Letter of Comment No. 19
File Reference: OMNI-16
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Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Dear Sir:

We appreciate the opportunity to comment on Project 37E, Omnibus 201X, which would change standards related to certain component units, goodwill, fair value, and postemployment benefits.

We wish to address concerns related to the presentation of payroll-related measures in required supplementary information (RSI) by OPEB plans and employers providing OPEB.

- The proposed standard would prohibit OPEB plans from presenting covered payroll or covered employee payroll in instances where contributions to the OPEB plan are not based on a portion of pay. We agree that if payroll is not involved in the contribution, including it in RSI is not relevant.

   However, the proposed standard would require employers providing OPEB through those same plans to present covered employee payroll. The Basis for Conclusions states the reason for this is “that a common-size measure is essential for placing an employer’s basic financial statement and notes to basic financial statement in context.” We do not comprehend how including an irrelevant and potentially misleading statistic adds context.

- In addition, regarding OPEB plans where contributions are based on a portion of pay, the Basis for Conclusions states that using covered payroll for both pension and OPEB “results in presentation of the same common-size measure…”

   However, in our situation (that we assume may apply to others), our pension plan is held in a trust, but our OPEB plan is not. This proposed standard would result in the presentation in RSI of a covered payroll calculated by the actuary for the pension plan and a different covered employee payroll based on contributions for our OPEB plan. The OPEB plan is a pay-as-you go plan and not based on a portion of payroll. So, the presentation of two different covered employee payroll amounts may be confusing to the reader.

We would appreciate the GASB addressing this situation prior to finalizing the standard.

Based on our understanding of the exposure draft, we have no concerns with other sections. Thank you for the opportunity to participate in the standard-setting process.

Sincerely,

Brenda Morris, CPA
Financial Services Director

cc Roberta Broeker-do

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