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October 14, 2011

Director of Research and Technical Activities
Project No. 34-E
Governmental Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Thank you for the opportunity to comment on the proposed Exposure Draft (ED), *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*.

We believe that the issues addressed in the ED are appropriate and will generally lead to some improvements in financial reporting. We agree with GASB that an employer is primarily responsible for funding pensions and a liability has been created when an employee provides services. We also agree with GASB's proposed method to calculate the collective net pension liability as equal to the total pension liability net of plan net position.

However, as previously communicated to the GASB, we continue to have serious concerns that the ED will have a significant negative impact on the ability of governmental entities to issue timely financial statements. There will be additional work associated with reporting pension expense and pension liabilities across multiple GAAP funds within our CAFR as well as significant additional note disclosures. These additional work demands are magnified by specific requirements on the timing of the informational measurements. Specifically, paragraph 49 requires that the total pension liability be measured as of the end of each cost-sharing employer's reporting period. In addition, paragraph 58 requires that plan net position be measured as of the end of each employer's reporting period using the same valuation methods that are used by the pension plan for purposes of preparing its statement of net position.

Our primary concern is that the timing of these measurement requirements will exacerbate delays in financial reporting, particularly for employers participating in cost-sharing pension plans. The requirement to complete a valuation of the pension liability at least biennially is reasonable. However, requiring that the pension liability and plan net position measurements be completed as of each employer's fiscal year-end so that information can be included in the employer's financial statements is not realistic if we are going to continue to release the State's CAFR within six months of the fiscal year end.

We do not believe measuring the liability and plan net position as of each employer's fiscal year end provides an improvement in financial reporting if it delays the issue of the financial statements. Further, it will add additional costs, administrative complexities, and time pressures to the financial reporting process. Requiring such precision in financial reporting is not consistent with timeliness especially in light of recent discussions to reduce the amount of time it takes for governmental entities to issue financial statements.

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We recommend, at a minimum, that GASB modify the ED to allow the use/allocation of information from the plan's most recent fiscal year end financial statements. In many cases these measurements fall within a six-month window of the employer's fiscal year end which is appropriate for financial reporting purposes. However, we caution that even if GASB makes this modification, it will be difficult to complete the additional work required by the new standard and still issue the audited State's financial statements within six months of fiscal year end.

The ED requires significant additional disclosures be made but that unnecessary duplication should be avoided. It would be helpful if further information on when notes in separately issued plan financial statements can be referenced rather than duplicated in the employer notes to the financial statements.

We appreciate this opportunity to provide our comments to the GASB. Please contact Cindy Simon at (608) 266-3052 or George Kiehl at (608) 266-9446 if you need additional information.

Sincerely,

A handwritten signature in black ink that reads "Stephen J. Censky". The signature is written in a cursive style with a large initial "S".

Stephen Censky, CPA
State Controller