



FLORIDA GOVERNMENT FINANCE OFFICERS ASSOCIATION, INC.

Since 1937

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**2014-2015
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Via email: director@gasb.org

Dear Sir:

The Florida Government Finance Officers Association (FGFOA) is pleased to respond to the Government Accounting Standard Board's (GASB's) Invitation to Comment on the exposure draft *Accounting and Financial Reporting for Pensions and Financial Reporting for Pension Plans That Are Not Administered through Trusts That Meet Specified Criteria, and Amendments to Certain Provisions of GASB Statements 67 and 68* (ED). These comments were prepared based on a review by the FGFOA members, its Technical Resources Committee, and the Board of Directors.

We concur with the basic premise of the proposed ED that when pension benefits are promised and the accumulation of assets to fund the cost of those benefits is done outside of a trust that protects and limits the use of those assets for the intended pension benefit, that the "Total Pension Liability" not the "Net Pension Liability" should be recorded as a liability in the financial statements of the employer.

The reason pension liabilities funded through trusts are recorded by the employer net of plan assets is that those assets are legally restricted to provide the benefits, are not available to other creditors of the employer, and the contributions are irrevocable. Logically, it follows that if those benefits are not funded through such a trust, then any assets not in the trust would be available to creditors or perhaps even be redirected to other purposes by elected officials of the employer and, therefore, should not be available to reduce the employer's total pension liability.

Of course if the nontrust assets cannot be offset against the total pension liability of the pension plan in the employer's financial statements, this raises the question which appears to be only partially addressed in the ED about what is the appropriate treatment for financial reporting of those assets. We would like to see more guidance about the GASB's views based upon existing standards of how the assets that have been accumulated outside of a trust for pension benefits would be reported as to fund type and any special considerations applicable to the those investments in the existing framework for note disclosure.

For example, paragraph B18 indicates that in a single employer plan without a trust, the assets should be reported as assets of the employer. What fund type would be used, since the ED indicates that Fiduciary Funds should not be used, and would these assets need to be distinguished in any way in the investment notes as belonging to the plan, but not legally restricted?

Also presumably those assets would be includable in the government wide financial statements since they are potentially available to creditors of the employer or subject to redirection by the elected officials. It would be helpful to see this specifically addressed in the final statement.

We also think that the standard should also address whether these assets, if they are recorded in a governmental fund, would be considered restricted, committed, assigned or unassigned fund balance in that fund according to GASB Statement No. 54, depending upon the type of trust involved, with examples provided (e.g. How should assets in Rabbi trust be reported?).

Since the assets of the plan are not allowable to offset the total pension liability as in plans funded by trusts, we understand that the discount rate to determine the total pension liability is based solely on the municipal bond rate as opposed to the total expected rate of return of the plan assets as allowed under GASB Statement No. 68. However, because of this, the plan liability will fluctuate with changes in the municipal bond rate each year, without any change in the underlying "promise." Is there an alternative approach that would keep the liability more stable?

We concur with the minor amendments to GASB Statement Nos. 67 and 68 contained in the ED regarding explanation of economic factors affecting investment income of the plan and recording other payables to the plan.

We concur with providing additional time beyond the effective dates of GASB Statement Nos. 67 and 68 to implement this standard based upon the proposed issue date of the actual statement.

We concur that a proportionate share of the total pension liability should be recorded by nonemployer contributing entities. However please review the wording in, paragraph 55(b) as it is not clear what is intended by this paragraph.

The ED requires a nonemployer contributing entity to disclose certain information depending on whether it recognizes a "substantial" or "less-than-substantial" proportion of the total pension liability. It would be helpful to include some guidance as to what constitutes a substantial proportion.

Our reading of the ED indicates that this is a complicated topic and the ED is written in a very technical manner, making it difficult to follow in many ways. Would it be possible to reformat the final statement to make it more user-friendly and easy to follow?

We would like to thank the GASB for their efforts in preparing the proposed Statement and for the opportunity to respond. Feel free to contact me at (386) 329-4279 or mpickles@srwmd.com.

Sincerely,



Mary-Lou Pickles, CGFO, CMA
President