Public Pension Financial Forum
c/o Ohio Public Employees Retirement System

277 E. Town Street

Columbus, OH 43215

March 18, 2014

Mr. David Vaudt, Chairman
Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

RE: GASB 68 Implementation Delay

Dear Chairman Vaudt:

The Public Pension Financial Forum (P2F2) was formed in 2004, and is made up of finance employees from public pension plans across the United States. We currently have over 200 members from roughly 100 of the largest plans at the state, county and city levels. P2F2 members administer single employer plans, cost-sharing multiple-employer plans, and agent multiple-employer plans. We are the group of professionals most affected by GASB 67, and we are the group of professionals who are working in the trenches with the accounting/auditing staff of our employers who will need to implement GASB 68.

We recently received a copy of the Government Finance Officers Association (GFOA)'s resolution dated February 28, 2014, calling for a "Delay in the Implementation of GASB Statement No. 68…." The P2F2 Board discussed that resolution at length, and based on our experience with our employers and some shared concerns, we agree with GFOA's stance, and urge the GASB to defer the implementation date of GASB Statement No. 68 for both cost-sharing and single/agent plans, for the following reasons.

First, we are very concerned that, as GFOA stated, "The necessary authoritative auditing guidance to coordinate audit procedures between plan and employer auditors has not yet been provided…." While we have seen the pension whitepapers issued by the AICPA regarding cost-sharing plans, we strongly believe that those documents are not authoritative. We have yet to see authoritative auditing guidance, which creates a few problems, including the following:

- It is our understanding that agent plans will be required to do additional audit work. If SOC1 reports will be required, it is too late for plans to have that work done during this fiscal year, as many of us are on a June 30 fiscal year basis. It may even be too late for plans to contract with an outside auditing firm to prepare a SOC1 report in fiscal year 2015, depending on when budgets and appropriations need to be approved.

- It is our understanding that agent plan actuaries might be required to submit individual certification letters for each employer. In Minnesota, the budget for the June 30, 2014 actuarial valuation has already been approved and appropriated. Individual certification letters were not included in the budget. The longer we need to wait for authoritative guidance, the more difficult it becomes for plans to prepare for GASB 68. Additionally, we have not heard how the actuarial community has reacted to this requirement, and whether it is achievable.

- One of the AICPA whitepapers, "Single-Employer and Cost-Sharing Multiple-Employer Plans: Issues Associated with Testing Census Data in an Audit of Financial Statements" states that the AICPA will incorporate new guidance into a future edition of the *State and Local Governments Guide*. The whitepaper suggests that plan auditors may be required to test census data at the employer level. We know of very few large cost-sharing plans where the plan auditor reviews payroll registers for individual employers. Although the AICPA suggests that plan auditors should have been auditing employer payroll registers all along, the materiality threshold at the plan level is typically much higher than any one employer's contributions to the plan. For most of us, none of that testing has been done during fiscal year 2014. Since authoritative guidance has not been issued, none of that testing will be completed by the measurement data that is scheduled to be relied on by employers in fiscal year 2015.

Second, a considerable amount of coordination between plan auditors and employer auditors needs to occur. Without authoritative guidance from the AICPA, productive discussions cannot occur. Once authoritative guidance is provided, it will still take a significant amount of time to work through the logistics of determining which auditors will be responsible for auditing which numbers; which entities will be responsible for paying the associated costs (which will be substantial); and when the coordinated audit work needs to be done. One of the issues many of the larger cost-sharing plans are wrestling with is that we do not know who audits our employers. Local governments in many states hire their auditors. Using Minnesota as an example, local governments often hire a local accountant. Minnesota Public Employees Retirement Association (PERA) has close to 4,000 different reporting entities who are audited by hundreds of small accounting firms. In order for GASB 68 to be implemented in 2015, Minnesota PERA's auditor will need to identify and coordinate with the multitude of small accounting firms in time for this year's audit. This is simply impossible to undertake in that short timeframe.

Third, as P2F2 members continue to contact employers and their auditors, we are discovering that employers and their accounting firms are not up to speed on GASB 68 and the complex issues involved in the implementation. Based on our experience, we do not believe they will be prepared for a 2015 implementation, even if authoritative auditing guidance is issued within the next several months. The majority of them will likely receive modified audit opinions, which may diminish public confidence in the reliability and transparency of financial reporting for pensions.

We would also like to note that those plans that are members of P2F2 are a subset of the public pension plan universe. Because of our education efforts through our annual conference, monthly phone calls and quarterly newsletters, we believe our members are better prepared to implement GASB 67 than are hundreds of other plans. We are aware of many smaller plans that have not yet begun to study GASB 67, and have not yet begun working with their employers in preparation for GASB 68. While we do not support a delay in GASB 67 implementation, it may become a concern if plans are not prepared when employers attempt to implement GASB 68.

We appreciate the opportunity to comment on the GFOA resolution. This letter was prepared by a collective effort of the P2F2 membership. By our email submission, the P2F2 Board of Directors substantially agrees with the views presented in this letter. However, there may be some areas where one or more P2F2 directors may have a slightly different perspective.

We feel strongly that the GASB should delay the implementation of GASB 68. The new statement is extremely complex for employers and the lack of authoritative audit guidance adds to the complexity and leads us to believe that implementation of this statement cannot be accomplished by the current stated effective date. Should you have any questions regarding these comments, please feel free to contact our organization by emailing Karl Greve at kgreve@copera.org.

Sincerely,

Dave DeJonge

Dave DeJonge
P2F2 President