



Public Pension Financial Forum
c/o Missouri State Employees Retirement System
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Director of Research and Technical Services
Project No. 34
Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

To Whom It May Concern:

In general, we believe that GASB Statements 25 and 27 in their present form adequately inform users about the financial condition of public pension plans and meet the GASB goals related to accountability and decision-usefulness. Accordingly, the following is our response to the nine questions posed by GASB:

1. Public pension financial reporting should focus on the process by which benefits are financed. Using the process by which benefits are financed allows for a relatively level expense and budget from year-to-year mitigating market volatility. This method also adequately reflects the on-going long-term nature of government.
2. The correct standard for reflecting a pension liability should remain the difference between the amounts actually paid and the employer's annual required contribution. The unfunded liability is disclosed in the notes to the financial statements. Concepts Statement 3 (paragraph 33) states: "Items recognized in a financial statement are intended to provide reliable representations of the effects of transactions and other events." The net pension obligation as determined in accordance with GASB Statements 25 and 27 combined with analysis of changes in the unfunded actuarial accrued liability sufficiently disclose the impact of management decisions and variances from actuarial assumptions.
3. Due to the long term nature of government pension plans, interperiod equity is best achieved through deferred recognition of pension costs amortized over a period of years. Concepts Statement 3 (paragraph 33) states: "Items recognized in a financial statement are intended to provide reliable representations of the effects of transactions and other events." The net pension obligation as determined in accordance with GASB Statements 25 and 27 combined with analysis of changes in the unfunded actuarial accrued liability sufficiently disclose the impact of management decisions and variances from actuarial assumptions.
4. The current GASB standard of including projected automatic COLA's, future salary increases and future service credits is still appropriate. Any exclusion of automatic COLAs, projected future salary increases and projected future service credits would result in actuarial

assumptions that no longer reasonably represent the benefit plan and expected cost of providing those benefits.

Projected future ad hoc COLAs differ from automatic COLAs, future salaries and future service because they are not guaranteed or a part of the employee compensation plan. These COLAs are dependent upon some future action by management. Inclusion of the ad hoc COLAS would increase liabilities for an event which may not happen, causing inconsistencies in interperiod equity.

5. The plan's estimated long term investment return based on the plan's asset allocation is the appropriate rate for discounting projected pension benefits to their present value for accounting purposes.
6. Due to the long term nature of the plans, a maximum of 30 years amortization period should be retained as most appropriate for public pension plans. Actuarial value of plan assets (AVA) is best determined by closed end smoothing periods not to exceed some fixed limited period such as three to five years.
7. The current approach to accounting for the cost sharing employer and cost sharing multi-employer plans is sufficient and should be retained. However, it is important for their financial statements to reflect the funding progress of the plan. Cost-sharing employers pay the amount required by the plan each period and they have less input into the assumptions and funding requirements of the plan.
8. & 9. GASB should consider adding a requirement that public pension financial reports present as required supplementary information changes in the plans unfunded actuarial accrued liability (UAAL) resulting from differences between the plan's experience and actuarial assumptions, and from benefits approved during the reporting period. GASB may also consider requiring this information on an historical basis.

By my signature, the Board of Directors substantially agrees with the views presented in this response; however, there are some areas where one or more directors may have a slightly different perspective, which will be shared with GASB in several systems' separate responses to the ITC."

Sincerely,



Michele L Nix

President

Public Pension Financial Forum (www.P2F2.org)

Sent via email to director@gasb.org on 7/31/09 with signed copy via US Post Office.