

October 14, 2011

Director of Research and Technical Activities
Governmental Accounting Standards Board
Subject: Project No. 34-P

Dear Board and Staff:

Colorado PERA staff is pleased to have the opportunity to respond to the Government Accounting Standards Board (GASB) Project No. 34-P, Exposure Draft (ED) document on *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*. The views shared in this comment letter are those of the staff of Colorado PERA and do not represent the views of the Board of Trustees of Colorado PERA which has not taken a position on the ED.

PERA was formed in 1931 and administers five cost-sharing multiple-employer defined benefit plans, two cost-sharing multiple employer defined benefit other postemployment benefit plans, three multiple employer defined contribution plans, and a private purpose trust fund. Colorado PERA's five defined benefit plans include over 500 employer reporting units with over 200,000 active members, 177,000 inactive members and 94,000 retiree members. We believe we have been a leader in providing financial transparency. A copy of our Comprehensive Annual Financial Report is available at <http://www.copera.org/pdf/5/5-20-06.pdf>.

We are in general agreement with the pension plan financial reporting ED, however we do have several issues of concern and several areas where we feel additional disclosure and clarity are necessary.

Integration with Employer Reporting – In an effort to reduce costs and to simplify the pension reporting at the employer level, we believe that the pension plan should include in the footnotes or RSI all of the necessary pension information for the employers to meet their accounting and financial reporting requirements. This will enable the employers to allocate their portion from the collective level reporting in the plan's financial statement. This would require the employer to report as of the plan year-end and would require that GASB provide for a simplified allocation method by using a factor based on covered payroll or contributions.

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With a simplified allocation method, our employers will have all of the necessary data to allocate the liability and expenses back to their respective financial reporting units (fully accrued funds or discrete component units).

Money-Weighted Investment Rate of Return (IRR) – Colorado PERA pools the assets of all of its defined benefit and other post-employment benefit plans into one common investment fund. We are concerned that the money-weighted return would need to be calculated at the individual plan level with each plan having slightly different rates of return based on the individual cash flows of the plans. Currently, this information is not captured at the plan level by our custodian and investment consultant.

We believe the addition of this calculation provides little additional value as the cash flows during a year are insignificant as compared to the total portfolio. The rates of return would therefore vary only slightly from the time-weighted return calculation. Explaining the small variations between the time-weighted and money-weighted returns will be challenging and only will lead to confusion. Also, since Colorado PERA does not control the cash flows, as contributions and benefits are set by the state Legislature, we feel the only appropriate measure of performance for the plan is the time-weighted measure.

Additionally, we do not believe the yearly rate of return calculation should be used to compare to long-term investment assumptions as suggested in paragraph 86 in the basis for conclusions. It is a little unusual to calculate an IRR for such a short period of time and we feel it is inappropriate to use that rate or report it so that it could be used to compare to a long-term rate. We believe that GASB should remove this requirement prior to the issuance of the final standards.

Single Employer Definition – The definition of a single employer with discrete component units seems to conflict with the Implementation Guide Q&A 9.34.3. If an allocation is necessary to the discrete component units, it would appear that it is a cost-sharing multiple employer plan. We believe that one of our current cost-sharing multiple employer plans will be considered a single employer with over 20 discrete component units. If we are required to allocate the liability and expenses in the same manner as a cost-sharing multiple employer plan, we do not understand why we simply would not consider it a cost-sharing multiple-employer plan.

Plan Administrator's Portion of Net Pension Liability (NPL) – We are requesting further guidance on how we would allocate the pension expense for the

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staff administering the plan. Currently, the salary and benefits of the staff administering the defined benefit plans are a direct administrative expense to each of the plans. Any allocation of the NPL for those employees would reduce the net plan position which is used in the calculation of the NPL to be allocated back to the plan and its employers.

Amendment to GASB 25 – It was unclear in the ED what, if anything, would be retained from the original statement. We would specifically like further clarification of paragraphs 30a(5) and 30d(2). Our confusion is that we are unsure whether the disclosures for plans that do not have authority to set benefits or contributions are carried over from the original GASB 25 requirements or are no longer required. We believe all plans should include the disclosures in these paragraphs, not just those that have the authority to make changes.

Number of Plans – We believe further clarification is needed in paragraph 13 on the number of plans. We want the final statement to be clear that new hires or new tiers of employees are not considered a class of plan members for this definition of plans. Currently, we have a special reserve for all employees hired after a certain date and that reserve is used to pay and limit the cost of living adjustments for those new hires. We believe the reserve is part of the existing plan, but would like further clarification so that it is not considered a separate plan.

Effective Date – We urge GASB to reconsider the effective date for implementation of the requirements in both of the EDs and to take the requisite time necessary to review the field test data and reassess the approach taken before rushing to meet its proposed timelines. It will take a considerable amount of time to prepare our systems and processes to handle the changes in these rules. Also, we will need additional time to educate our employers and disseminate the data they need to do their reporting.

We appreciate the opportunity to respond to this ED and we are available to further discuss any of the issues presented in this commentary.

Sincerely,

Meredith Williams, Executive Director