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September 27, 2011

David Bean, Director of Research and Technical Activities
Project No. E-34
Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Dear Mr. Bean:

Local Government Academy, an independent nonprofit organization promoting excellence in local government and serving southwestern Pennsylvania, recently convened a roundtable discussion of the Exposure Draft of the Governmental Accounting Standards Board on Pension Accounting and Financial Reporting by Employers. Participating in the Roundtable were county and municipal finance officers and 1 actuary.

The following are some comments for the consideration of the GASB. We appreciate the ability to participate in this process and thank the GASB for considering our comments.

Net Pension Liability

The proposal that a government would report in its financial statements a net pension liability equal to the difference between the total pension liability and the value of assets set aside in a pension plan to pay benefits to current employees, retirees, and their beneficiaries was met with agreement.

It was the consensus of the group that it will improve transparency, but not necessarily usefulness. These concerns about usefulness, however, were more related to general concerns about the government wide statements than to this standard specifically. Accountability was believed to be improved, but only for those with the knowledge to use the reports. General public consumption of basic financial statements was believed to be set back by this proposal due to added complexity and disclosures and it was expressed that standards for popular reporting should be forthcoming to provide accessible information for elected officials, citizens, and the media. Further, it was felt that policy discussions about pensions will continue to be focused on current expenses on a fund level.

Measuring a Government's Total Pensions Liability

The group agreed with the GASB's proposal for how the total pension liability should be measured.

The proposal for the frequency and timing of measurement roll forward provisions were expected to definitely add cost to report preparation despite GASB's attempts to try to hold down those costs. However, accountability is expected to improve because of a single preferred calculation method for projecting benefits. This is because the method applies market rates to "real" money only and uses a

more cautious rate based upon what it would cost to borrow the needed funds today to forecast the future rate of return.

Measuring Pension Expense

The group agreed with the factors incorporated in the calculation of annual pension expense and that better matching of expenses and time periods occurs with the proposal. However, questions were raised about the proposal to use five years and the time period for incorporating the differences between projected earning and investments and actual earnings, as it was unclear as to the basis for this time period being selected.

It was felt that accountability was improved by this proposal because of faster expense recognition but concerns about the complexity of statements persisted.

Governments in Cost-Sharing Multiple-Employer Pension Plans

The group agreed with the proposal that governments in cost-sharing multiple employer plans report a liability equal to their long-term proportionate share because it is an accurate depiction of their liability. However there was concern that it would not improve the ability to assess accountability because given the representation and decision-making of public sector multi-employer plans, funding issues may be more political and ultimately, out of the control of a particular participating employer than is the case for single employer plans.

Note Disclosures and Required Supplemental Information

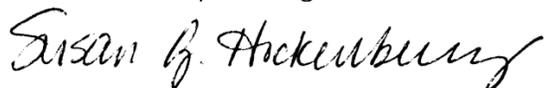
Other than concerns for the size and usefulness of adding significantly more disclosures to the reports, there was not a lot of disagreement with the proposed notes. With regard to the discount rate, the benefit of a sensitivity analysis showing the effect of a 1 percentage point increase was not considered significant (while the benefit of showing a 1 percentage drop was).

Overall Comment

In general, the group expressed concerns about "accounting standard overload" and whether as the increasing size and complexity of basic financial statements and the corresponding additional costs would drive all but the largest governments to turn to regulatory basis reporting and avoidance of comprehensive GAAP financial reporting. In addition, it is difficult for most local government units to justify the cost-benefit equation of full GAAP financial reporting when it does not seem that there is an educated set of users that appreciate that level of reporting (especially as it relates to the bond market and the lack of understanding of governmental statements by the financial community).

We appreciate the work of the GASB to improve Pension Accounting and Financial Reporting. Our thanks to Elizabeth Krisher, of Maher Duessel CPAs, for providing technical assistance to the group during the roundtable discussion and in the development of these comments.

On behalf of my colleagues,



Susan G. Hockenberry
Executive Director