January 31, 2017

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

Re: Proposed Implementation Guide No. 201X-Y - Project No. 24-16ED

Dear Mr. Bean,

Thank you for the opportunity to review and comment on the Proposed Implementation Guide No. 201X-Y, Implementation Guidance Update (Project 24-16ED). As a public agency which will likely be affected by the proposed guidance in the Exposure Draft, the City would like to specifically provide comment related to Q4.10 from the Implementation Guide. The City is not supportive of this specific initial guidance and has concern for the potential impact to the reporting of Pension Stabilization Trusts.

Section Q4.10 of the Implementation Guide directly disallows the offsetting of pension liabilities with a stabilization trust. This seems to be in contradiction to paragraph 3 of GASB Statement 74, whereby it states that criteria for offsetting liabilities for OPEB include the following:

a. Contributions to the plan and earnings are irrevocable,  
b. Assets are dedicated to providing benefit to plan members in accordance with benefit terms (i.e., exclusive benefit trust), and  
c. Assets are legally protected from creditors of employers.

Since these criteria exist for the stabilization trust, it should be concluded that the stabilization trust should meet the definition of an asset to offset a plan liability.

Next, based on a September 13, 2016, GASB Board meeting, there was discussion that since stabilization trusts were controlled by the employer and not obligated to make benefit payments, assets should not be counted as a "plan asset". In practice, many OPEB trusts (Trust A) are in fact controlled by the employer within a Section 115 Trust and the plans do not contain language that requires the Employer to make benefit payments out of the Trust. Using this line of rationale, OPEB trusts (even though they meet the 3 listed criteria above) would not be able to have their plan assets used to offset their total OPEB liability.

Last, State and Local Pension systems throughout the country are underfunded by more than $1.5 trillion according to data compiled for Pew Charitable Trusts. Not all retirement systems throughout the country allow for additional plan contributions by the Employer to...
reduce their Net Pension Liability. Locally controlled stabilization trusts would be the only vehicle available for many public agencies to mitigate the impact of unfunded pension liabilities. If stabilization trust assets are not allowed to generate a corresponding reduction in plan liabilities, public agencies would lose incentive to undertake fiscally prudent strategies to address their pension liability.

Thank you again for the opportunity to comment on this Exposure Draft. The City looks forward to the final direction on this issue.

Respectfully submitted,

Penny Angel
Assistant Finance Director

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