September 27, 2019

Director of Research and Technical Activities
Project Number 30-1
Governmental Accounting Standards Board
401 Merritt 7, P.O. box 5116
Norwalk CT 06856-5116

Submitted via email to director@gasb.org

To Whom It May Concern:

After reading the proposed statement, Internal Revenue Code Section 457 Deferred Compensation Plans that Meet the Definition of a Pension Plan and Suspension of GASB Statement 32, I differ with the Board’s position that a 457 plan meet the definition of a pension plan.

As the name of the exposure draft suggests, 457 plans are deferred compensation plans. The participants are earning the deferred compensation while they are employed and then have a right to those assets at a later date. The plan participants could still be employed at 70 ½ years of age and have to make a mandatory withdrawal while they are still employed.

The assets of the plan are not under control of the government entities, but are under control of the individual participants in the plan. Including these assets in the government’s financial statements is misleading to the financial statement user. The financial statement user would not be able to easily differentiate between the assets the government can elect what the funds are invested in, and which assets the participants have control over. The government has no fiduciary responsibility for these assets.

As a 457 plan does not create a liability for the government entity, as it is not a defined benefit plan. Therefore, there is no added benefit include a 457 plan in the financial statements of the government entity.

I appreciate this opportunity to comment on this proposed standard and ask that you please consider my comments during your deliberations.

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