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Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
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February 2, 2018

**Re: File Reference No. 2018-210**

Dear Technical Director:

MetLife, Inc. (MetLife) is pleased to comment on the FASB's exposure of a proposed accounting standard update, *Income Statement – Reporting Other Comprehensive Income (Topic 220) – Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* (the "Exposure Draft"). MetLife is a leading global provider of insurance, annuities and employee benefit programs, serving 90 million customers in over 50 countries. Our comments below reflect our thoughts regarding the Exposure Draft and suggestions to promote clarity in the proposed amendments to Topic 220.

**Question 1:** *Do you agree with the amendments in this proposed Update that would require a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the newly enacted federal corporate income tax rate? If not, why?*

Yes, we generally agree with these amendments. However, we suggest additional clarification to the proposed changes to ASC 220-10-45-12A and to ASC 220-10-65(b). Specifically, we suggest clarifying that the Tax Cuts and Jobs Act of 2017 not only changes the U.S. federal corporate income tax rate to 21 percent, but it also changes tax law and the U.S. federal income tax rates for certain foreign-sourced earnings of multi-national companies such as MetLife. For the avoidance of doubt when implementing the proposed accounting standard change and to maintain consistency with all references to tax rate and

tax law changes in ASC 740 – *Income Taxes*, we suggest the proposed language be changed to address the stranded tax effects resulting from changes to U.S. federal tax law and rates.

**Question 2:** *Are the transition requirements appropriate? If not, what transition approach is more appropriate and why?*

Yes, we believe the transition requirements are appropriate.

**Question 3:** *Do you agree that early adoption should be permitted?*

Yes, we agree that early adoption should be permitted.

**Question 4:** *Do you agree with the proposed effective date? If not, what effective date is more appropriate and why?*

Yes, we agree with the proposed effective date.

**Question 5:** *GAAP generally prohibits backwards tracing, which is the process of recognizing the effects of changes in deferred tax amounts in the current year in the same line item in which the deferred tax amounts were originally recognized (for example, other comprehensive income) in prior years. The Board did not allow backwards tracing as part of this project and is currently researching the merits of a broader project on backwards tracing. Should the Board add a broader project on backwards tracing to its active agenda? If so, why? Additionally, should the following alternatives to backwards tracing be considered in that broader project? If so, why?*

- a. Accounting for the release of the stranded tax effects from accumulated other comprehensive income*
- b. Reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects associated with prior changes in other tax rates (for example, state and local taxes)*
- c. Reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects associated with all future changes in tax rates.*

For the reasons explained below, MetLife believes that the Board should add a broader project on backwards tracing to its active agenda and that each of the alternatives above should be considered in that broader project.

MetLife holds approximately \$300 billion of investment grade bonds which are classified as available for sale and carried at fair value by recording unrealized gains and losses net of deferred tax in accumulated other comprehensive income (“AOCI”). Two methods of tracking changes in deferred taxes on

unrealized gains are 1) on a by security level and 2) on a portfolio level, which is the most commonly used method. Changes in tax rates result in a blended tax rate in AOCI, thereby creating tracking issues when a “by security” level method is used, or result in a permanent rate differential reconciling item when the portfolio level method is used. Additionally, MetLife has foreign and multi-state operations which have mismatched items in AOCI due to jurisdictional tax rate and law changes that have required a somewhat burdensome amount of work to track. Compounding the complexity is that MetLife (and other life insurers) have additional items in AOCI that offset the after-tax unrealized gains and losses in AOCI attributable to available for sale securities, commonly referred to as “shadow adjustments”.

The recently enacted Tax Cuts and Jobs Act of 2017 has highlighted the significance of disproportionate tax effects of intraperiod allocations in AOCI. The accounting guidance proposed in the Exposure Draft is a good first step towards resolving these differences that can lead to distortion in the financial statements and administrative burdens in tracking these differences. However, MetLife is a proponent of resolving remaining items lodged in AOCI due to historically enacted tax rate and law changes in foreign or state and local jurisdictions and any future tax rate and law enactments.

MetLife requests that the Board add a broader project on backwards tracing to its active agenda and that such project address transition to release stranded tax effects from AOCI associated both with prior changes in other tax law and rates and with all future changes in tax law and rates.

We appreciate the opportunity to comment on the Exposure Draft and offer some of our perspectives. If you have any questions on the contents of this letter, please do not hesitate to call me.

Sincerely,

A handwritten signature in black ink, appearing to read 'William O'Donnell', written in a cursive style.

William O'Donnell

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