



Government Finance Officers Association
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September 25, 2017

Mr. David R. Bean
Director of Research and Technical Activities
Project No. 34-1E
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Mr. Bean:

We are writing to you on behalf of the Government Finance Officers Association of the United States and Canada (GFOA) in response to the Governmental Accounting Standards Board's (GASB) Exposure Draft (ED) of Implementation Guide No. 201X-Z, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*. This response was prepared by both GFOA's standing Committee on Accounting, Auditing, and Financial Reporting (CAAFR) and GFOA's standing Committee on Retirement and Benefits Administration (CORBA), all of whose members are active government finance officers.

GFOA supports the GASB providing more guidance to preparers of financial statements through implementation guides.

As it has been communicated by GFOA in previous responses to proposed postemployment benefit implementation guidance, GFOA wishes to again communicate its dissatisfaction with the practical effect of following the guidance proposed in Questions 4.53, 4.62, 4.63, 4.171, and 4.204, in which employers would be precluded from including resources held in an Internal Revenue Code (IRC) Section 115 trust from the calculation of their net OPEB liability, even though the resources held in such a trust must be used exclusively to fund the employers' total OPEB liability. We consider such an outcome to be representationally unfaithful and potentially confusing to financial statement users. We do not disagree that the guidance proposed in the ED is consistent with the definition of a OPEB "trust or equivalent arrangement" found in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*; rather, it is our position that the definition itself needs to be amended to avoid creating such an unacceptable result. In our view, the legal requirement to ultimately transfer the resources of an IRC Section 115 trust to a separate OPEB trust that actually provides the benefits themselves should be sufficient, as long as the IRC Section 115 trust meets the other provisions of GASB Statement No. 75, paragraph 4.

GFOA offers the following items for your consideration to improve the implementation guide:

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1. Throughout the implementation guide, reference is made to a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, yet in some instances, the phrase “or trust arrangement” is included, while in others, it is not. For example:
 - 4.2 “...OPEB plan that is administered through a trust (or equivalent arrangement) that has the characteristics identified in paragraph 4 of Statement 75”
 - 4.26 “...is administered through a trust that meets the criteria in paragraph 4 of Statement 75”
 - 4.33 “...administered through a trust (or equivalent arrangement) that meets the criteria in paragraph 4 of Statement 75”

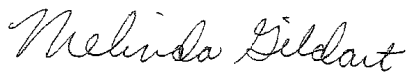
GFOA suggests rather than repeating the phrase “OPEB plan administered through a trust (or equivalent arrangement)” throughout the implementation guide, that GASB define the phrase once and use an abbreviated term throughout the implementation guide.

2. In question 4.11, GFOA suggests that GASB provide a more explicit response to the issue. It is unclear if the assets would revert to one benefit or the other. For a hypothetical postemployment benefit trust that is used for both OPEB and pensions and all of the resources of the trust are equally available to pay either type of benefit, in GFOA’s view, the resources of such a trust should be allocated in a systematic and consistent manner between OPEB and pensions for purposes of calculating the net OPEB liability and net pension liability.
3. When referring to the conversion of employees’ unused sick leave balances to individual healthcare accounts in questions 4.18 and 4.19, GFOA suggests providing additional clarification as to how the dollar equivalents of these balances are calculated.
4. In the answer to question 4.134, GFOA suggests that the last sentence be modified to provide more clarity: “...only one dependent of each deceased retiree should be included in the count of the number of employees for this purpose.”
5. In the answer to question 4.149, GFOA suggests that the last sentence be modified to provide more clarity: “Therefore, one spouse or other dependent of each employee should be included in the count of the number of employees covered by the benefit terms only if the employee is not already included.”
6. In the answer to question 4.156 we suggest that the following changes be made to provide more clarity: “Therefore, the requirements applicable to this plan in paragraph 57b and paragraph 57c or paragraph 57d of Statement No. 75, as amended, for ratios that present the employer’s net OPEB liability and employer contributions, respectively, as a percentage of a measure of payroll would not be applicable for the employer, that provides benefits through this plan and those ratios should not be presented in the RSI schedules.”

7. In the response to question 4.504, there appears to be an incorrect reference: "...and (b) if the OPEB plan is administered through a trust (or equivalent arrangement) that meets the criteria in paragraph 3 of Statement 75 and the plan reported a net OPEB liability..." GFOA believes the reference should be to paragraph 4 of Statement No. 75.
8. In the second line of question 4.507, there is reference to "the pension plan" we believe should be "the OPEB plan."

If you have any questions regarding GFOA's position, please contact GFOA's Acting Director of Technical Services, Todd Buikema (312/578-4407; e-mail: tbuikema@gfoa.org).

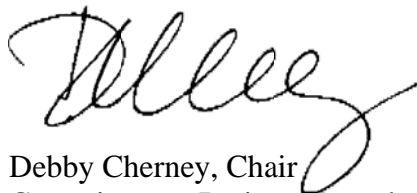
Sincerely yours,



Melinda Gildart, Chair
Committee on Accounting, Auditing,
and Financial Reporting



Melanie Keeton, Vice-chair
Committee on Accounting, Auditing,
and Financial Reporting



Debby Cherney, Chair
Committee on Retirement and
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Barry Faison
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