GOVERNMENT FINANCE OFFICERS ASSOCIATION OF TEXAS

October 31, 2016 VIA E-MAIL: comments@actuary.org

Actuarial Standards Board
1850 M Street, NW, Suite 300
Washington, DC 20036-4601

The Financial Reporting and Regulatory Response Committee of the Government Finance Officers Association of Texas ("GFOAT") would like to take this opportunity to respond to the Actuarial Standards Board's second exposure draft *"Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions"*. The GFOAT is an affiliate of the national Government Finance Officers Association ("GFOA") and the Texas Municipal League. The GFOAT's 1,000 members represent all levels of state and local government in Texas and associate members from the audit profession, the investment community, the underwriting community, and a variety of other private-sector finance professionals.

As accounting and finance professionals who prepare, issue and audit financial statements that contain public pension information, we take our responsibility to fairly state and fully disclose all pension related commitments very seriously. To fulfill this responsibility we must rely heavily on actuaries and the actuarial communications they provide. Your proposal could be of great benefit in providing an additional tool for assessing and auditing the fair statement of these pension obligations. **However, as the scope currently only includes funding and pricing valuations and providing information for intended users, it does not go far enough and we respectfully ask that the scope of the standard be expanded to valuations prepared exclusively for the purpose of financial reporting. In addition, we would ask that all reporting entities (both the independent public pension plan who is typically the principal and the sponsoring employer) be designated as intended users.** We make this request for the following reasons:

- Governmental Accounting Standards Board (GASB) Statements No. 67 (plan reporting) and No. 68 (employer reporting) establish the accounting and reporting standards that state and local governments entities must comply. While these standards specifically reference Actuarial Standards of Practice (ASOPs) and utilize basic actuarial theory, they also include requirements that are dramatically different from funding valuations including use of the single blended discount rate, substantively automatic COLAs and determination of pension expense (rather than contributions). Risk related disclosures on funding valuations only will create confusion as it will be difficult for a non-actuary to determine which disclosures have a natural carryover from the funding valuation to the reporting valuation and which do not.

- ASOP's currently do not distinguish between private sector and public sector defined benefit pension plans. Major differences between these two sectors include the prevalence of independently managed and governed public employee retirement systems (PERS), the size and financial materiality of the defined benefit pension to the governmental employer, the degree of media and public scrutiny of public sector plans and the fact that public sector plans are not subject to ERISA.

  These independent PERS as the designated administrator of the defined benefit naturally will hire the actuary to perform all valuations and will therefore typically be the actuary's principal and the intended user of the actuarial communication. Not all PERS will also designate the sponsoring employer as an intended user. ASOP 41, Actuarial Communications defines intended user as *"Any person who the actuary identifies as able to rely on the actuarial findings."* As government employer's our only source of the pension related financial reporting information is from the reporting valuation. It would be both impractical and a waste of taxpayer funds for the employer to hire their own actuary to perform the reporting valuation when all census data and expertise reside at the independent plan. At the same time, however, we should have an expectation of reliance for the information contained in the reporting valuation that we include in our financial statements.

We realize that the Board is currently considering a major revision of ASOP 4, *"Measuring Pension Obligations and Determining Pension Plan Costs or Contributions"* and we also understand the inter-relationships between multiple ASOPs and this proposed standard. Therefore, if the Board does not feel comfortable with our request that government employers be considered an intended user of risk disclosures, we would request that issuance of this proposed standard be postponed until the issue of intended user can be considered in the broader context of the ASOP 4 deliberations.

Respectfully:

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