

From: Brian Mullins
Sent: Thursday, September 22, 2011
To: Director - GASB
Subject: GASB Comment

The most significant issue that exists with the GASB exposure draft dealing with pension reporting is the requirement for multiple-employer cost-sharing systems to allocate the net pension liability to all the employers that participate in the plan.

This would be similar to require homeowners to declare a portion of its insurance company's unfunded liabilities on their personal financial statements. When you purchase an insurance policy, you are expected to pay the premium, and in exchange you receive a benefit. Likewise, employers participating in these types of pension plans remit their contributions, and the pension plan is responsible for accumulating assets and administering the plan to fund the benefits.

Additionally, the liability could potentially dwarf the financial statements, creating a very misleading financial picture of the participating employer. The provisions in the exposure draft also would result in a significant increase in the depth and breadth of pension information provided by employers and pension plans in the notes to the financial statements and as required supplementary information. These financial statements are used to compete for grants, and if these standards are passed, it will be detrimental in the competition for funding.

Including the obvious error in thought that requires individual companies to arbitrarily be allocated pension liability for a plan they do not operate or have control in the operation, other questions exist, such as how to handle the unfunded liability for a member who has worked for more than one public employer. In that case, it's unclear who would carry the liability – the last employer? Or would we need to allocate portions to all the employers the member has worked for?

Hopefully , you will consider these issues in forming the final rule related to this draft.

Thank You,

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