January 13, 2020

Mr. David Bean
Director of Research and Technical Activities
Government Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Project No. 3-33

Dear Mr. Bean:

The California State Teachers' Retirement System ("CalSTRS" or "we"), have reviewed the Governmental Accounting Standards Board's (GASB) exposure draft for Internal Revenue Code Section 457 Deferred Compensation Plans That Meet the Definition of a Pension Plan and Supersession of GASB Statement 32 and are pleased to offer our comments. As one of the largest pension systems in the country, we have a fiduciary responsibility for the plans that we administer and appreciate the spirit of these proposed statements to improve financial reporting.

CalSTRS offers its members a voluntary defined contribution program that offers tax deferred 457(b) and Roth 457(b) plans for additional retirement savings. In addition, CalSTRS also offers its employees an option to participate in a State sponsored 457(b) plan. As a result of our exposure to these plans, we reviewed the proposed statement considering all possible impacts to CalSTRS as a plan administrator and as an employer. Based on our analysis, we determined that CalSTRS as a plan administrator currently meets the appropriate accounting and financial reporting requirements related to defined contribution plans. We also determined that CalSTRS as an employer will not be impacted by the proposed statement, specifically because the Section 457 plan it offers to its employees does not comprise of employer contributions. To the extent that CalSTRS begins contributing to the State sponsored 457(b) plan, we will apply the appropriate pension standards accordingly to our financial statements.

Based on the examples provided in the proposed statement, we concluded that CalSTRS currently meets the appropriate accounting and financial reporting requirements for its Section 457 plans. Our conclusion was primarily based on the examples provided in paragraph B6 of the exposure draft because we found the definition of a pension plan provided in Statement No. 67 to be broad and somewhat vague. We suggest additional consideration be placed on elaborating the definition of a pension plan for the purpose of this statement and to provide specific criteria for meeting the definition of a pension plan.

If you have any questions or need clarification on our comments, please contact David Munoz at 916-414-4314 or email DMunoz@CalSTRS.com.

Julie Underwood
Chief Financial Officer
California State Teachers’ Retirement System