February 9, 2016

David Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board

Re: Project No. 34E – An Amendment of GASB Statements No. 67, No. 68 and No. 73

Dear Mr. Bean:

We greatly appreciate GASB addressing implementation issues related to Statements No. 67, 68, and 73 that are of a concern for many retirement systems. We thank GASB and GASB staff for remaining open to stakeholder concerns and commend them on their willingness to address these concerns.

The proposed amendments to Statements No. 67, 68 and 73 presented in the Exposure Draft resolve theoretical and practical issues in the application of those Statements. Additionally, we believe, in practice, many retirement systems have not consistently adopted Statements No 67, 68, and 73 as many have made decisions on presentation that are consistent with the changes described in Project No. 34E.

Our specific comments are as follows:

Presentation of Payroll-Related Measures in Required Supplementary Information. By moving to covered payroll from covered-employee payroll removes a practical barrier that would have added significant effort and expense to the reporting process. Specifically, this change removes the need for a retirement system to obtain payroll data that is irrelevant to the operations of a retirement system and irrelevant to the actuarial calculations. Since most retirement systems typically do not have access to covered-employee payroll information, collection of the additional information would have proved difficult and costly. We also believe the comparison of information to the covered payroll is a more meaningful comparison as the covered payroll is the standard by which the benefits are calculated.

Selection of Assumptions. We believe that actuarial guidance in the Actuarial Standards of Practice should be consistent with the disclosures required under Statements No. 67, 68, and 73 in regards to the actuarial assumptions used in the measurement of liabilities disclosed.

Classification of Employer-Paid Member Contributions. In the event of an employer paying member contributions, such activity should be treated consistently as member contribution for purposes of Statement No. 67. The election of an employer to make required member contributions is a member compensation decision and is no different than an employer giving a raise or bonus to the employee. As such, the accounting treatment should be the same of whether the contribution is coming directly from the employee or from the employer on behalf of the employee. Additionally, on a practical
basis, most member contributions are withheld by the employer from paychecks. As a result, it would not be practical to distinguish what are withheld member contributions and contributions made by the employer. We also believe that if an employer “picks up” the contribution as a result of a tax reporting election, such activity should be disclosed as a reader of the financial statements would benefit from the disclosure of such compensation strategies (effectively, there is a greater required contribution from the employer).

In short, we believe the Exposure Draft addresses and remedies practitioner concerns with Statements No. 67, No. 68 and No. 73.

We extend our gratitude to GASB for addressing these concerns.

Sincerely,

R. Dean Kenderdine
Executive Director

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