



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 Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27 (Project No. 34-E)

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) *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27 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. Washington has twelve cost-sharing multiple employer plans with 1,325 participating employers including the state, counties, cities/towns, school districts and special purpose districts. The local governments have either December 31 or August 31 year ends while the plans report and the actuarial valuations are based on the state fiscal year end which is June 30. The timing and cost to update the values and determine the proportionate share of the liability for local government entities will pose a significant challenge.

Paragraph 12 - We request that the board clarify the special funding situations described in paragraph 12. A more detailed explanation or definition of "legally responsible" is needed to better determine the reporting requirements. Also, please clarify how special funding situations apply to plans with members who are not employees, but volunteers who earn benefits based on service as firefighters or reserve police officers.

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Paragraphs 18 and 49 - Additional guidance is needed regarding the specific procedures that would be considered appropriate update procedures. Without some guidance, consistency across governments could be adversely impacted.

Paragraph 62 and 464 - We would appreciate an example of the calculation of an employer's proportionate share of the collective liability.

Paragraph 107 - 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 do not disagree 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 plan reporting as well as the 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