December 15, 2016

Mr. David R. Bean
Director of Research and Technical Activities
Project No. 34-1E
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Mr. Bean:

We are writing to you on behalf of the Government Finance Officers Association of the United States and Canada (GFOA) in response to the Governmental Accounting Standards Board’s (GASB) Exposure Draft (ED) of Implementation Guide No. 201X-X, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This response was prepared by both GFOA’s standing Committee on Accounting, Auditing, and Financial Reporting (CAAFR) and GFOA’s standing Committee on Retirement and Benefits Administration, all of whose members are active government finance officers.

The GFOA wishes to communicate its dissatisfaction with the practical effect of following the guidance proposed in Question 4.42, which the Board has recently proposed to extend to pension plans as well. Pursuant to that proposed guidance, employers would be precluded from including resources held in an Internal Revenue Code (IRC) Section 115 trust from the calculation of their net OPEB liability, even though the resources held in such a trust must be used exclusively to fund the employers' total OPEB liability. We consider such an outcome to be representationally unfaithful and potentially confusing to financial statement users. To be clear, we do not disagree that the guidance proposed in the ED is consistent with the definition of an OPEB “trust or equivalent arrangement” found in paragraph 3 of GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans; rather, it is our position that the definition itself needs to be amended to avoid creating such an unacceptable result. In our view, the legal requirement to ultimately transfer the resources of an IRC Section 115 trust to a separate OPEB trust that actually provides the benefits themselves should be sufficient, as long as the IRC Section 115 trust meets the other provision of GASB Statement No. 74, paragraph 3.
Question 4.13 raises a similar issue for a hypothetical postemployment benefit trust that is used for both pensions and OPEB if all of the resources of the trust are equally available to pay either type of benefit. In our view, the resources of such a trust should be allocated in a systematic and rational manner between pensions and OPEB for purposes of calculating the net pension liability and the net OPEB liability.

If you have any questions regarding our position, please contact the GFOA's Director of Technical Services, Stephen J. Gauthier (312/917-6101; FAX 312/977-4806; e-mail: sgauthier@gfoa.org).

Sincerely yours,

Melinda Gildart, Chair
Committee on Accounting, Auditing, and Financial Reporting

Melanie Seale, Vice-chair
Committee on Accounting, Auditing, and Financial Reporting

Debby Chernick, Chair
Committee on Retirement and Benefits Administration