Letter of Comment No. 261 File Reference: 34-E Date Received: 10/18/11



Governmental Accounting Standards Board (GASB) director@gasb.org

October 13, 2011

RE: Exposure Draft on "Pension Accounting and Financial Reporting By Employers"

Dear Sir/Madam

We are writing on behalf of Mott Community College located in Flint, MI regarding the proposed new requirement to include a "Net Pension Liability" on our financial statements for our share of unfunded liability from the Michigan Public School Employees Retirement System (MPSERS) plan.

In 1945 our State legislature enacted Public Act 136, recodified and is currently operating under the provisions of Public Act 300 of 1980, as amended creating a retirement system for public school employees, community colleges and some four year universities. This system is administered by the Office of Retirement Services within the Michigan Department of Technology, Management and Budget. The State Treasurer serves as the investment officer and custodian for the System. There is a twelve member Board, eleven of which are appointed by the State Governor.

Until 1995, there was no option for employees of our College to enroll in any other retirement system. In 1995, the retirement statute was amended to enable Boards of community colleges to provide an option for "professional" employees to opt out of the defined benefit program under MPSERS and enroll in a defined contribution plan and Mott did implement this opt out opportunity for its professional employees.

It is our opinion that since this retirement system is not an option to us, is mandated by State law for participation and is managed, controlled, and administered by the State of Michigan, any resultant unfunded liability should be presented on the financial statement of the State of Michigan, and not ours. Just as we do not carry the unfunded portion of Social Security and Medicare benefits, which payment is mandated by law, we do not believe it would be a fair depiction of the financial position of our college to include this unfunded liability arising out of a mandate. Furthermore, we also believe after reviewing the statute governing this retirement plan, a specific section speaks to the responsibility for all expenses arising out of this arrangement:

Charles Stewart Mott Community College

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38.127 Warrants "The retirement system shall draw its warrants upon the state treasurer, **payable out of reserves of the retirement system**, for the payment of retirement allowances, the refund of accumulated contributions as provided in this act, and the payment of salaries and **other expenses necessary in the administration of the retirement system.**

Thank you for the opportunity to comment on what we believe is a very important matter related to fairness in financial reporting.

Sincerely,

Varry Gawthrop, CPA Chief Financial Officer

Mott Community College

Flint, MI 48503 (810) 762-0525 Mark Kennedy

Chief Human Resources Officer

Mott Community College

Flint, MI 48503

(810) 762-0596