

**From:** Lian, Gerard J  
**Sent:** Friday, October 17, 2014 3:13 PM  
**To:** Scott A. Reeser  
**Cc:** [director@gasb.org](mailto:director@gasb.org).  
**Subject:** OPEB Comment Letter

Scott,

I am writing to acknowledge that I concur and agree with the content of the commentary set forth in the attached Comment Letter concerning GASB's proposed changes to OPEB accounting and financial reporting rules. This letter formed the basis of my oral testimony at public hearings held in NYC on Sept. 10, 2014.

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Set forth below are comments pertaining to GASB's Exposure Draft (the 'OPEB ED') entitled *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The co-signatories to this letter include AllianceBernstein, BNY Mellon, Franklin Templeton, Invesco, T. Rowe Price and Vanguard which manage municipal securities with an aggregate market value of \$310.7 billion. The topics covered by this comment letter are discussed in three sections: (1) Introduction; (2) Analysis of the New Standards; and (3) Recommendations. The comments that follow address issues pertaining to the OPEB ED as well as parallel issues presented in Statement No. 67, *Financial Reporting for Pension Plans* ('Statement No. 67'), and Statement No. 68, *Accounting for Pensions* ('Statement No. 68') (collectively, the 'New Standards'). As noted below and as acknowledged by the Government Accounting Standards Board ('GASB') itself, accounting for Pensions and OPEBs are based upon similar measurement concepts and require a consistent approach. For this reason, in recognition of the need to preserve thematic consistency between standards promulgated for pensions and those promulgated for OPEBs, the comments that follow reflect careful and explicit consideration of both topics.

## 1. Introduction

To appreciate the significance of recent changes enacted by GASB with respect to state and local government pension obligations and proposed changes to OPEB liabilities it is important to place these amendments into historical context. The recent financial crisis and the Great Recession weakened the fiscal condition of state and local governments and the funded status of public sector pensions and OPEBs leading to increased media attention. Part of the reason for heightened scrutiny stems from at least two factors: (1) well-documented reports that have disclosed the dollar amount of mounting unfunded Pension and OPEB liabilities; and (2) an ongoing series of financial defaults by local governments accompanied by weak funding levels for pension and OPEB liabilities that have drawn considerable scrutiny.<sup>1</sup> Recent research reports have identified a widening gap between long-term costs of public sector pension liabilities and financial assets available to pay these expenses. In fiscal year 2009 the funding shortfall for states grew to \$1.26 trillion resulting in a 26% rise over fiscal year 2008. Unfunded pension liabilities accounted for \$660 billion while unfunded OPEB liabilities accounted for \$607 billion. Funding contributions by state governments for fiscal year 2009 averaged 62% of actuarial required payments, a 5% decline from fiscal year 2008.<sup>2</sup> In FY 2010 the funding gap for state retirement benefits rose 9% to \$1.38 trillion with unfunded pension liabilities rising to \$757 billion and unfunded OPEBs rising to \$627 billion.<sup>3</sup> In FY 2011 total unfunded pension and OPEB liabilities for states held fairly constant at \$1.38 trillion with \$793.3 billion attributable to pensions and \$589.6 billion attributable to OPEBs.<sup>4</sup> The most recent data for FY 2012 indicates that the total state funding shortfall in FY 2012 rose 7.6% to \$1.487 trillion with unfunded

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<sup>1</sup> See Vallejo, CA., Central Falls, RI, Harrisburg, PA., Jefferson County, AL., Stockton, CA., San Bernardino, CA., Detroit, MI. and Commonwealth of Puerto Rico.

<sup>2</sup> The Widening Gap: The Great Recession's Impact on State Pension and Retiree Health Care Costs (The Pew Center)(April 2011), pg.1

<sup>3</sup> The Widening Gap Update (The Pew Center on the States) (June 2012) pg. 1

<sup>4</sup> Tenth Annual Public Pension Funding Review, Loop Capital (Sep. 2012), pg. 49.

pensions rising 12.7% to \$894.3 billion and unfunded OPEBs rising .6% to \$593.6 billion from \$589.6 billion.<sup>5</sup>

