



December 19, 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), *Implementation Guide No. 201X-X, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

We generally agree with the provisions of the ED and believe the requirements will enhance the consistency of financial reporting for postemployment benefit plans other than pension plans. However, we have the following specific comments that we believe the Board should consider as it finalizes this implementation guide.

*Question 4.37*

This question addresses whether a multiple-employer healthcare plan that provides benefits to both active employees and retirees should be reported as a cost-sharing multiple-employer OPEB plan. It seems very unlikely that this described plan type with mixed members would meet the trust criteria in Statement 74, particularly that in paragraph 3b, which requires assets be dedicated to OPEB plan members. Therefore, because there is specific trust criteria for a mixed-member plan type to qualify for reporting as a cost-sharing plan, we request that the Board put this into perspective and include in the answer further discussion of the specific trust criteria. That could include the specific information in question 4.13, regarding single trusts with mixed components, to help users more easily identify multiple-employer plans that should not be reported as cost-sharing plans.

*Question 4.108*

The question clarifies that vested and non-vested plan members should be included in the determination of the actuarial present value of total projected benefit payments for purposes of Statement 74. However, the proposed guidance does not make a distinction between active and inactive employees. When plan members terminate employment prior to becoming vested and are subsequently hired by a participating employer in the plan, plan provisions may allow members to retain prior service. For the purposes of estimating total projected benefit payments, we request that the question address whether the actuary should consider the likelihood that inactive employees will return to work and become vested, or whether it is allowable for the actuary to assume that all inactive members will remain inactive.

*Question 4.123*

The question makes the distinction between a cap on benefit payments and a cap on employer contributions in an OPEB plan for which an employer makes contributions to a trust that meets the criteria in paragraph 3 of Statement 74. We understand that contributions affect the funding of the plan and may indirectly affect plan benefit provisions at some point in the future,



as is explained in the last sentence of the proposed answer. However, it is not clear whether a cap on contributions would ever directly affect projected benefit payments, which are established according to the current substantive plan. We would appreciate additional clarity over the relationship between funding strategies, such as caps on contributions, and the projection of benefit payments.

*Editorial Comments*

*Question 4.30*

The penultimate sentence in the answer paragraph states: “In the circumstance described in this question, the benefits do not meet the characteristics of defined contribution OPEB because individual accounts are not maintained, the benefits terms do not define the contributions that an employer is required to make to individual active employees’ accounts, and benefits do not depend only on the items listed in paragraph 12 of Statement 74; rather, they depend on periodic benefit determinations by the plan trustees.” We believe “benefits” should be “benefit.”

*Question 4.55*

The first sentence of the question states: “An employer provides OPEB though a plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 74.” We believe “though” should be “through.”

*General Comment*

We request that the Board consider adding a question that addresses the change in criteria in Statement 74 for plans administered through trusts (or equivalent arrangements). Such a question would reduce the risk that the revised criteria in Statement 74 are overlooked.

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 (615) 741-2956.

Sincerely,

David H. Lillard, Jr.  
President, NASACT  
State Treasurer, Tennessee