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**Proposed Statement of the Governmental
Accounting Standards Board Financial Reporting for Pension Plans
an amendment of GASB Statement No. 25**

I'm Denise Juvenal this is pleased to have the opportunity to comment on this consultation, Proposed Statement of the Governmental Accounting Standards Board Financial Reporting for Pension Plans an amendment of GASB Statement No. 25 this is my individual commentary for Governmental Accounting Standards Board GASB.

I agree with this proposal and understand that is very important development this proposal statement to improve financial reporting by state and local government pension plans.

I observed in the literature review that the research about valuation is very complexity for applied in relation a accountants aspects that implied in the new laws and rules for local governments.

Skaife et al described some important observations about valuation as follows:

“... Studies examining the valuation implications of footnote disclosures about pensions and postretirement benefit obligations demonstrate the usefulness of such disclosures in the valuation of recognized amounts in the financial statements (e.g., Barth 1991; Choi et al. 1997). Similarly, academic research suggests that market values of equity appear to reflect market values of estimated liabilities generated using footnote disclosures of operating lease obligations (Ely 1995; Imhoff et al. 1993; Imhoff 1995). ... Barth et al. (1992) study SFAS No. 87 pension cost component disclosures from 1986 to 1988. They model firm market value as a function of income, disaggregated into nonpension and pension components. Their results suggest the market can separate value relevant components of pension expense, such as actual return and interest cost, from other components, such as transition asset (liability) amortization. The results also show, however, that (1) the market values early-adopter pension components less than it values on-time adopters, (2) the service cost component coefficient does not have the appropriate relation with market values, and (3) the market does not consistently view the difference between the expected and actual returns as transitory. ... Amir and Gordon (1996) conclude that equity values are consistent with the stock market’s taking reported postretirement benefit liabilities at face value without adjusting for differences in assumptions. More recently, Coronado and Sharpe (2003) suggest that when the underlying economic status of the pension obligation is ambiguous, the market values components of pension expense instead of funded status.”¹

In the FASAB in your pronouncements related others points that must be observed as follows:

“For financial reporting, the Board has stated its position that the full costs of employee pension and other retirement benefits determined on an actuarial basis, including the amounts that are funded to the trust funds directly, should be recognized as an expense in the employer entity’s financial reports.”²

“The liability and associated expense for pensions and other retirement benefits (included health care) should be recognized at the time the employee’s services are rendered. The expense for postemployment benefits should be recognized when a future outflow or other sacrifice of resources is probable and measurable based on events occurring on or before the reporting date. Any part of that cost unpaid at the end of the period is a liability. The aggregate entry age

¹ *Accounting Horizons* Vol. 21, No. 2 June 2007 pp. 201–213 Response to FASB Exposure Draft, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans: An Amendment of FASB Statements No. 87, 88, 106, and 132(R)” American Accounting Association’s Financial Accounting Standards Committee Hollis A. Skaife (chair); Mark T. Bradshaw (principal co-author); Paquita Y. Davis-Friday (principal co-author); Elizabeth D. Gordon (principal co-author); Patrick E. Hopkins; Robert Laux; Karen K. Nelson; Shiva Rajgopal; K. Ramesh; Robert Uhl; George Vrana

² Page 471 FASAB: Pronouncements as Amended, Version 9 (06/2010) -FASAB Exposure Draft, *Accounting for Liabilities of the Federal Government* (Nov. 1994), pars. 80-99, pages 32-46.

normal actuarial cost method should be used to calculate the expense and the liability for the pension and other retirement benefits for the administrative entity financial statements, as well as the expense for the employer entity financial statements. The employer entity should recognize an expense and a liability for postemployment benefits when a future outflow or other sacrifice of resources is probable and measurable on the basis of events that have occurred as of the reporting date.”³

“Attribution Methods—The “aggregate entry age normal” actuarial cost method should be used to calculate the pension expense, the liability for the administrative entity financial statements, and the expense for the employer entity financial statements. The aggregate entry age normal method is one under which the actuarial present value of projected benefits is allocated on a level basis over the earnings or the service of the group between entry age and assumed exit ages; and it should be applied to pensions on the basis of a level percentage of earnings. The portion of this actuarial present value allocated to a valuation year is called the “normal cost.” The portion not provided for at a valuation date by the actuarial present value of future normal cost is called the “actuarial accrued liability.” The plan, however, may use other actuarial cost methods if it explains why aggregate entry age normal is not used and if the results are not materially different.”⁴

