January 31, 2017

Project No. 24-16ED
Director of Research and Technical Activities
Governmental Accounting Standards Board
Director@gasb.org


Dear Board Members:

The Governmental Accounting and Auditing Committee (GAA Committee) of the California Society of Certified Public Accountants (CalCPA) is pleased to provide our comments. The GAA Committee is a senior technical committee of CalCPA comprised of over forty members from international to local public accounting firms and state and local government.

The Proposed Implementation Guide question 4.4 and 4.5 conclude that if there are two Trusts (Trust A and Trust B) that both meet the criteria in paragraph 3 of Statement 67, only Trust A would be included in the balances and activities of a single-employer or multiple-employer pension benefits Plan. The GAA Committee disagrees with this conclusion for the following reasons:

1. The conclusion in question 4.4 states that Trust B cannot be included in the balances and activities of the plan because “Trust A cannot directly access the assets of Trust B”. Paragraph 3 of GASB 67 does not include any reference to “access” to assets. Instead, it specifies that the assets must be “dedicated to providing pensions to plan members”. As Trust B assets are irrevocably restricted to providing pension benefits to plan members, Trust B assets are dedicated to providing pension benefits to plan members. GASB should not use the Implementation Guide to change or amend the original pronouncement.

2. The conclusion in question 4.5 states that the assets in Trust B “will benefit the employer through reduced future cash flow demands”. Trust B assets are not for the benefit of the employer as those asset can never be used for any other purpose other than providing pension benefits to plan members.

3. GASB 67 make no mention of only allowing one Trust to be part of the Plan. If GASB’s intention was to specify that there can only be one Trust in a Plan, GASB should amend GASB 67. The Implementation Guide should not be used as a mechanism to change or amend the original pronouncement.

4. At the September 13, 2016 GASB Board Meeting, the conclusions on this issue appeared to be influenced by the difficulty in combining Trust A and Trust B
information from an actuarial standpoint and that since Trust A would not have the information from Trust B, it would not be possible to calculate those actuarial implications. It does not seem prudent to exclude Trust B from the definition of the Plan simply because it may cause some difficulties for actuaries to include it. In reality, it is not difficult for an employer to hire an actuary to use the actuarial information from Trust A and combine it with Trust B.

5. Question 4.7 requires Trust B assets to be reported in “the employer’s governmental or proprietary fund financial statements”. We believe reporting an irrevocable trust in the General Fund of a government agency would falsely overstate the assets of the General Fund and could lead readers of the financial statements to make incorrect conclusions about the financial health of the General Fund.

6. Question 4.12 appears to contradict Question 4.7 when it says that GASB Statement No. 34 “requires that pension trust funds be used to report resources that are required to be held in a trust for the members of pension plans” … “should be reported as a pension trust fund”.

Sincerely,

Dennis Kauffman, Chair
Governmental Accounting and Auditing Committee
California Society of Certified Public Accountants