Letter of Comment No. 78 File Reference: 34-E Date Received: 10/3/11

Caroline Walker

175 E Delaware Pl #6701 Chicago IL 60611-7733 caroline@walker-cfe.com 312-475-1438

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Governmental Accounting Standards Board director@gasb.org

Project No. 34-E: Exposure Draft

Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27

Comment about risk in plan investments

Dear Director of Research and Technical Activities:

Regarding defined benefit pension plans, I believe that --

The fair value of plan investments should be disclosed as of the end of each fiscal period in addition to the disclosures proposed.

The sensitivity analysis should show the effect on net pension liability of the percentage point difference between the selected long-term expected rate of return and the risk free rate.

The additional information would provide financial statement users an indication of the extent of risk in plan investments.

Sincerely,

Caroline Walker, CPA, CFE

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Appendix

Proposed Statement of the Governmental Accounting Standards Board: Plain-Language Supplement

Page 6: As long as plan assets related to current employees, retirees, and their beneficiaries are projected to be sufficient to make the projected benefit payments for those individuals, governments would discount projected benefit payments using the long-term expected rate of return. (See paragraphs 22–25.)

Page 7: Frequency and Timing of Measurement

The present requirement that actuarial valuations be conducted at least every two years would be continued. The information that governments would be required to present under the proposals would be as of their fiscal year-end. (See paragraph 18.) That information would come from either:

- An actuarial valuation conducted as of the government's fiscal year-end, or
- An update that rolls forward information from an actuarial valuation conducted no more than 24 months prior to the government's fiscal year-end.

Pages 11-12 Notes to the Financial Statements

All governments participating in a defined benefit pension plan would include the following information in their note disclosures:

- Descriptions of the plan, the benefits provided, and the authority establishing the plan and requiring contributions to it
- Numbers of retirees and beneficiaries currently receiving benefits, inactive employees entitled to benefits but not yet receiving them, and active employees covered by the plan
- The policy for determining the government's annual contributions to the plan
- Significant assumptions employed in the measurement of the net pension liability
- Descriptions of benefit changes and changes of assumptions
- With regard to the discount rate:
- Assumptions about contributions and other projected cash flows
- The rate(s) selected and the basis for selecting the long-term expected rate of return on plan investments and the municipal bond index rate (if applicable)
- The projection periods to which each rate was applied
- A sensitivity analysis that shows the effect on the net pension liability of a 1 percentage point increase and a 1 percentage point decrease in the discount rate
- Net pension liability, deferred outflows and inflows, and pension expense (if not separately displayed in financial statements).

1926-1996 Average annual rates of return

http://www.investorhome.com/history.htm

Small Stocks	12.5%
Real Estate	11.1%
DJI	10.0%
Bonds	5.2%
T-Bills	3.7%
Inflation	3.1%