October 14, 2011

Director of Research and Technical Activities, Project No. E-34 Government Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, CT 08856-5116

Re: ED for amendments to GASB 25 and 27

Dear GASB:

I appreciate the opportunity to comment on the GASB's Exposure Draft Supplement on pension accounting and financial reporting. Below are my responses to the questions posed.

- 1. Do you agree or disagree with the GASB's proposal that governments recognize the net pension liability in their financial statements? Why do you agree or disagree? I believe that the current standard of disclosing the unfunded liability in the notes to the financial statements is adequate. Measurement of the liability has inherent uncertainties, since it is based on many assumptions about the future. I do not believe that it rises to the level of "liability", because in my state we do not have labor contracts. Inclusion of such a volatile, rough estimate in the financial statements could reduce the confidence in other areas of the financial statements. However, in realizing the GASB is not inclined to change their position regarding presenting the NPL in the financial statements, I ask the following. If the liability must be included in employer's financial reports, then the procedures in the standard should be kept as simple as possible in order to reduce implementation and ongoing costs, particularly considering the current economic environment and the fact that many public pensions are struggling with funding.
- 2. How would recognizing the net pension liability in the financial statements affect any or all of the following:

and outside expense in the form of actuarial costs.

- The usefulness of the information to the analyses you perform, the work you do, or the decisions you make?
 As a pension fund financial statement preparer recognizing the liability in the financial statements of the employers is going to require a great deal of additional internal labor
- b. Your ability to assess a government's accountability?

 The local, public school districts and higher education entities are required by state law to participate in the plan, and the contributions rates are set by the state. So the

accountablity factor is not in the hands of the entities intended to report the liability.

- c. You ability to assess interperiod equity? Inclusion of the expense in the financial statements, however rough the figure, will provide a snapshot estimate of the full costs of services being provided in the fiscal year and will facilitate decisions to ensure that services being performed today are being paid with today's dollars and not future generation's dollars.
- 3. Do you agree or disagree with the GASB's proposals for how the total pension liability should be measured? Why do you agree or disagree?

I agree with standardization of actuarial assumptions which will improve consistency in reporting and comparability between plans and between employers.

I disagree with the proposed complexity involved in the calculation and attribution methods due to the costs that will be involved. It will require an additional full-time equivalent in order to properly implement the standard as proposed for the year of implementation at a minimum. It may require supplemental staffing on an ongoing basis as well.

I disagree with the roll forward requirements for actuarial valuations. The use of a valuation report within one year prior to the employer's fiscal year end should be more than adequate considering the liability to be reported is an estimate. When compared to the acceptable practice of using audited financial statements within the most recent fiscal year for discrete or blended component units whose entire financial statements are to be incorporated into the primary government's report, the use of an actuarial valuation report within the prior year should be adequate. For large cost sharing plans with a variety of year ends not allowing a single actuarial valuation date will create an added burden for implementation of the standard.

- 4. How would those proposals affect any or all of the following:
 - a. The usefulness of the information to the analyses you perform, the work you do, or the decisions you make?
 - For large cost sharing plans with numerous employers and a variety of fiscal year ends, the roll forward provisions will be very costly to implement. Any incremental improvement in the information obtained will not justify the cost to provide that information.
 - b. Your ability to assess a government's accountability? Intentionally blank.
 - c. Your ability to assess interperiod equity? Simply recording the expense will dramatically improve interperiod equity. The incremental improvement gained by any roll forward procedures as with many of the other proposed intricacies of the calculation would be minimal and not cost beneficial.
- 5. Do you agree or disagree with the GASB's proposals regarding when the factors that affect pension expense should be incorporated into the expense calculation? Why do you agree or disagree?

I somewhat agree. Why have the 15% cumulative trigger for investment earnings? Either allow smoothing as was done under Statements 25 and 27 with the actuarial focus or do not allow it at all. If the liability and expense must be reported, I would prefer a much more simplified approach such as to expense all changes in liability within the year of occurrence with no amortization. The complexity and variety of treatment for amortization scenarios is further complicating what will already be a difficult process. The change in NPL expense figure is an estimate. It does not represent the flow of cash or even a near term estimate of benefit payments and would be similar in nature to the Change in Fair Value of Investments. (It is not a budgeted gain or loss until it is realized. i.e. For the NPL many changes can occur between the balance sheet date and liquidation of said liability. It will be best segregated from normal operating expenses.)

