August 28, 2014

GASB
Attn: Director of Research and Technical Activities
Project No. 34-1E
Email: director@gasb.org

Dear Mr. Bean:

Thank you for the opportunity to comment on the two Exposure Drafts (ED), Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (Employer) and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (Plan) documents. The Wisconsin State Controller’s Office is responsible for preparing the State of Wisconsin’s Comprehensive Annual Financial Report (CAFR).

We are dismayed that over 2,000 pages of GASB exposure draft information has been issued for public comment this year. This is in addition to three new standards to be implemented for our FY 2014 CAFR. Further, the two new pension standards effective in the near future, along with associated implementation guides, contain more than 500 pages of information. It is difficult to keep up with the high volume and technical complexity of GASB standards and exposure drafts. This was evident especially as we reviewed the exposure drafts for the OPEB standards. We recently spent significant time analyzing and discussing the new pension standards so we believed that reading the draft OPEB standards would be relatively smooth. Unfortunately, that was not the case. We found the OPEB standard for employers especially difficult to read, understand and apply to our circumstances.

Our comments are as follows:

1. Completion of Financial Statements in Timely Manner

Paragraphs 32 of the Plan OPEB requires all information to be measured as of the OPEB plan’s most recent fiscal year end. For Wisconsin’s OPEB plans, that date is December 31st. OPEB financial statements will be incorporated into the State’s CAFR which has a fiscal year end of June 30th. We are concerned the required work will not be able to be completed in a timely manner so that the State may issue the CAFR within six months of the fiscal year end.

Our experience with implementation of the pension plan standards revealed significant time is needed for work to be completed to comply with applicable financial reporting, actuarial and auditing standards. Multiple entities, including the Wisconsin Retirement System (which administers cost-sharing benefit programs for more than 1,400 participating public employers), actuaries, auditors, and financial statement preparers must complete significant and complex tasks, and distribute information to participating employers within a few months. We are already concerned it will be difficult to timely complete this work for the new pension reporting requirements. The additional OPEB standards will greatly increase the work that must be accomplished within the same time frame increasing the risk of delayed financial statements.
2. Implicit Rate Subsidies

The employer ED is strangely silent on implicit rate subsidies. Paragraph B45 contains the only reference to implicit rate subsidies. Because the ED did not address subsidies, it is unclear how they should be treated.

3. Combining Certain Information for Aggregate Reporting in the Notes

Paragraphs 87 and 160 of the employer ED require employers to aggregate and disclose the following employer information for all of its OPEB plans (regardless of the type of plan): OPEB liability, net OPEB assets, deferred outflows/inflows related to OPEB, and OPEB expenses. We question the value of this disclosure, especially for employers (like the State of Wisconsin) that have very different plans. Each of the plans will disclose this information, so it seems unnecessary to add them all up into a table. Further, required supplementary information will have much of the same information. None of the illustrations in the ED provide an example of this disclosure, so we can see how it would look or why it would be useful. All of the illustrations are for an employer with one plan. Examples of more complex disclosures would be helpful.

4. Component Units

- Paragraph 141 of the employer ED states that for an OPEB not administered as a trust “if a primary government and its component units provide OPEB through the same plan, in the reporting entity’s financial report, the requirements of paragraphs 160-169… should be applied.”
- Paragraph 162 states, “The note disclosures in the reporting entity’s financial statements should separately identify amounts associated with the primary government and those associated with its discretely presented component units.”
- Paragraph B111 makes the same statement as paragraph 162 regarding separately identifying primary government and component unit amounts in the notes.
- Paragraph B112 says, “The Board believes that when financial statements are presented for the reporting entity, the perspective for OPEB information is on the reporting entity as a whole... The Board concluded that this approach generally will address the need to provide information to assess the accountability of the primary government for its component units” (emphasis added).

This language indicates GASB requires OPEB notes to include component unit information. This is not consistent with GASB Statement 14 which provides an overarching principle of professional judgment to determine what is essential to include in the disclosures of the primary government’s financial statements. The language in paragraph B112 discusses the primary government’s accountability for the component units. But, we question why this should be included if it is possible the primary government is not in any way accountable to pay obligations of the component units, which are separate legal entities.

Further, it may be difficult and expensive to get information regarding component unit OPEB amounts. The actuary would have to distinguish between the primary government and component units, or the component units would have to provide a significant amount of OPEB information. Neither option seems desirable. GASB should reconsider this requirement to allow the primary government to exclude component unit OPEB information from its disclosures or at least not have to separately present it.

Paragraph B111 says that “if a primary government and its component units provide OPEB through the same defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 4, the note disclosure and required supplementary information requirements for single employers should be presented in the financial statements of the financial reporting entity” (emphasis added). This is confusing because cost-sharing OPEB plans would, apparently, be presented as single employer plans. This would be confusing to readers and raise questions on the accuracy of the information presented.

Finally, paragraph 170 has additional information for OPEB reporting in stand-alone financial statements. It is very difficult to follow the reporting requirements for those statements. It is also unclear if portions of primary governments (i.e. an individual enterprise fund) must follow the OPEB standards.
5. **Contribution Determination and RSI**

   Paragraph 95(c) of the employer ED requires cost-sharing employers in plans administered as a trust to present a 10-year contribution schedule in the RSI if the contributions are statutorily or contractually established. Paragraph B108 reaffirms this by stating, “cost-sharing employers should not be required to present a 10-year schedule that presents employer contributions in comparison to actuarially determined contributions.” However, Illustration 2 presents disclosures for a cost-sharing employer in an OPEB trust plan. The example disclosure states that contributions are “actuarially determined,” but the RSI presents a 10-year schedule, disclosing that contributions are “contractually required.” GASB should clarify the language or eliminate the contradiction.

6. **Employer Payments to the Plan**

   It is unclear how contributions made by the employer to the OPEB plan are to be recorded. There is much information about how employer OPEB expense and certain types of contributions are to be recorded:
   - Paragraphs 63-65 discuss contributions during the measurement period. However, they discuss what happens to the “difference” when there is a difference between the amount contributed and the employer’s proportionate share of contributions. They do not discuss what happens to the “non-difference.”
   - Paragraph 66 discusses contributions subsequent to the measurement period.
   - Paragraphs 138-140 identify how to record contributions payable to OPEB plan at the end of the year, but they do not identify how to record contributions actually paid during the year.
   - Paragraph 155(b) states, “Amounts paid by the employer as the benefits come due should not be recognized in OPEB expense.”
   - Illustration 2 identifies that the District made $10,788 in contributions during the year, but it does not identify how those were recorded. Moreover, it also discloses that OPEB expenses were $29,204, but it does not illustrate how the expense number was determined.

   If contributions are part of the OPEB expense calculation that would contradict Paragraph 155(b). More guidance on the topic would be helpful.

If you have questions on our comments, please contact Cindy Simon at 608-266-3052 or Brian Bellford at 608-267-0201.

Sincerely,

Stephen Censky, CPA, State Controller
Wisconsin Department of Administration

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