



**Public Pension Financial Forum**  
**PO Box 33**  
**Hilliard, OH 43026**

January 31, 2019

Director of Research and Technical Activities  
Governmental Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, Connecticut 06856-5116

Subject: Project No. 24-16D

Dear Board and Staff:

The Public Pension Financial Forum (P2F2) is pleased to have the opportunity to respond to the Governmental Accounting Standards Board (GASB) Project No. 24-16D, an Exposure Draft (ED) for proposed “Implementation Guidance Update—2019.”

P2F2 was formed in 2004. The purpose of this organization is to promote excellence in public pension plan financial operations, provide educational programs of current interest to the membership, promote the exchange of ideas concerning financial operations and reporting between public pension plans, and to foster sound principles, procedures and practices in the field of public pensions related to the financial operations of such plans. Membership is open to any finance employee of a public pension who supports the purposes of P2F2. The organization currently has 361 members representing 217 employee benefit plans, offering defined benefit, defined contribution and hybrid plans.

We would like to thank GASB for considering public comments to this ED and believe public comments are an integral part of the process to determine accounting and financial reporting standards and related authoritative guidance. Attached are comments to questions and answers in the ED that are of interest to our membership for your consideration.

**Questions 4.2 and 4.3:** It is our interpretation that these questions and answers are intended to clarify that the selection of the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa is required to be the rate at the Plan’s fiscal year-end. We feel this can be problematic in certain instances due to the availability of this data. It is our understanding that there are limited

sources providing a 20-year general obligation municipal bond index rate and the most widely used source consistently calculates this rate once-a-week on Thursday's. For example, the rates during the month of December 2018 were calculated as of 12/6, 12/13, 12/20 and 12/27 and a rate was not determined as of December 31, 2018. We kindly ask the GASB to consider whether selecting the municipal bond rate closest to the Plan's year-end or taking an average of the weekly municipal bond rates results in a better input to the discount rate. The evaluation of whether one method is better than the other should consider the GASB's conclusion that the 20-year municipal bond index rate is considered the best surrogate for a rate implicit in the exchange between the employer and employees when compared to other rates (i.e. 20-year Treasury; taxable versus non-taxable). This evaluation should also consider whether allowing the industry to employ a certain degree of professional judgement in the determination of the municipal bond index rate as allowed for other types of actuarial assumptions is appropriate.

If the GASB determines that preparers are permitted to use an average over short periods of time (i.e. 4 weekly rates) just prior to the measurement date; the GASB should provide clarification that the averaging method should be consistently applied from period-to-period and any changes to the method would need to be done in accordance with GASB Statement No. 62 (i.e. changes in accounting principal; paragraphs 73 thru 77).

Lastly, in our opinion, the cost for a subscription to obtain/verify the 20-year municipal bond rate used in the discount rate calculation from the most widely used source on an annual basis is expensive. We kindly ask the GASB to investigate what sources currently provide a 20-year municipal bond index rate that can be used for purposes of the GASB's pension and OPEB accounting standards, whether the cost of obtaining this rate is reasonable and whether to provide the industry with direction about where to source this rate (i.e. similar to how the GASB provides information on the major credit rating agencies available for the credit risk disclosure required by GASB Statement No. 40). The GASB might also consider working with the Municipal Securities Rule Making Board to see if they can develop a 20-year municipal bond index rate as their EMMA website provides a number of municipal bond metrics at no cost.

**Question 4.4.** We believe this question provides clarification on whether a deferred outflow of resources should be recognized for the portion of employer contributions containing implicit rate subsidies when those contributions are made subsequent to the OPEB plan's measurement date and before the employer's reporting date. We agree that it makes sense that a deferred outflow of resources is required when the implicit rate subsidy is not reimbursable back to the employer.

**Question 4.5, 4.6 and 4.7.** We have not taken a position on these questions.

**Question 5.1:** We believe this proposed revision to the question doesn't change the provisions of financial accountability of a primary government for another governmental organization or special purpose government and adds clarity of what constitutes financial accountability of a primary government who owns a majority equity interest of a legally separate organization. Our interpretation is

that the change in this answer was intended to better reflect the original intent of GASB Statement No. 14 and we appreciate the clarification.

**Question 5.2:** We believe the addition of the reference to GASB Statement No. 48 paragraph 14 in the answer is intended to provide further clarification as to the type of transactions that can be recognized as a transfer between two or more pension plans and this proposed question is not intended to be a change to the existing requirements for the recognition of transfers and investment expenses in the financial statements. The GASB may wish to consider whether similar clarification is necessary for implementation guide question 8.114.2. We know of OPEB plans that provide a premium rate subsidy to retirees who have elected to enroll in an insurance plan that is provided by the OPEB plan. The external transactions referenced in question 5.2 can also apply to OPEB plans in this instance as the amount of the premium rate subsidy can be based on the total service credit earned by the member and this credit may have been earned in two different OPEB plans.

Again, we appreciate the opportunity to comment on this project. Should you have any additional questions regarding these comments, please feel free to contact our organization by emailing Lawrence Mundy at [lmundy@copera.org](mailto:lmundy@copera.org).

This response was prepared by a collective effort of the P2F2 membership. By our e-mail submission, the P2F2 Board of Directors substantially agrees with the views in the form presented in this response. However, there are some areas where one or more P2F2 directors may have a slightly different perspective which will be shared with GASB in their systems' separate responses to the ED.

Sincerely,



Robert Dolphin

P2F2 President