If possible please consider the option to expense in the current period the following:

- Change in ratio among the employers
- Do not require the distinguishment of active vs. inactive or future service from past service
- Changes in actuarial future, economic or demographic assumptions related to active employees.

Allowing for all changes in pension liability to be recognized in current year rather than amortization would reduce the costs to implement.

- 6. How would those proposals affect any or all of the following:
 - a. The usefulness of the information to the analyses you perform, the work you do, or the decisions you make? Intentionally blank.
 - Your ability to assess a government's accountability?
 Intentionally blank.
 - c. You ability to assess interperiod equity? Simply recording the expense will dramatically improve interperiod equity. The incremental improvement in accuracy to be gained by many of the proposed intricacies of the calculation would be minimal and not cost beneficial. Inter-period and intergenerational equity could be improved without going to extreme measures to attribute a rough estimate with such precision. To do so is not practical.
- 7. Do you agree or disagree with the GASB's proposals that government in cost-sharing multiple-employer plans report a liability equal to their long-term proportionate share of the collective net pension liability? Why do you agree or disagree?
 I disagree. See also 2.b above, please. Each year employer school districts contribute the amounts required by state statute. The state's Constitution sets the parameters for the state's contributions, but does not do the same for employer school districts. School districts can declare bankruptcy, but their proportionate share of the collective liability is not dischargeable. So it is difficult to make the case that it is their liability and belongs on their financial statements. Continued note disclosure would be more appropriate.
- 8. How would recognition of a proportionate net pension liability affect any or all of the following:
 - a. The usefulness of the information to the analyses you perform, the work you do, or the decisions you make?

 Please refer to 2.a above.
 - Your ability to assess a government's accountability?
 Please refer to 2.b above.
 - Your ability to assess interperiod equity?
 Please refer to 6.c above.
- Do you agree or disagree with the GASB's proposals regarding note disclosures and RSI?
 Why do you agree or disagree?

 Lagree with the disclosure of the assumptions about various contributions and projected cannot be applied to the disclosure of the assumptions about various contributions and projected cannot be applied to the disclosure of the assumptions about various contributions and projected cannot be applied to the disclosure of the assumptions.

I agree with the disclosure of the assumptions about various contributions and projected cash flows.

Calculating and reporting a blended rate or the +1%/-1% scenario requirement does not pass any sort of cost/ benefit analysis. If full comparability between plans is desired, then a standardized discount rate should be established in the standard. If a standardized rate will not be established, then the long-term rate of return should be adequate.

I disagree with any disclosures associated with roll forward procedures because of my disagreement with the process in general. Please refer also to question 3 above.

I agree with the disclosure of the employer policy for determining contributions and authority under which employer contributions are established or may be amended.

I disagree with the level of detail required for large cost-sharing multi-employer plans.

Preparing comprehensive data for note disclosure for large plans with numerous members is

impractical. I strongly disagree with deferring inflows/outflows related to changes in their proportionate share of the collective liability, because that ratio will change every year.

- 10. How would these disclosures and RSI affect any or all of the following:
 - a. The usefulness of the information to the analyses you perform, the work you do, or the decisions you make?
 - b. Your ability to assess a government's accountability?
 - You ability to assess interperiod equity?
 Please refer to question 9 above.
- 11. Do you agree or disagree with the GASB's proposals regarding special funding situations? Why do agree or disagree?

In the case of unconditional special funding situations I disagree with the recognition of revenue and paid on behalf expenses for the employers.

- 12. How would these proposals affect any or all of the following:
 - a. The usefulness of the information to the analyses you perform, the work you do, or the decisions you make?
 - b. Your ability to assess a government's accountability?
 - c. You ability to assess interperiod equity? See question 11 above.
- 13. Do you agree or disagree with the GASB's proposal regarding governments participating in defined contribution pension plans? Why do you agree or disagree? Intentionally blank.
- 14. How would these proposals affect any or all of the following:
 - a. The usefulness of the information to the analyses you perform, the work you do, or the decisions you make?
 - b. Your ability to assess a government's accountability?
 - c. You ability to assess interperiod equity? Intentionally blank.

Sincerely, Cindy Haley, CPA