Mr. David R. Bean  
Director of Research and Technical Activities  
Project No. 37E  
Governmental Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116  

Dear Mr. Bean:

I apologize for the late input I am providing on the Governmental Accounting Standards Board Exposure Draft (ED) Omnibus 201X but would like to share my view on paragraph 8. I hope that it is not so late as to fail to be useful.

I agree with the conclusion in paragraph 8 that in financial statements prepared using the current financial resources measurement focus, expenditures should be measured for the reporting government’s reporting period. Further, I think that the guidance with regard to defined benefit pensions and OPEB expenditures and liability measurements in a governmental fund is both practical and conceptually correct for pensions and OPEB not administered through a trust or equivalent arrangement that meets the paragraph 4 criteria of GASB 68 or GASB 75.

I agree that expenditures should be measured for the government’s reporting period for defined benefit pensions and defined benefit OPEB administered through a trust that meets the criteria of paragraph 4 of Statement 68 or of Statement 75. However, I think that the guidance on recognition of the governmental fund liability (and the potential resulting impact on the expenditure measurement) is incorrect in this instance because it focuses on the wrong liability. I believe that a governmental fund should report the amount of its liabilities to the pension plan or OPEB plan that is due and payable, not the amount of the net pension liability that is due and payable. My reasoning is summarized below.

The reporting of pension and OPEB expenditures at the time that they are set aside in a trust is unique compared to other expenditures such as claims and judgments, compensated absences, landfill closure and postclosure costs, termination benefits, and so on. The payments to a pension or OPEB trust do not settle pension or OPEB liabilities. For the other items to which the due and payable recognition criteria are applied to determine the amount of liability to be reported in a governmental fund (and the related expenditure effect), payments from the governmental fund settle the liabilities. Even in poorly funded plans, the payments to the pension and OPEB qualifying trusts are made (and recognized as expenditures) in advance of the settlement of the liability for the pension or OPEB benefit. Payments to a pension or OPEB trust irrevocably deny the government access to these resources for other purposes, just as using governmental fund assets to settle claims and judgments or other similar liabilities irrevocably denies the reporting government the ability to use those resources for other purposes.
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In short, I believe that the expenditure measurement in governmental funds conceptually should measure the payments to the pension or OPEB plan and the due and payable portion of the liabilities to the plan, not to the employees as stated in the ED.

I sincerely appreciate your willingness to consider my input.

Sincerely,

Craig D. Shoulders, Ph.D.
Professor of Accounting