GOVERNMENT FINANCE OFFICERS ASSOCIATION OF TEXAS

August 29, 2014

Director of Technical and Research Activities
Governmental Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116
RE: Project No. 34-1E

The Financial Reporting and Regulatory Response Committee of the Government Finance Officers Association of Texas (“GFOAT”) would like to take this opportunity to respond to GASB’s Preliminary Views on reporting issues related to “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. The GFOAT is an affiliate of the national Government Finance Officers Association (“GFOA”) and the Texas Municipal League. The GFOAT’s 1,000 members represent all levels of state and local government in Texas. Additionally, GFOAT membership represents associates from the audit profession, the investment community, the underwriting community, and a variety of other private-sector finance professionals.

Given the precedence set by GASB Statement Nos. 67 & 68 and philosophical belief that pensions and OPEB should be treated consistently for financial reporting purposes, we will keep our comments brief:

**Size, Complexity and Ability to Understand Differences in Requirements Between Plan Types.**

This document is 217 authoritative paragraphs with the table of contents alone representing eight pages. While the committee found the document generally well organized and we are appreciative of the detailed table of contents, it is also very difficult to understand what the document is requiring and how these requirements differ by plan type and from the requirements of GASB Statements Nos. 67 & 68. We believe that given the length of the standard, that there is a real danger of many practitioners not reading the guidance thoroughly and instead blindly assuming that this standard is no different between plan types and is simply an OPEB version of GASB Statement No. 68. Accordingly, we would suggest adding a table or summary chart (perhaps in the appendices) that would allow the reader to easily compare requirements across plan types and to understand how these requirements are
different from the pension requirements. This would be particularly useful for auditors and actuaries who have clients with various types of plans.

**Use of Entry Age Actuarial Cost Method.**

We realize that Entry Age Normal (EAN) was almost the “default” choice due its use for GASB Statements Nos. 67 & 68. However, we believe that there are significant differences between pensions and OPEB that justify use of Projected Unit Credit (PUC) for OPEB including:

- Compared to EAN, PUC is a better actuarial method for measuring cost to date.
- Actuaries inform us that PUC is much more likely to produce consistent methodology between entities and if an entity switches actuaries than EAN. For example, there are different approaches to trending current premiums backwards to entry age and different approaches on how to model benefit caps.
- While Entry Age is a superior funding method and used by a majority of public sector pension plans, it has been our experience that most OPEB plans are currently reported using Projected Unit Credit. For example, the North Central Texas Council of Governments sponsors an actuarial shared services contract and virtually all of the 100+ participating governments utilize PUC.
- PUC is a much better measurement method for accruing benefits that are highly volatile and not tied to payroll.

Respectfully:

Robert Scott
FRRR Committee Chair
bob.scott@cityofcarrollton.com

Keith Dagen
FRRR Committee Vice Chair
keith.dagen@cor.gov