February 11, 2016

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

Dear Mr. Bean:

We appreciate the opportunity to respond to the Governmental Accounting Standards Board’s exposure draft (ED) titled Pension Issues and applaud the board’s swift response to concerns noted in the application of the new pension standards. We agree with the provisions of the ED and consider the amendments to the existing standards as an improvement for each of the three issues addressed below.

Regarding the replacement of total payroll with covered payroll in certain disclosures, we consider the portion of compensation paid to active employees on which contributions to a pension plan are based, rather than total payroll, as a better measure of the relationship between the net pension liability and the related payroll.

We agree with the board’s proposal to consider assumptions that deviate from Actuarial Standards of Practice as not in accordance with generally accepted accounting principles. The uniform application of Actuarial Standards of Practice is an important factor in ensuring comparability among government pension obligations, and therefore, should be consistently applied. However, the Board should consider adding the definition of “deviation” to the accounting standards to help ensure consistency in determining whether a deviation occurred.

We consider the board’s proposal to classify all employer contributions paid on behalf of a plan member as member contributions and to classify these contributions as salary and wage expense or expenditure as appropriate. This treatment simplifies the provision in Note 2 of GASB 68 and would allow preparers to apply this provision consistently for all applicable employees.

If you have any questions regarding our comments, please contact me or Craig M. Murray, Director of Professional Practice.

Sincerely,

Doug Ringler
Auditor General

c: C. Murray, CPA, CIA

Via e-mail