The proposed measure of “pension expense” is somewhat more problematic. Part of our concern is that this measure might become much more volatile even with the smoothing provisions of the ED. This might result in some confusion among elected officials when considering at what level to fund a pension plan. We believe that the separation between funding and accounting should be more clearly set forth with the reasons why this is important and why funding might be appropriately different from what is being reported as pension expense.

We found the RSI schedules of “changes in the net pension liability” on pages 122-123 to be clear and informative. However, we found the schedules presenting “changes in net pension liability,” “pension expense,” and “deferred outflows of resources and deferred pension inflows of resources related to pensions” on pages 119-121 to be somewhat confusing. These separate schedules provide what we believe is very important information to users, and the relationships between the elements on these schedules need to be readily understandable. However, it was extremely difficult for us to determine what information flowed from one schedule to another, a matter of importance to users as they try to assess pension liabilities and expense. We understand that the staff has developed a schedule that provides all of this information together in a manner in which the relationships between the schedules and their elements are readily understandable. We suggest that GASB consider providing this as an alternative example in the final statement.

This example might also explain where assumptions stated in the disclosure are actually used in the computations. For example, the disclosure on page 117 references a 15 year amortization using the level percent of payroll methodology. It is not clear at all where this amortization is being applied in any of the following exhibits. As the use of amortization appears to be a significant difference between the current and proposed standard, it should be made clear where its use is being discontinued. An additional resource might be a supporting exhibit that shows a side-by-side comparison of the current approach versus the proposed approach, drawn from the same dataset, so that numerical mappings from one method to the next would be easier to follow.

In conclusion, while we will miss the relative consistency of the ARC and funded position in the current standard, we believe that on balance the proposed changes to pension reporting will result in the reporting of information that will better inform users about the historical and prospective liabilities, funded position, and expense of pension plans, and will assist them as they deliberate issues involved in making decisions about funding pension plans and changing pension benefits.

Sincerely,

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