

**National Conference of State Legislatures**  
**National Association of Counties**  
**National League of Cities**  
**United States Conference of Mayors**  
**International City/County Management Association**  
**Government Finance Officers Association**  
**International Municipal Lawyers Association**  
**National Public Employer Labor Relations Association**  
**International Public Management Association for Human Resources**  
**American Federation of State, County and Municipal Employees**  
**American Federation of Teachers**  
**National Education Association**  
**International Association of Fire Fighters**  
**Fraternal Order of Police**  
**National Association of Police Organizations**  
**National Association of State Retirement Administrators**  
**National Council on Teacher Retirement**  
**National Association of Government Defined Contribution Administrators**  
**National Conference on Public Employee Retirement Systems**  
**National Conference of State Social Security Administrators**  
**AARP**

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Director of Research and Technical Activities  
Governmental Accounting Standards Board  
Project No. 34  
Via email: [director@gasb.org](mailto:director@gasb.org)

On behalf of the above-named organizations, we are responding to the Governmental Accounting Standards Board's Exposure Draft (ED) on revisions to GASB Statements 25 and 27, providing standards for accounting and reporting on the pension benefits that governments provide to their employees. Our organizations represent a wide range of users of governmental and retirement system financial reports, including state, county and local governments, policymakers, elected and appointed officials, public employee unions and retirees, public pension trustees, and other governing or sponsoring bodies of governmental pension plans. While many of us will be submitting comments separately, we wish to collectively relay our continued support for transparent and useful financial reporting standards that account for the specific nature and needs of governmental jurisdictions and their stakeholders and changes that further promote this objective.

Given the significant departure the EDs make from existing governmental pension accounting standards, we strongly urge GASB to be even more deliberative in reviewing and implementing the proposed changes than they have been in preparing them. While we are pleased GASB is field testing the new standards, we are concerned that the timeline may be too compressed to properly assess the impact on all of the stakeholders or to provide adequate time to receive feedback and to evaluate the costs and benefits of all aspects of the proposed rules. This will be critical not only in determining needed final revisions, but also the necessary education and transition time for implementation.

**GASB should continue to include the annual required contribution as an integral and essential part of its pension accounting and reporting standards.** GASB's proposed changes would significantly alter the way state and local governments account for pension benefits. In particular, governments would be required to put the net pension liability on their balance sheets rather than the existing practice of reporting their payment of the annual required contribution. While GASB has continued to recognize the long-term nature of governments and their obligations in a number of respects, the Board's decision to separate pension accounting from long-term funding costs represents a radical departure from long-held practice.

This departure will create much confusion in that the numbers used for accounting purposes would no longer be the same as what is used for pension funding and governmental budgeting purposes. Even though the proposed accounting numbers should not be interpreted as reflecting the funded status or required contributions to the retirement system, there already has been serious misunderstanding in this area. Furthermore, for the numerous retirement systems that share costs across multiple jurisdictions, as proposed, the EDs could result in an assignment of liabilities to jurisdictions that are in direct conflict with how they are allocated under their state statutes and trust law.

However, if GASB is going to move forward on separating governmental pension accounting from funding, it should, at a minimum, clearly and specifically articulate in the final rules that new accounting measures are not based on, and should not be used for, governmental pension funding or budgeting. Furthermore, we again urge GASB to allow time for sponsoring governments to fully understand this departure and recognize the impacts of the proposal before the rules are finalized and implemented.

Thank you for the opportunity to offer our views as you move forward with this important project.

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