the pension at all. One could conclude that we would have recommended no equity, but the accounting rules made that strategy untenable. What we wanted to recommend is an investment strategy that tracked the liability, which really required using long-duration bonds and/or long-duration interest rate derivatives. The problem is that in an asset-only reporting framework, there was no way to tell the pension manager whether or not the strategy was working or not. A year like 2022 — where bond returns go down in excess of 30% — was just unacceptable, no matter what was happening to the liability, especially when the plan was perceived to be in a de-risked bond strategy. A CFO telling the CEO that the pension is doing great, even though the bonds lost 30%, was too much career risk for a CFO to accept. They had little confidence that they could tell the CEO that it was OK because the liability also went down by 30%.

Bad Incentives Enforced by Accounting Standards

The accounting that was in place for pensions, FAS87 updated by FAS132, will go down in history as one of the great unintended consequences in history. Maybe it was always wishful thinking that a pension system could work in a sustainable way, but any chance of course-correcting once people like me identified the problem and solution was derailed by these accounting standards. Much like the goodwill treatment of bitcoin would clearly dissuade companies from putting substantial account balances on their balance sheets, the ac-