February 12, 2016

Director of Research and Technical Activities (Project No. 34E)
Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Dear Director of Research:

Thank you for the opportunity to comment on the Governmental Accounting Standards Board’s exposure draft, Pension Issues, and to participate in the due process of accounting standards. The Wisconsin Legislative Audit Bureau appreciates that the Board responded quickly through issuance of this exposure draft when technical issues were identified upon implementation of recent pension-related standards. The Legislative Audit Bureau agrees, overall, with the proposed statement, but presents the following three items for the Board’s consideration.

• According to paragraph 8 of the proposed statement, any payments made by the employer to the pension plan to satisfy employee contributions should be included in “salaries and wages” expense. We agree that this may be acceptable when these payments are considered pensionable compensation. However, when these payments are not pensionable compensation, we believe the payments should be reflected as a “fringe benefit” expense, and suggest that the Board clarify this in the final standard. We note that most governments consider these payments to be fringe benefits for budgetary purposes, similar to payments for other fringes, such as health insurance premiums.

• Also according to paragraph 8 of the proposed statement, employers should disclose information about arrangements where the employer “picks up” the employee contribution to a pension plan. We question the necessity of this requirement. The notes to the financial statement have become increasingly lengthy and cumbersome, and the cost of the additional disclosures suggested by the Board appears to exceed the benefits. Further, employers are not required to disclose information related to other employer paid benefits (e.g., health insurance premiums paid).

However, if these disclosure requirements continue to be included in the final statement, we suggest the Board provide additional guidance to clarify what should be disclosed. For instance, should the disclosure include the amount the employer has paid as a part of the arrangement or the classes of employees that have this arrangement? In addition, we believe the parenthetical example in the last sentence of paragraph 8 may cause some confusion because there are at least two different ways in which a government may be “picking up” employee contributions. For tax reporting purposes, “picking up” employee contributions may mean that the employer withheld amounts from employee paychecks...
and remitted those employee-paid amounts to the pension program. “Picking up” employee contributions may also mean by paying for these contributions from employer resources. To avoid confusion, we suggest the Board revise the last sentence of the proposed paragraph to indicate clearly the precise trigger for when the proposed disclosure is required, which we believe is only when the employer has made employee contributions from employer resources.

- Employers may make “additional contributions” to a pension plan, outside of what is required by the plan terms that are not the result of an installment contract. For instance, the plan may allow employers to make lump sum additional contributions as an incentive for early retirement. We suggest the proposed statement address the proper accounting for these types of additional contributions or that the Board add this to a list of questions for the implementation guide.

We appreciate the opportunity to provide our comments. If you have any questions regarding our response, please contact Justin Schroeder, who coordinated our response, at (608) 266-2818.

Sincerely,

Joe Chrisman
State Auditor

JC/JS/cb