Letter of Comment No. 20
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The GASB has stated that the cost of a pension plan is a compensation cost. Plan sponsors do not put a liability on their financial statements for future payroll. Neither do they put a liability on their financial statements for future contributions to Social Security. Yet Social Security is a defined benefit plan.

GASB Statement No. 25

The comments, above, concerning amended Statement 27 also apply to amended Statement No. 25. The burden as well as cost of compliance, the additional calculations required, and the use of straight market value instead of smoothed market value will impair—rather than improve—financial reporting. We also believe that the implementation dates are too early. For some state and local governments, valuations under the new statements will have to be made even before the statements have been issued in final form.

The calculations of discount rates and cash flows are too theoretical. The actual results experienced in future years will be materially different from the values calculated under Statement 25. Thus, the disclosures will mislead users of financial statements. Reporting annually as of the employer's fiscal year end, rather than as of the plan's valuation date, will not result in significant improvements to the plan's disclosures.

Thank you for the chance to comment on the amendments to Statement No. 27 and Statement No. 25. Please feel free contact us if you have questions about this letter.

Sincerely,

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