Although comprehensive data for cities and other local units of government are not available, sample data indicates that the funding gap for pensions and OPEBs for cities is also substantial. The funding shortfall for cities with populations greater than 500,000 stood at \$217 billion in FY 2009 with \$99 billion attributable to unfunded pensions and \$118 billion attributed to unfunded OPEBs.<sup>6</sup> More recently it has been reported by a Blue Ribbon Panel commissioned by the Society of Actuaries in a report published in February 2014 that whereas average reported funded ratios rose from 79% in 1990 to 103% in 2000, funded ratios declined to 73% in 2012.<sup>7</sup> This is a brief sketch of the contours of unique fiscal challenges facing state and local government that have inspired observers to characterize this present milieu as an 'age of fiscal austerity'.<sup>8</sup>

Municipal analysts and public finance experts within and outside government traditionally rely on two metrics to evaluate the adequacy of both Pension and OPEB funding: (i) the ratio of actuarial value of assets to actuarial accrued liabilities, a measure known as the funded ratio; and (ii) the ratio of annual payments to annual required contribution (ARC), a measure known as the ARC payment.<sup>9</sup> The ARC payment represents the sum of normal cost, defined as the actuarial present value of benefits assigned to a particular year; and (b) amortization of unfunded liabilities that derive from prior annual contribution deficiencies or from declines in the actuarial value of assets.

Mirroring revisions to pension standards incorporated in Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68, *Accounting and Financial Reporting for Pensions*, the proposed standards for OPEBs separate funding from accounting and replace it with enhanced consideration of 'current point-in-time measures' which yields at least four adverse consequences. First, the new standards dispense with the use of a *Schedule of Funding Progress* and *Schedule of Contributions* for Required Supplementary Information ('RSI') Note disclosure with respect to both Pensions and OPEBs. These schedules were the *sine qua non* of pension and OPEB analysis used by municipal analysts and public administrators alike. Second, in shifting disclosure and reporting away from funding adequacy, the New Standards temper the requirement that accounting values derive from 'annual required contribution', the terminology set forth in Statement Nos. 25 and 27, and replace it with a new term called 'actuarially determined contributions'. Paragraph 55 of the OPEB ED provides 'if an actuarially determined contribution is calculated' then components to the Schedule of Changes are to be based upon 'actuarially determined' values. However, if actuarial numbers are not calculated Paragraph 55 explicitly states that contribution requirements may be based upon alternate statutorily or contractually assigned values. The allowance to calculate statutory or

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<sup>5</sup> Eleventh Annual Public Pension Funding Review, Loop Capital (Nov. 2013), pgs. 7-8.

<sup>6</sup> A Widening Gap in Cities: Shortfalls in Funding for Pensions and Retiree Health Care (The Pew Charitable Trusts)(Jan. 2013) pg.1

<sup>7</sup> Report of the Blue Ribbon Panel on Public Pension Plan Funding (Feb. 2014), pg. 13).

<sup>8</sup> How the Age of Austerity will Remake American Politics, *The New Republic* (Jan. 9, 2012).

<sup>9</sup> This approach derives from the well-conceived reporting framework established under GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Notes Disclosures for Defined Contribution Plans*, Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, Statement No. 43, *Financial Reporting for Postemployment Plans Other than Pension Plans* and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (collectively, the 'Prior Standards')

contractual values, moreover, is not restricted in any way nor made subject to prevailing actuarial standards of practice established by the Actuarial Standards Board. Third, even for issuers that stay the course and provide an actuarially calculated employer contribution, there are insufficient parameters retained under the New Standards to ensure that actuarially based measurements are consistently measured to facilitate comparison among different government entities. Thus, for example, the previous 30-to-40 year limit for amortizing unfunded retirement costs has been dropped, opening the door for public entities to mask underfunding liabilities by stretching out payments far beyond the expected service lives of employee beneficiaries.<sup>10</sup> Fourth, the new standards also drop the use of ARC payments, depriving issuers and investors alike of a critical metric to evaluate whether pension and OPEB liabilities are being responsibly managed.<sup>11</sup>

## 2. Analysis of the New Standards

At a time when state and local governments face a critical challenge to ensure that adequate assets are made available to meet mounting pension and OPEB liabilities, the decision to separate funding considerations from retirement benefits is strikingly ill-timed and misguided. The new approach undertaken both with respect to pension revisions to Statements No. 25 and No. 27 and with respect to the proposed OPEB revisions to Statements No. 43 and No. 45 will not only short-circuit analysis of retirement benefit liabilities by investors but will also inhibit the ability of responsible government issuers intent upon marshaling sufficient financial resources to meet mounting liabilities.