“The federal employer entity should recognize a pension expense in its financial report that equals the service cost “Service cost” is defined as the actuarial present value of benefits attributed by the pension plan’s benefit formula to services rendered by employees during an accounting period. The term is synonymous with “normal cost.” for its employees for the accounting period, less the amount contributed by the employees, if any. The measurement of the service cost should require the use of the plan’s actuarial cost method and assumptions, and therefore the factor to be applied by the employer entities must be provided by the plan and/or the administrative entity.”⁵

In relation the objective I observed that in the isn’t clear for me which pension plan not included for this proposed, I think that is very important specific this point this method I think don’t included health pension for government.

I think that is very important in relation a taxes for calculating as in page 41, if have different rules for pension local and state government in relation a federal government, for example, could be federal index, I don’t know, if the idea in the future

³ Page 492 FASAB: Pronouncements as Amended, Version 9 (06/2010) FASAB: Pronouncements as Amended, Version 9 (06/2010) -FASAB Exposure Draft, *Accounting for Liabilities of the Federal Government* (Nov. 1994),

⁴ Page 515 FASAB: Pronouncements as Amended, Version 9 (06/2010) FASAB: Pronouncements as Amended, Version 9 (06/2010) -FASAB Exposure Draft, *Accounting for Liabilities of the Federal Government* (Nov. 1994),

⁵ Page 519 FASAB: Pronouncements as Amended, Version 9 (06/2010) FASAB: Pronouncements as Amended, Version 9 (06/2010) -FASAB Exposure Draft, *Accounting for Liabilities of the Federal Government* (Nov. 1994),

be consolidated the information's principally when described the calculated for sensitivity analysis in the page 41 and 50 of this statement.

For the Financial Statements and notes, I observed that is very important considering for the balance sheet a provision of the amount of pension calculated for each year. As the balance has a period and in the valuation calculated could be occurred some differences in relation a taxes for each year and I don't know if is possible considering a management balance for pension considering relation a fund's pension, I don't know.

The required supplementary information is very important principally because have single-employer and cost-sharing pension plans. I don't know if this aspect considering SME's entities.

For measurement of the Net Pension Liability of the employer in relation a value present of projected for 24 months I think that this point is related a Projections of Benefit Payments to plan members, if the pension formula is based on compensation levels for project salary and service credits if the pension formula based on periods of service described in the page viii and 28-32.

I have doubt as will be make internal control of these projections for attend high quality of this statement, I think for work Audit Government, for example, in the item 39 page 13 didn't be understand the concepts for applied in the table 2 page 43, I had difficult for integrated this method with calculated, this point I think, I don't know that is the principal and important that impact in the table I suggest that observed the method described in this statement.

In relation a Discount Rate and Attribution Method in this case I agree with proposal as in the Effective Date and Transition, if the control of government for pension local and state would be adequate I agree with the periods beginning, if not the GASB must be contact for have this information, for don't have problem.

I agree with this statement and considering the high quality and transparency of importance in relation a pensions for local and state governments.

References

- *Accounting Horizons* Vol. 21, No. 2 June 2007 pp. 201–213 Response to FASB Exposure Draft, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans: An Amendment of FASB Statements No. 87, 88, 106, and 132(R)" American Accounting Association's Financial Accounting Standards Committee Hollis A. Skaife (chair); Mark T. Bradshaw (principal co-author); Paquita Y. Davis-Friday (principal co-author); Elizabeth D. Gordon

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- FASAB: Pronouncements as Amended, Version 9 (06/2010) -FASAB Exposure Draft, Accounting for Liabilities of the Federal Government (Nov. 1994), pars. 80-99, pages 32-46. Page 471, 492,515 and 519.

Thank you for opportunity for comments this proposal, if you have questions don't hesitate contact to me, rio1042370@terra.com.br.

Best Regards,

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