August 28, 2014

Mr. David R. Bean
Director of Research and Technical Activities
Government Accounting Standards Board (GASB)
Project No. 34-1NTP
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116


Dear Mr. Bean,

The Association of Local Government Auditors (ALGA) appreciates the opportunity to respond to the GASB’s exposure draft on the Proposed Statement of the Governmental Accounting Standards Board (GASB) on Accounting and Financial Reporting for Pensions and Financial Reporting for Pension Plans That Are Not Administered Through Trusts That Meet Specified Criteria, and Amendments to Certain Provisions of GASB Statements 67 and 68. Our organization represents 345 audit organizations, totaling more than 1,900 members. This topic is of interest to our members, and we encourage individual audit organizations and members to comment independently should they choose to do so.

We have reviewed the exposure draft in its entirety and agree with GASB’s goal of updating and combining Statements to improve financial reporting by establishing a single framework for the presentation of information about defined benefit and defined contribution pensions. We appreciate the challenge faced by the GASB in attempting to communicate difficult topics. However, this document is not easy to read or understand in its current arrangement.

There are several very specific phrases used throughout the document that might lend themselves to using an acronym rather than spelling out each word. For example, the phrase defined benefit pension plans that are not administered through trusts that meet the criteria in paragraph 4 is used over 30 times. Use of an acronym or an abbreviated term may help improve readability.

The wording and arrangement of criteria at times was duplicative and confusing. For example, paragraph 12 says, “Accounting and financial reporting requirements for defined contribution pensions provided through pension plans that are not administered through trusts that meet the criteria in paragraph 4 are set forth in
paragraphs 79–91.” This is clear guidance. The paragraph then defines Defined Contribution plans using criteria a, b and c, which is also clear and helpful to the reader. The next two sentences are repetitive, going back to restate the plans that are not administered through trusts phrase again; along with if criteria a – c all have been met, then paragraphs 79 – 91 applies. It should not be necessary to restate that it applies. The last sentence goes on to state that if some of criteria a – c don’t apply, the Statement still applies. If criteria a – c don’t apply, why list them?

Paragraph 44 illustrates the difficulty readers would have in trying to understand what they were required to do. It states, “...apply the requirements of paragraphs 55–65 and 67–69, with the modifications noted in subparagraphs (a)–(c) below.” Subparagraphs (a)–(c) occupy 2½ pages of modifications, some of which say. “In place of the information required by paragraph 69a,” do something else. With this many exceptions, it might be easier to understand by listing the specific guidance that applies.

Paragraph 44 also states, “For primary governments and component units that have special funding situations, the requirements of paragraphs 46–54 should not be applied.” It does not tell the reader what, if any paragraphs do apply to special funding situations.

Paragraph 17(a) has an example to help clarify applicability, but use of a double negative makes it confusing. It states that if the condition is dependent it applies, but gives examples of when the condition is not dependent: “The amount ... is not dependent upon one or more events or circumstances unrelated to the pensions. Examples of situations in which the amount of benefit payments is dependent upon an event.....”

We appreciate the opportunity to comment on this exposure draft and would be pleased to discuss this letter with you at your convenience. If you have any questions regarding this letter, please contact Harriet Richardson at 650.329.2629 or at harriet.richardson@cityofpaloalto.org.

Respectfully submitted,

Harriet Richardson
Chair, Professional Issues Committee

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