The entire fund-based financial accounting model for pension and OPEB liabilities has been fundamentally altered without adequate explanation and without justification and replaced by a new approach that emphasizes current point-in time measures. In an age of fiscal austerity numerous state and local governments face enormous challenges with respect to funding retirement benefits. The best and most effective way to address these difficulties is through transparent disclosure that preserves an accurate assessment of the full depth of financial problems. The objectives of Statement No. 25 and No. 27 were to enhance the understandability and usefulness of public sector pension information. Although the Prior Standards were not without fault, the required supplementary information set forth in the *Schedule of Funding Progress* and *Schedule of Contributions* were highly effective in identifying acute cumulative and annualized funding gaps. By comparison, the new standards are more apt to mask than uncover funding shortfalls.<sup>12</sup> There are several drawbacks to the New Standards that warrant careful consideration and analysis:

1. Need to Preserve Focus on Funding Levels: The premise that use of actuarial information and disclosure of funded ratios and ARCs impose funding requirements upon governmental entities is fallacious. The fund-based financial accounting model was devised to facilitate analysis of the adequacy of financial resources to meet accruing retirement benefits, not to prescribe funding requirements. The notion that the impact of retirement benefits upon fiscal capacity can be satisfactorily evaluated without taking into account related funding is flawed. Part and parcel of the responsibility of providing users of financial information with a meaningful assessment of retirement costs is the

<sup>10</sup> See Statement No. 27 paragraph 82, pg. 75; Statement No. 45, paragraph 13, pg. 18.

<sup>11</sup> State and Local Pensions: What Now? Alicia H. Munnell, pg. 73 (Brookings Institution Press, 2012).

<sup>12</sup> Methodological shortcomings, for example, include the allowance to follow any one of six different actuarial cost methods which inhibited accuracy of comparative analysis.

concomitant need to promote both an accurate measurement of total costs and a complete picture of the financial capacity of governmental entities to pay these costs not merely on an annualized basis but over the course of time that these liabilities mature. Indeed the core aim of Statement No. 25 and No. 27 with respect to pension liabilities and Statement No. 43 and 45 with respect to OPEBs is to improve the usefulness of information for users of financial reports in accordance with Concept Statement No. 1. The New Standards will drastically diminish the usefulness and relevance of reported information on Pensions and OPEBs for external investors, one of the major users of government financial reports.

2. Risk of Migration Away from Actuarial Reporting: Under Statement Nos. 67 and 68 with respect to Pensions and the proposed new standards for OPEB liabilities, governmental issuers are no longer required to base Pension and OPEB costs upon an actuarially determined contribution. Relaxation of actuarial requirement creates a tempting escape valve for stressed governmental entities to create and rely upon less stringent statutory requirements.<sup>13</sup>
3. New RSI Standards Fall Wide of the Mark: Although the proposed changes to OPEB standards contain certain enhancements hereafter delineated, the advantages conferred are vastly outweighed by the diminished content set forth in the new required supplementary information ('RSI'). In an effort to concentrate exclusive attention on a year-to-year determination whether current year revenues are sufficient to finance current year services, the new standards dismantle the funding based accounting model, thereby terminating vital financial reporting and disclosure that facilitated analysis of the overall sufficiency of financial resources to meet larger long-term liabilities. The content of the new RSI set forth in Paragraph 55 of the May 28, 2014 Exposure Draft represents a notable loss in the quality and completeness of reported pension and OPEB liabilities for these reasons: (i) neither the actuarial value of assets ('AVAs') nor unfunded actuarial accrued liabilities ('UAALs') will be reported; (ii) the new standards dispense with the need to file a *Schedule of Funding Progress* that reports the ratio of AVAs to UAALs; (iii) the new RSI no longer requires a *Schedule of Contributions*, thereby removing a crucial metric known as 'annual required contribution' ('ARC') that measured the extent to which government entities were funding both normal service costs and a pro rata share of unfunded liabilities amortized over a period not to exceed thirty years; (iv) although the new Schedule of Changes in Net OPEB Liability requires a more detailed breakdown of individual factors driving changes in total OPEB liability, due to the absence of the ARC metric there is no clear way to determine the extent to which a government entity is making adequate provision to fund accruing OPEB liabilities. As a result, although new financial disclosure will provide a deeper dive into a more nuanced account schedule, the aggregate multiyear focus that responsible liability management demands is completely lost.
4. Eliminates Amortization Guidelines: Under the Prior Standards the Board established amortization guidelines and other parameters with respect to Pension and OPEB liabilities. As originally formulated, the amortization period for recovering unfunded costs was set at 40 years and then scaled back to 30 years, effective ten years after the original effective date. Under the New Standards the Board no longer offers guidance with respect to acceptable amortization period(s) and other parameters which might result in greater variation than in the past.<sup>14</sup>

