



February 9, 2016

Mr. David Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

Dear Mr. Bean:

On behalf of the National Association of State Auditors, Comptrollers and Treasurers, we appreciate the opportunity to respond to the Governmental Accounting Standards Board's Exposure Draft (ED), *Pension Issues*.

We appreciate GASB's quick response to some of the issues discovered during implementation of the new pension standards. In particular, we appreciate the Board clarifying the definition of covered payroll in a more practical and consistent way. We acknowledge that assumptions that deviate from Actuarial Standards of Practice should not be considered in accordance with generally accepted accounting principles. We also support the simplification of employer-paid employee (plan member) contributions being classified as employee contributions, including for purposes of determining a cost-sharing employer's proportion of a plan. We do, however, have the following specific comments that we believe the Board should consider as it finalizes this statement.

Paragraph 7

The paragraph's deferral to the Actuarial Standards of Practice for context behind the term "deviation" fails to provide a clear definition for the term. We request that the Board remove "as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board" from the body of the text, and add a footnote to provide the definition of a "deviation" as used in Actuarial Standards of Practice issued by the Actuarial Standards Board.

Paragraph 8

Regarding the parenthetical example in the last sentence, we believe this example may cause some confusion about the disclosure requirement because for tax reporting purposes "picking up" employee contributions does not necessarily mean that the employer satisfied any of the member contribution requirements. Employee contributions are sometimes withheld from the employee's salary and are therefore satisfied by the employee. However, by withholding the employee's contributions, the plan is able to make an election for tax reporting purposes that employers are "picking up" the employee's contributions. So, to some, "picking up" employee contributions may include the employer's withholding the amount of the employee's contribution while others only view "picking up" employee contributions as actions in which the employer pays for the employee contribution from employer resources. To avoid confusion and inaccurate disclosures, we request the Board revise the last sentence of the proposed paragraph to indicate clearly the precise trigger for when the proposed disclosure is required, which we believe is only when the employer has made the employee's contribution from employer resources. It would also be helpful to describe the extent of disclosure about the arrangement the Board is expecting here.



General comment

Employers may make “additional contributions” to a pension plan, outside of what is required per the plan terms that are not the result of an installment contract. For instance, the plan may allow employers to make lump sum additional contributions as an incentive for early retirement. We suggest the Board address the proper accounting for these types of additional contributions, either in this proposed document or as a question in the Comprehensive Implementation Guide.

We appreciate the opportunity to provide our comments. Should you have any questions or need additional information regarding our response, please contact Kim O’Ryan of NASACT at (859) 276-1147 or me at (515) 281-4877.

Sincerely,

A handwritten signature in blue ink that reads "Calvin McKelvogue". The signature is written in a cursive, flowing style.

Calvin McKelvogue
President, NASACT
Chief Operating Officer, Iowa