September 22, 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

RE: Exposure Draft related to Accounting and Financial Reporting for Pensions, an amendment to GASB Statement No. 27

On behalf of the City of Bethany, thank you for providing this opportunity to comment on the Exposure Draft related to Accounting and Financial Reporting for Pensions.

The City of Bethany provides an Agent Multiple-Employer Defined Benefit Pension Plan for its non-uniformed employees. The annual Actuarially Required Contribution is made in full each year with employees contributing a percentage of their pay in addition to the City’s contribution.

The City is mandated by State Law to contribute to Cost-Sharing Defined Benefit Pension Plans for employees of our uniformed Police and Fire Departments. The employees contribute a percentage of their pay to these plans in addition to the required contribution from the City.

The comments below are in opposition to elements of the exposure draft being elevated and matriculated into statement status.

First, The Board seems to think it has made clear a distinction between the accounting for and the funding of defined benefit pension plans. The City’s view is that this distinction is nebulous at best and extremely difficult to calculate and subsequently explain to our primary users. Both calculations are complex, expensive, time consuming, and based upon assumptions. Both calculations require actuarial evaluations to be performed. The additional cost for this actuarial study for our City will cause a hardship to our financial position and could cause a hardship to our financial condition as well.

Perhaps a component could be added to this exposure draft to exempt entities that fully fund their ARC every year and fall within an acceptable corridor of funding status as determined by other competent organizations. This would halt or defer a costly project that has not been determined to have any equitable benefit for the reporting entities.
Second, the City believes that requiring the inclusion of a point-in-time rather than a position-over-time liability to the financial statements will cause increased volatility in the reporting of the financial position of the reporting entity. This accounting volatility will not be reflective of actual, ongoing operations to provide essential services to the citizens of local governments. Part of the process to provide those essential services is to hire, promote and retain qualified personnel to deliver those services. Adequate and comparable compensation to attract and retain the best qualified personnel must be utilized. The policies used by an employer to determine the best compensation package for that purpose should not be determined by an artificial accounting construct.

Third, the requirement for participants in a Cost-Sharing DB plan to account for and report a liability of a third party to the cost-sharing formula assumes that the employer and/or employee have discretion over the third party’s “payments in behalf” funding. There is also a question regarding the legality of assuming the liability of the third party. The City believes this requirement would make financial statements less transparent and less accountable and could potentially result in double reporting of the same liability by different entities. There is also an indeterminate amount of time needed to acquire the information necessary, if it will ever be available, from the third party.

Fourth, the sponsoring employer has the right to terminate a plan or cease contributing permanently to a plan at their discretion. Upon termination of the plan, assets held at the time of termination, under the City’s plan, would be disbursed in a prorata manner as detailed in the plan documents. No further contributions or benefits would be required of the sponsoring employer, i.e. the City. Therefore, there is no implied or guaranteed benefit to participants in the plan that could be determined to be a liability, either long or short term on the part of the City. For this reason, the City views this exposure draft a nullity.

In summary, The City believes this exposure draft, should it become a statement, will place an undue and costly burden on those entities that are adequately funding and reporting their pensions now. The resultant action to stem the tide of the constantly increasing reporting burden, as exemplified by the unrelenting issuance of GASB pronouncements, could be the abandonment of the current reporting model and reversion to an other comprehensive basis of accounting. That would not be in the best interests of the Board’s stated goals of transparency, accountability, and comparability. But, it may be the only recourse for purposes of cost effectiveness for local government preparers.

Again, thank you for the opportunity to respond to this exposure draft. Should you have any questions, please do not hesitate to contact us.

Sincerely,

[Signature]
Sandra Kimerer, CFA, CPA
Finance Director

[Signature]
John Shugart
City Manager