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<sup>13</sup> *State and Local Pensions*, pg. 73

<sup>14</sup> *Ibid.*

5. Disables Prior Interperiod Comparison: The switch from a funding-based accounting model to an annualized reporting model not only provides all users with inferior content it is bound to confuse and perplex even sophisticated financial investors who are trained to conceptualize retirement costs in terms of a quite different measurement focus based upon funded ratios and ARC payments. As noted in a letter filed with respect to Statement No. 67 and No. 68 by the National Federation of Municipal Analysts dated May 30, 2012 included as Exhibit A, municipal finance professionals place great analytical importance on evaluation of ARC payments by state and local governments. The ARC metric is widely used by municipal analysts and is viewed as an indispensable tool with which to evaluate funding effort for pensions and OPEB liabilities. The disappearance of this metric in conjunction with the release of new financial reports prepared in conformity with Statement No. 67 and Statement No. 6 is apt to cause considerable consternation and outcry once the impact of these changes is fully comprehended.
6. Inhibits Analysis of Funding Adequacy: In rejecting the funding-based accounting model, the new standards fail to enable users of financial statements better understand the full cost of pension and OPEB liabilities and the level of financial resources needed to meet accruing expenses. In an effort to improve the usefulness of reported financial data, the Prior Standards established financial reporting to measure the adequacy of both annual funding effort by means of the ARC payment and the adequacy of cumulative resources set aside to meet accruing expenses, known as the funded ratio. In dropping the funding-based accounting model, the New Standards focus disproportionate attention on a labyrinth of costs that drive Changes in Net OPEB Liability without providing any insight into the sufficiency of available financial resources to pay off accruing retirement liabilities over a longer-term basis. Without the benefit of a funded ratio and ARC payments it is simply not possible to evaluate how well, if at all, retirement costs are being managed. For these reasons, the New Standards inhibit rather than enhance the understandability and usefulness of Pension and OPEB liabilities.
7. Inhibits Effective Public Management of Funding Needs: Without the benefit of funded ratio and ARC payments it will prove extremely difficult for public administrators to effectively manage retirement liabilities because these officials will be unable to determine: (a) total annual required contributions that should be made to fund pension and OPEB liabilities, inclusive of normal service costs and amortization of unfunded actuarial accrued liabilities; (b) the appropriate length of the amortization period, in the absence of explicit parameters relating to ARCs under the new standards. The removal of these metrics strips away guidelines heretofore relied upon by public administrators to gauge appropriate funding levels and in the absence of a compelling funding rationale renders it that much more difficult for public officials to convince taxpayers that additional revenue is needed to fund accruing liabilities.
8. Erodes Credibility of Accounting Standards: Once the implications are seen and fully comprehended in new financial statements, the radical change introduced by the new standards for pensions and the proposed standards for OPEBs are apt to shock and awe not just the municipal finance community but the general public at large. In an era characterized by fiscal austerity, the demise of the funding-based accounting model leading to the disappearance of the traditional funded ratio and ARC contribution metrics are likely to create a state of confusion and disbelief. The confusion will center on why

critical accounting metrics for a struggling area of public finance have been stripped from financial reports. The disbelief will arise from the inability to understand the value and supposed superiority of the new standards in comparison to the old standards. The inevitable consequence is that these new standards will undermine public confidence in the credibility of financial reporting. It will not be surprising to see a backlash calling for immediate reinstatement of traditional measures.

### 3. Recommendations

As noted in the commentary that follows, while the new standards set forth certain improvements to financial accounting and reporting for pensions and OPEBs, there are several notable problems therein that require important modification:

