September 27, 2019

Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: June 24, 2019 GASB Proposed Statement (ED), Internal Revenue Code Section 457 Deferred Compensation Plans That Meet the Definition of a Pension Plan and Supersession of GASB Statement 32 (Project No. 3-33)

Director of Research and Technical Activities, Project No. 3-33,

Ohio Deferred Compensation is an eligible deferred compensation plan and is administered in accordance with Section 457 of the Internal Revenue Code. Our program provides a supplemental retirement savings plan for Ohio public employees covered by one of the state-authorized pension systems. Currently, more than 1,900 different public employers throughout Ohio participate in our program.

GASB Statements 67 and 73 define Pension Plans as “Arrangements through which pensions are determined, assets dedicated for pensions (if any) are accumulated and managed, and benefits are paid as they come due.” Furthermore, these GASB Statements define Defined Contribution Pensions as “Pensions having terms that... (b) define the contributions that an employer or nonemployer contributing entity is required to make (or the credits that it is required to provide) to an active employee’s account for periods in which that employee renders service.”

Paragraph B6 of the Exposure Draft indicates employer contributions to a Section 457 plan may cause the plan to meet the definition of a pension plan as defined in GASB Statements 67 and 73. Furthermore, Paragraph B7 indicates that Section 457 plans that meet the definition of a pension plan generally are defined contribution pension plans. Clarification is requested to understand if the presence of any employer contribution to a Section 457 plan would necessitate classification as a pension plan where an employer contribution is present but not required.

We are aware of instances where certain employers may elect to provide nominal matching contributions to certain employees to encourage participation in a Section 457 plan. Employer contributions in this scenario are not required by the plan document, are relatively uncommon across employers, and are made to the plan without indication that the contributions were made by the employer, not the employee. In instances where employers make contributions to the plan, the contributions are made by increasing an employee’s gross salary and an equal offsetting payroll deduction. Employees are immediately vested in the employer contribution.

We appreciate the opportunity to provide input on the Exposure Draft.

Sincerely,

Keith Overly, Executive Director
Ohio Deferred Compensation