



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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October 13, 2011

Mr. David R. Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: GASB Proposed Statement on Financial Reporting for Pension Plans, an Amendment of GASB Statement No. 25 (Project No. 34-P)

On behalf of the Washington State Office of Financial Management (OFM), I am pleased to offer the following comments on the proposed statement of the Governmental Accounting Standards Board's (GASB) *Financial Reporting for Pension Plans*, an amendment of GASB Statement No. 25 Exposure Draft (ED). OFM serves as the state's controller, issuing all state accounting and reporting policies as well as the state's Comprehensive Annual Financial Report (CAFR).

As we have expressed in previous due process document responses, we continue to support the net pension obligation approach over the net pension liability approach. Given the on-going nature of government employers, the nature of government funding sources, and the potential ability of governments to change pension plan provisions, we do not feel that the Board has presented a persuasive argument to make the change to the net pension liability approach. Additionally, we are very concerned that the provisions of this ED (especially the calculation of the proportionate share of the net pension liability for each participant in cost-sharing defined benefit multiple-employer plans) will adversely impact the cost and timeliness of governmental financial reporting.

Paragraph 31 – We suggest that the Board provide specific information about the update procedures that would be employed when the actuarial valuation is rolled forward to the end of the plan's reporting period.

Paragraph 44 – We acknowledge that the Board is requiring the use of the entry age normal actuarial cost method for reporting purposes and that a government can use a different method for funding purposes. However, we have concerns that reporting and funding can be separated and that if they are, a lack of consistency will give rise to the question as to which is right. We feel that the actuarial method chosen should be based on the professional judgment of decision makers in consultation with the plan actuary and that two separate calculations should not be necessary.

David R. Bean
October 13, 2011
Page 2 of 2

Paragraph 47 – The proposed staggered implementation dates are confusing and may lead to improper application of the standard. We suggest having one implementation date and that the date be delayed to allow for more time to plan to implement the changes. A suggestion is for periods beginning after June 15, 2014.

While we agree that improving financial reporting standards is in the best interest of the public, we have less and less capacity to respond to due process documents and changes in standards. As we are working furiously to implement the provisions of GASB Statement No. 54 and issue our fiscal year 2011 CAFR, we have to respond to this exposure draft and the related one on employer reporting as well as preliminary views document on Recognition of Elements of Financial Statements & Measurement Approaches and exposure drafts on reporting items previously recognized as assets and liabilities and on technical corrections. Add to this the fiscal sustainability project on the horizon and the workload associated with compliance with the pending federal requirement for 3% withholding on vendor payments and our resources are at the breaking point.

Does the Board appreciate that the current recession and financial crisis has resulted in government layoffs and reductions of “back office” staff, including accounting staff? We appreciate that the Board has the best of intentions, but the intended results are not being achieved. Many local governments in Washington State reverted to cash basis accounting when GASB Statement No. 34 was issued. We are concerned that more governments will follow suit as they run out of capacity to deal with the changing standards.

Thank you for the opportunity to provide feedback on the exposure draft. If you have any questions regarding this response, please contact me at (360) 725-0185.

Sincerely,

/s/ Wendy Jarrett
Statewide Accounting Manager