



October 14, 2011

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Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
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Subject: Project No. 34-E and 34-P

Dear Board and Staff:

Texas County & District Retirement System (TCDRS) is pleased to have the opportunity to respond to the Governmental Accounting Standards Board (GASB) Project No. 34-E, Exposure Draft (ED) document on “*Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*” and Project No. 34-E, Exposure Draft (ED) document on “*Financial Reporting for Pensions Plans, an amendment of GASB Statement No. 25*”.

TCDRS participated in the recently completed GASB field study. In the course of the study we discovered three requirements that we found to be either very administratively burdensome or very difficult to comply with and respectfully request the following changes:

- We request the GASB allow the use of valuation result liabilities without rollforward so long as the valuation is within twelve months of the fiscal year end.
- We recommend that the GASB allow asset values to be reported as of the last valuation date so long as the fiscal year end is within twelve months of the valuation date. If the GASB decides to continue requiring asset values as of the end of the fiscal year, we ask for simplified rules for estimating assets values when information is not available at all or not available in a timely manner.
- We request the GASB provide a safe harbor for determining whether a plan needs to use a single “blended” discount rate, in cases where a funding method and an enforceable funding policy require benefits to be funded over a reasonable period.

These recommendations are discussed in more detail below:

I. TCDRS is an agent, multiple-employer plan with over 600 participating employers. For every month of the year, TCDRS has at least one plan with a fiscal year ending at the end of that month. We also have elements of our plan that are cost sharing. This means under the current proposed rules, every month TCDRS must roll forward the liabilities for all of our plans and allocate assets to each plan. The requirement to roll forward the actuarial valuation results from the actuarial valuation date to the employer’s fiscal year end will place an extreme burden on accounting and actuarial resources. We request the GASB consider allowing the use of valuation results without rollforward so long as the valuation is within twelve months of the fiscal year end.

Director of Research and Technical Activities
Governmental Accounting Standards Board
Page 2

2. Because TCDRS is partially invested in assets that are not publicly traded and have no readily available market value at the end of every month, it will be impossible to obtain a market value of the trust at the end of each month. In addition even when asset values are available, for some privately held securities there can be as much as a three month lag between the end of the fiscal year and when the asset value is reported to us. Our participating employers have indicated that this delay will make it very difficult for them to issue their financials on a timely basis. We request that the GASB consider allowing asset values to be reported as of the last valuation date so long as the fiscal year end is within twelve months of the valuation date. If the GASB decides to continue requiring asset values as of the end of the fiscal year, we recommend that the GASB provide simplified rules for estimating assets values when information is not available at all or not available in a timely manner.

3. The rules regarding the single “blended” discount rate fail to address plans that have both an adequate funding policy and funding method, and is cumbersome and complex. For example, TCDRS uses the entry age normal cost funding method with a 20-year closed amortization of the unfunded accrued actuarial liability (15 years for benefit improvements), and has a funding policy that requires each plan to pay at a minimum the actuarially calculated rate. TCDRS enforces this funding policy and all plans have paid at least the required rate. Because of this combination of funding method and funding policy, we have determined that it is extremely unlikely that any actively participating plan will be projected to run out of assets. Even if a plan is projected to run out of assets, we anticipate that by following the required funding policy, the plan will very soon contribute its way out of this condition. It will be costly and administratively burdensome to calculate whether or not each plan is projected to run out of assets, and because the conclusion is almost forgone, this exercise will provide very little value. We request the GASB consider a safe harbor for plans that have a funding method and an enforceable funding policy that require benefits to be funded over a reasonable period.

TCDRS' position as a multi-employer plan gives us the opportunity to provide unique insight into the challenges and costs of implementation of the proposed GASB statements. Thank you for the opportunity to provide input into the rule-making process and we hope you will consider our recommendations.

Regards,

A handwritten signature in black ink that reads "Gene Glass". The signature is written in a cursive, flowing style.

Gene Glass
Director