



September 27, 2017

David R. Bean, CPA
Director of Research and Technical Activities
GASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: June 28, 2017 GASB Proposed Implementation Guide (ED), *Implementation Guide No. 20X1-Z, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting (Project No. 34-1E)*

Dear Mr. Bean:

The American Institute of CPAs (AICPA) is the world's largest member association representing the accounting profession, with more than 418,000 members in 143 countries, and a history of serving the public interest since 1887. One of the objectives that the Council of the AICPA established for the Private Company Practice Section (PCPS) Executive Committee is to speak on behalf of local and regional firms and represent those firms' interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

TIC has reviewed the Proposed Implementation Guide (ED) and is providing the following specific comments for your consideration.

SPECIFIC COMMENTS

Questions 4.12 through 4.22

Paragraphs 4.12 through 4.22 of the ED go through various permutations of benefit types and explain whether these should be accounted for as pension benefits under GASB 68, OPEB benefits under GASB 75, compensated absences under GASB 16, or termination benefits under GASB 47. While TIC agrees with each of the proposed answers, TIC thinks it might be helpful if the Board developed some sort of a flow chart or decision tree that walks through the various types of benefits and how those are calculated and delivered, and leads you to which standard you should follow in various scenarios. TIC has noted that the flowchart the Board has developed for component units (pursuant to GASB's 14, 39, and 61) has been extremely helpful, and a similar flowchart in this case could provide a roadmap to financial statement preparers as they are trying to determine which standards apply to their specific situation.

Question 4.158

Q—Should all contributions made to the OPEB plan by a single or agent employer during the employer’s fiscal year be included in the amount of contributions reported in the schedule of RSI that is required by paragraph 57c or paragraph 57d of Statement 75, as amended, as applicable?

A—No. For purposes of paragraphs 57c and 57d of Statement 75, contributions are amounts that are not associated with separately financed specific liabilities of the individual employer and include only the amounts that would be recognized as additions from the employer’s contributions in the OPEB plan’s statement of changes in fiduciary net position during the period that coincides with the employer’s fiscal year for (a) actual contributions, which are cash contributions from the employer to the OPEB plan, and (b) current receivables. This would include, for example, the amount of legally required employer contributions that are not associated with a specific liability of the individual employer to the OPEB plan and that would be recognized as a current receivable by the OPEB plan as of the end of the employer’s fiscal year. It would exclude, for example, employer payments made to satisfy OPEB plan receivables that arose in an earlier employer fiscal year. (See also Question 4.159 regarding current receivables.)

TIC believes this answer is difficult to follow. TIC is curious as to whether the question can be updated to discuss the various elements that would be part of the contribution. For example, establish something in the first sentence that says “In making contributions during the fiscal year, the employer paid the required amount, and also made contributions to pay down financed liabilities, build up anticipated reserves, etc.” In other words, build into the questions the different considerations an organization had in determining how much to contribute.

This question also introduces the term “separately financed specific liabilities”. TIC performed a word search and found several more uses of this phrase in subsequent questions. TIC was wondering if an example or definition of these be given as to prevent confusion. There is currently no definition in Statement No. 75, however, it is defined in Statement No. 74. If an entity does not have a trust, for example, they probably would not look to Statement No. 74. TIC would recommend that the Board consider either adding a reference to the definition in Statement No. 74 or include the definition in Statement No. 75 as well.

Questions 4.496 and 4.497

4.496 Q—If the alternative measurement method is used to measure the (collective) total OPEB liability, over what period should changes in the (collective) total OPEB liability be included in (collective) expense?

4.496 A—If the alternative measurement method is used to measure the (collective) total OPEB liability, all changes in the (collective) total OPEB liability are required to be included in (collective) expense for the measurement period in which the changes occur.

4.497 Q—If the alternative measurement method is used to measure the (collective) total OPEB liability, over what period should changes in proportion (paragraph 64, 174 paragraph 102, paragraph 121, paragraph 178, paragraph 196, or paragraph 208 of Statement 75) and differences between (a) contributions or amounts that are paid for OPEB as the benefits come due during the measurement period and (b) the proportionate share of contributions or amounts that are paid for OPEB as the benefits come due (paragraph 65, paragraph 103, paragraph 122, paragraph 179, paragraph 197, or paragraph 209 of Statement 75) be recognized in expense?

4.497 A—In accordance with paragraph 17 of Statement 85, if the alternative measurement method is used to measure the (collective) total OPEB liability, changes in proportion and differences between (a) contributions or amounts that are paid for OPEB as the benefits come due during the measurement period and (b) the proportionate share of contributions or amounts that are paid for OPEB as the benefits come due should be recognized in expense for the measurement period in which the changes occur.

TIC was a bit confused by the answer to this question. TIC believes it sounds like the Board is saying that the changes should be recognized over the period which was used to calculate the OPEB liability. But TIC believes you could interpret this answer to mean that the changes should be recognized in the current year. The measurement period is defined as “the period between the prior and current measurement dates.” TIC understands that GASB tried to mirror the language in Statement No. 85. However, TIC thinks perhaps the Board intended to say “recognized in expense in the current reporting period in which the change occurs.” TIC believes that this language could be clarified to prevent misinterpretation.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Michael A. Westervelt". The signature is written in a cursive style with a large initial 'M'.

Michael A. Westervelt, Chair
PCPS Technical Issues Committee
cc: PCPS Executive and Technical Issues Committees