

GOVERNMENTAL ACCOUNTING STANDARDS BOARD

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ROBERT H. ATTMORE
Chairman

December 26, 2012

Mr. Larry L. Long
County Commissioners Association of Ohio
209 East State Street
Columbus, OH 43215-4309

Dear Mr. Long:

The Governmental Accounting Standards Board appreciates the comments you submitted for consideration in response to the Exposure Draft of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The more than 650 comment letters received addressed various issues related to the proposal to modify existing accounting and financial reporting requirements for pensions by employers. Not all respondents commented on the same issues, and the respondents collectively expressed various views regarding the issues. All comments received were carefully analyzed by the staff and discussed by the Board during public deliberations prior to the issuance of Statement 68 in its final form.

In the Exposure Draft, the Board proposed that cost-sharing employers be required to recognize a liability for their proportionate shares of the net pension liability associated with all employers in the cost-sharing pension plan in which they participate. The views expressed in your letter regarding the Exposure Draft proposal for recognition of pension liabilities by cost-sharing employers were among the varied positions considered by the Board on this issue. After discussion of the matter at length, the Board decided to retain the requirement that employers in a cost-sharing pension plan recognize their proportionate shares of the collective net pension liability. Discussion of the reasons for the Board's decision on this requirement is presented in paragraphs 297–306 of the Basis for Conclusions of Statement 68.

Although the Board did not modify the fundamental principles of the proposals related to cost-sharing employer accounting and financial reporting, Statement 68 embodies a number of changes made in response to the public comments that we received about other aspects of the proposals for cost-sharing employers, including the following:

Flexibility Provided in Approaches to Determining an Employer's Proportionate Share. In the Exposure Draft, the Board proposed a single acceptable method of determining an employer's proportion—the use of a ratio of the projected long-term contribution effort of the employer to the projected long-term contribution effort of all contributing entities. Some respondents expressed concern about the perceived complexity and potential cost of a requirement to use projected future contributions as the basis for an employer's proportion. Some respondents also suggested alternative bases for calculation of the proportion, for example, current-period contributions or payroll, historical average contributions or payroll, or short-term forward-looking contributions or payroll. After considering respondent feedback, the Board decided to permit the use of any basis for the determination of the employer's proportion that is

consistent with the manner in which contributions to the pension plan are determined. (See paragraph 48 of Statement 68.)

Modification of the Required Timing of the Measurement of the Net Pension Liability of Employers. In the Exposure Draft, the Board proposed that for employers, the net pension liability should be determined as of the end of each employer's fiscal year. Some respondents expressed concerns about the practicality of preparing such measures, particularly in circumstances in which the collective total pension liability and plan net position would have to be determined as of multiple points in time during a 12-month period. Concerns were raised regarding both obtaining actuarial information and measuring pension plan investments in those circumstances. The Board considered respondent recommendations on this issue and modified the proposed requirements to permit an employer to recognize a net pension liability determined no earlier than the end of its prior fiscal year. (See paragraph 48 of Statement 68.) To accommodate the continued use of biennial actuarial valuations for a greater number of employers that elect to use a measurement date different from their fiscal year-ends, additional modifications were made to the proposed requirements for the timing of actuarial valuations that serve as the basis for the measurement of the total pension liability. As a result of those modifications, Statement 68 permits an actuarial valuation to be as of a date no earlier than 30 months (plus 1 day) from the end of the employer's fiscal year to measure the total pension liability component of the collective net pension liability. (See paragraph 60 of Statement 68.)

Adjustment of the Effective Date of the Statement. In the Exposure Draft, the Board proposed that the requirements first be effective for cost-sharing employers for periods beginning after June 15, 2013. Some respondents requested that the effective date be delayed to provide additional time for planning, coordination, and education related to the proposed requirements. In response to the concerns raised by respondents, the Board delayed the effective date of Statement 68 to fiscal years beginning after June 15, 2014, for all employers. (See paragraph 136 of Statement 68.)

We believe that the final Statement is significantly improved because of the aforementioned revisions, as well as those not specifically noted above that also resulted from due process. On behalf of the GASB, I thank you for taking the time to share your thoughts with us. The insights, experience, and knowledge of our constituents are invaluable to the completeness of our due process activities and to the development of effective standards.

I hope that you will actively participate in the GASB's due process again in the future.

Sincerely,



Robert H. Attmore
Chairman