September 26, 2011

Via U.S. Mail & Electronic Mail
Director of Research and Technical Activities
Project No. 34-E & P
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: Project No. 34-E & P

Dear Director:

On behalf of the nearly 21,000 members of the Pennsylvania Institute of Certified Public Accountants (PICPA), thank you for the opportunity to review and comment on the GASB Exposure Draft (ED), Project No. 34-E Accounting and Financial Reporting for Pensions on amendment of GASB Statement No. 27. PICPA Committee on Local Government Accounting and Auditing, GASB Subcommittee, has reviewed the proposed statement and has the following comments.

1. We agree with GASB’s approach in devising a uniform measurement of pension liability for accounting purposes. We recognize that these approaches will potentially result in two actuarial valuations—one for reporting and one for funding, as in the case of entities bound by existing state statutes. In addition to increased actuarial costs, we recognize that there will be increased audit and accounting costs. However, this presentation will further emphasize the necessity to fund the pension plans and the impact of the pension liability. Just as GASB 43 and 45 helped municipal entities address the issue of unfunded post retirement benefits, these new standards will increase the focus on pension funding.

2. Paragraph 28 proposes that most changes to the plan be incorporated immediately. Previously some could be amortized and introduced into expense over 30 years. We believe that amortizing the changes over 30 years is appropriate given the long term nature of the pension funds and it is consistent with GASB 43 and 45.

3. It would be helpful to have in the Appendix, examples of an entity wide statement of net assets showing the net pension liability for both single and cost sharing employer situations.

4. We could not easily determine from the statement if the deferred inflows and outflows will be on the entity wide statement of net assets.
5. We agree with the implementation period as governments will need time to review this change with their actuaries and look at the impact on their financial statements.

Regarding GASB Exposure Draft (ED), Project No. 34-P Financial Reporting for Pension Plans as an amendment of GASB Statement No. 25

6. Paragraph 14 of the Exposure Draft refers to the deferred outflows of resources and deferred inflows of resources presented on the statement of plan net position. It would be helpful to have examples in the Appendix showing the deferred outflows and inflows on the statement of plan net position as well as how changes in these accounts will appear on the statement of changes in plan net position. It would also be helpful to discuss those accounts similarly to the way the components of the Statement of Plan Net Position are discussed in Paragraphs 15 to 21.

Thank you, and please do not hesitate to contact Peter Calcara, CAE, PICPA vice president—government relations, at 717.232.1821 or pcalcara@picpa.org with questions.

Respectfully submitted,

Cynthia Bergvall, CPA, Chair
PICPA GASB Subcommittee