



**Public Pension Financial Forum  
c/o Municipal Employees' Retirement System**

**1134 Municipal Way**

**Lansing, MI 48917**

October 13, 2011

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

Subject: Project No. 34-P

Dear Board and Staff:

The Public Pension Financial Forum (P2F2) 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".

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 179 members representing 114 plans, offering defined benefit, defined contribution and hybrid plans.

We would like to thank GASB for considering changes to the pension plan financial reporting standards. 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 or clarity is necessary.

**Integration with Employer Reporting** – If GASB continues with its approach to allocate the net pension liability to the employer, we believe the most efficient approach would be to require that reporting at the plan-level include all of the necessary pension information, other than the employer level contributions, for the employer's accounting and financial reporting needs. This

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would entail the inclusion of the collective pension expense in the note disclosures of the plan. Additionally, this approach would require the employer to report pension information as of the plan year-end and further, would require that GASB provide for a simplified approach to allocation, such as, the employers' pro-rata share of covered payroll or the prior year's contributions. We understand that this would expand the RSI and disclosures at the plan level, however this change would significantly reduce the administrative, custodial, actuarial, and audit costs, as well as other issues that would occur based on the proposed requirements in the employer ED. For further discussion please refer to our response on Project No. 34-E.

**Money Weighted Investment Rate of Return** – Based on input from our membership, we have found that many plans and their custodial banks are unable to calculate the money weighted investment rate of return as described in the ED.

We are also concerned that the return would need to be calculated at the individual plan level for systems that pool investments for multiple plans. Each plan would have slightly different rates of return based on the individual cash flows of the plans which would lead to unnecessary confusion.

We believe the addition of this calculation provides little additional value as the cash flows during a year, for most plans, are insignificant as compared to the total portfolio and the rates of return would therefore vary only slightly from the time weighted return calculation when comparing single-period returns. Additionally, we do not believe the yearly rate of return calculation should be used to compare to long-term investment assumptions. 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.

**Plan Administrator's Portion of Net Pension Liability (NPL)** – For many multiple employer plans, the pension expense for the staff administering the plan is a direct administrative expense of the trust and any allocation of the NPL for those employees would reduce the net plan position used in the calculation of the NPL. Many of these plan administrators are also a participating employer in the pension system. The allocation of pension expense and net pension liability to the pension plan administrator as a participating employer, and by extension back to the pension trust, causes confusion in the financial statements. We are requesting further guidance on this issue in the final standard.

**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 if the disclosures for plans that do not have authority to set benefits or contributions are carried over from the original GASB 25 requirements or if they will be no longer required. We believe all plans should include the disclosures in these paragraphs not just those that have the authority to make changes.

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**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.

**Effective Date** - We strongly urge GASB to reconsider the costly and complex approach proposed in the employer ED. Additionally, we urge GASB to reconsider the effective date for implementation of the requirements in both of the EDs, to take the requisite time to review the field test data and to reassess the approach taken in the ED before rushing to meet its proposed timelines. We suggest that GASB consider additional field testing and re-exposure of these critical accounting and financial reporting proposals.

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 me at [LHuelskamp@mersofmich.com](mailto:LHuelskamp@mersofmich.com).

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 EDs.

Sincerely,

Art Hewig, President

Luke Huelskamp, Past President