shares and remits the appropriate cash withholding to the taxing authority. Under current accounting rules this transaction is considered a partial cash-settlement of shares.

Generally, if an award is settled in cash, it is classified as a “liability” award, which would require MetLife to re-measure compensation expense for the award at each reporting period as compared to the more preferable “equity” classified award that receives fixed accounting treatment. Current rules provide for an exception that allows such awards to maintain equity classification as long as the withholding is not more than the statutory minimum.

The Board is proposing to simplify this rule by allowing companies to withhold up to the employee’s maximum individual statutory tax rate allowable in the relevant tax jurisdiction without triggering a change to liability classification.

MetLife occasionally finds that individual employee tax circumstances suggest that withholding more than the minimum would be appropriate. We do not accommodate these circumstances because of the current accounting rules. We believe that the current rules are excessively stringent and that the proposed change will result in simplification that will allow companies to alter their withholding for particular circumstances, including accommodating employees’ requests to meet their personal tax situation.

The proposed guidance in ASC 718-10-25-18 states that the amount that is withheld cannot be in excess of the employee's maximum individual statutory tax rate in the applicable jurisdiction. However, in the basis of conclusions BC 16 seems to imply that the withholding tax rate should be at the jurisdiction level. We believe that the Board should clarify its intent. We believe the final Accounting Standards Update (ASU) should allow an entity to reasonably determine the employee’s maximum individual statutory tax rate. Neither the employer nor the employee may know with any degree of certainty what the employee’s actual tax situation for the tax period will turn out to be when the employee’s final tax return is due. In addition, as implementation can be accomplished with minimal cost and complexity, we believe that this proposed amendment should be effective upon issuance of the final ASU.

Question 6: Should the cash paid by an employer to the taxing authorities when directly withholding shares for tax-withholding purposes be classified as a financing activity on the statement of cash flows? If not, what classification is more appropriate and why?

To eliminate diversity in practice, we agree with the Board’s proposal that cash payments to taxing authorities, in connection with shares withheld to meet statutory tax withholding requirements, be presented as a financing activity in the statement of cash flows. We agree that such payments represent an entity’s cash outflow to reacquire the entity’s shares and should be presented as a financing activity.