



**Public Pension Financial Forum
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February 28, 2007

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

Subject: Exposure draft on enhanced pension disclosures – Project No. 31

Dear Board and Staff:

The Public Pension Financial Forum (P2F2) is pleased to have the opportunity to respond to the GASB exposure draft on pension disclosures, an amendment of GASB Statements No. 25 and No. 27.

P2F2 was formed in 2004. The purposes of the organization is to promote excellence in public pension plan financial operations, provide educational programs of current interest to membership, create a medium for the consideration of common problems and the exchange of ideas and information that will facilitate the most efficient and economical operation of the financial operations and reporting between public pension systems, foster sound principles, procedures and practices in the field of public pensions related to the financial operations of such plans, and provide an appropriate national organization representing the financial operations of public pension systems throughout the United States. Membership is open to any finance employee of a public pension who supports the purposes of P2F2. The organization currently has 124 members representing 64 plans.

The Public Pension Financial Form agrees generally with the requirement to disclose current year information on pension plan funding progress (and associated note disclosures) within the Notes to the Financial Statements. These requirements bring the pension plan disclosures in tandem with the OPEB disclosures under Statement No. 43 and Statement No. 45 and require audit attention if the required disclosures are not present.

We also agree that pension plans and employers should disclose any legal or contractual maximum contribution rates and, if applicable, also disclose that the projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations.

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We also agree that the description of how fair value of investments is determined should be expanded to include methods and significant assumptions that are used to estimate fair value, if fair value is based on other than quoted market prices, and that this requirement should be for both defined benefit and defined contributions plans.

We have two concerns about the exposure draft. P2F2 has grave concerns about the requirement that plans funded using the aggregate method will be required to present a schedule of funding progress using the entry age actuarial cost method. We are aware that the aggregate actuarial method has proven more conservative than the entry age method, which can result in the appearance that the system is better funded under the entry age method. The public pension community (including GASB) had to deal with political realities after the release of GASB Statement No. 5. Language, as indicated in the exposure draft, stating that such information (disclosed on an entry age actuarial method) “*approximates* the funding progress of the plan” will not deter legislatures seeking ways to *save* additional dollars. We believe that GASB should delete this requirement from the final statement.

P2F2 is also concerned about the early implementation date. Systems that report on a biennial actuarial basis already may have valuations completed for the fiscal year ending June 30, 2008. We recommend that GASB delay required implementation for at least one year and encourage early implementation.

Again, P2F2 appreciates the opportunity to comment on this project. Should you have any additional questions regarding these comments, please feel free to contact our organization.

Sincerely,

Jony C. Galaviz, President