



ILLINOIS CPA SOCIETY.

October 10, 2011

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

**Project Nos. 34-E and 34-P**

Dear Mr. Bean:

We are pleased to comment on the Governmental Accounting Standards Board (GASB) Exposure Drafts (EDs), *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27 (Employer)* and *Financial Reporting for Pension Plans (Plan) an amendment of GASB Statement No. 25*. Presented and described below are some concerns with the statements as proposed:

***Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27 (Employer):***

Para. 4 – It is unclear if the definition of a trust is all inclusive of administrative costs in items a to c. For example, most administrative costs of operating the fund, as well as refunds of contributions to employees leaving the plan, are paid from plan assets. Items a through c do not address those types of costs.

Para. 9 and 15– with the rate at which the definition of the reporting entity is changing, it seems unfair to treat component units as part of the definition of a single employer. What happens to component units that meet the criteria currently to be reported as discretely presented, but no longer meet that criteria when statement 61 is applicable?

Para. 18 – Due to the extreme complexity of the new requirements, a roll-forward should not be permitted. Instead, an annual actuarial calculation should be performed annually, as of the end of the fiscal year reported on. Additionally it is not specified how to treat differences between any roll forward and updated actuarial difference obtained the next year. This is particularly problematic in the footnotes. If bi-annual calculations with a roll-forward are allowed, they should only be permitted for level 3 governments (small).

Para. 29– We highly recommend that Interpretation 6 be updated at this time to clarify what “normally expected to be liquidated with available financial resources” means with regards to contributions to pension plans.



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Para 46 - The proposed allocation method for cost-sharing multiple employer plans is unduly complex. Further explanation as to whom and how projected contributions by individual employers are calculated should be provided. Is this determined by each employer, the plan, the actuary?

Para 49 – Requiring a valuation for each employer’s year end places a huge burden on the plan and is not cost beneficial. We would prefer that all calculations be performed at the plan’s year end. Each employer would include the plan year end that falls within their fiscal year. This would be consistent with the reporting of component units that have a different year end than the primary government.

***Financial Reporting for Pension Plans an amendment of GASB Statement No. 25 (Plan)***

In order to cost effectively address the proposed requirements of both statements a high degree of communication and cooperation between the plan, employers, actuaries and auditors will be necessary. Certain information employers will need in order to record their net pension liability and plan net position, resides with the plan. Employers will need to work with their plans to obtain reliable data which the employer can substantiate through audit procedures. Without cooperation and/or coordination a number of preparer and audit issues related to employer reporting will result. Timely preparation and release of audited financial statements will no longer be possible based on the efforts of the reporting entity alone and could result in significant delays in publishing audited financial statements.

We appreciate the opportunity to provide our comments to these exposure drafts.

Sincerely,

Mr. Bert Nuehring  
Committee Chair

APPENDIX A

ILLINOIS CPA SOCIETY  
GOVERNMENTAL EXECUTIVE COMMITTEE  
ORGANIZATION AND OPERATING PROCEDURES  
2011-2012

The Governmental Executive Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from government and public accounting. These members have Committee service ranging from newly appointed to more than 30 years. The Committee is an appointed senior technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of governmental accounting and auditing standards. The Committee's comments reflect solely the views of the Committee, and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to study and discuss fully exposure documents proposing additions to or revisions of accounting standards. The Subcommittee ordinarily develops a proposed response that is considered, discussed and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times, includes a minority viewpoint.

Current members of the Committee and their business affiliations are as follows:

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Alise M. White, CPA	Illinois State Board of Investments

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