- a. Retain Rigorous Actuarial Standards: The Board itself eloquently articulated the importance of actuarially sound funding policy in connection with earlier pronouncements on pensions and OPEBs and devised a well-designed framework to enhance the understandability and usefulness of public sector retirement data reported in financial statements. Statements No. 25 and No. 27 with respect to pensions and Statements No. 43 and No. 45 with respect to OPEBs, were premised upon three critical assumptions: (a) financial data with respect to sizeable pension and OPEB liabilities, for both internal and external stakeholders, is most useful when the measurement focus draws a direct comparison between accrued costs and funds available to pay these costs; (b) to meaningfully evaluate available funds it is imperative to examine actual funding policy; and (c) the very best way to ensure that costs are funded with sufficient assets is to rely upon established actuarial standards. Although the new standards dispense with the use of fund-based accounting metrics, no satisfactory rationale is provided to refute these original premises. The earlier standards provided two critical metrics to analyze the sufficiency of cumulative and periodic funding policy: (1) the funded ratio calculated by dividing the actuarial value of assets ('AVA') by unfunded actuarial accrued liabilities ('UAAL'); and (2) the ratio of annual pension or OPEB contributions to ARC payments. For anyone interested in carefully evaluating funding policy for pensions and OPEB, these two metrics are as indispensable today as they were in 1994 when the earlier pension and OPEB pronouncements were introduced. The importance of funding policy is recognized by other financial experts. In the February 2014 report of 'The Blue Ribbon Panel on Public Pension Funding' comprised of leading actuaries, the Panel reports that it "wholeheartedly believes that keeping pension promises to employees means that the Plan should be pre-funded in a rational and sustainable manner". To shift measurement-focus away from actuarially sound funding policy not only deprives users of financial statement of the ability to evaluate funding adequacy, since funded ratio and ARC contributions will no longer be publicly ascertainable, it also diminishes the incentive for public administrators to fund accruing obligations in a responsible manner.
- b. Retain Use of Key Metrics: The corollary to retaining rigorous actuarial standards is the strong preference of end users to retain provision of two critical metrics: (i) the funded ratio ('AVA' divided by 'UAAL') set forth as required supplemental information in the *Schedule of Funding Progress*; and (ii) percentage of ARC contributions paid (the ratio of annual pension or OPEB payments to actuarially required contributions) set forth as required supplemental information in the *Schedule of Employer Contribution*. The National Federation of Municipal Analysts has communicated to the Board that municipal analysts rely heavily upon the funded ratio and ARC contribution metrics not only to

monitor the funding status of pension and OPEB liabilities but also to evaluate the fiscal health of the corresponding governmental entity.

- c. Retain Key Input Valuation Parameters: To continue to promote comparability of key financial metrics it is also extremely important to provide guidelines governing the valuation of inputs into funded ratio and ARC contribution calculations. Under Statement No. 27 these guidelines included standards governing: (i) the selection of all actuarial assumptions; (ii) economic assumptions; (iii) maximum amortization period for the UAAL, capped at 40 years for the first 10 year period following the effective date of Statement No. 27, and then scaled back to 30 years; and (iv) required biennial actuarial valuations for pensions and OPEBs.<sup>15</sup>
- d. Mandate Prominent Disclosure of Alternate Standards: As noted earlier, the New Standards no longer prescribe the use of an actuarial formula or actuarial standards to measure annual pension and OPEB contributions and thereby permit the use of either a statutory or contractual basis to determine the annual level of pension and OPEB contributions to be made. Whereas the Prior Standards called for the formulation of all actuarial assumptions in accordance with Actuarial Standards of Practice No. 4, if a statutory or contractual basis is used to determine annual pension contributions, actuarial assumptions need not be formulated in accordance with those established by the Actuarial Standards Board.<sup>16</sup> Departure from established actuarial practice in the calculation of annual pension cost could materially undermine the accuracy of pension and OPEB funding policy. Since pension and OPEB costs are of substantial material importance to investors, if a governmental entity relies upon anything other than Entry Age Normal methodology to calculate annual pension costs or otherwise relies upon any form of statutory or contractual basis to determine pension or OPEB costs, this fact is of great material importance to investors and warrants clear, meticulous and prominent disclosure. It is unclear to what extent, if any, state and local government issuers will elect to adopt alternate approaches to pension and OPEB calculations but any migration away from established industry practice ought to be made subject to the full discipline of the marketplace through rigorous disclosure requirements. If either a statutory based or contractual based methodology is relied upon, investors ought to be provided with the following: (a) a clear understanding of the basis of the alternate methodology; (b) a detailed explanation as to how any such alternate approach differs from actuarial estimates; and (c) when the issuer first elected to adopt such alternate approach together with the policy rationale. Moreover, the fact that a governmental issuer elects to employ a statutory or contractual based approach to the calculation of pension and OPEB costs is a potential red flag that ought to be disclosed in appropriate and conspicuous areas of the Notes to the financial statements including: (i) the description of the pension or OPEB plan; (ii) the funding policy employed; and (iii) the methodology used to calculate annual pension cost.
- e. Enhance OPEB Plan Description: It is recommended that the Board use alternate proposed text to more clearly define both the authority upon which OPEB benefits have been provided and the basis, if any, upon which these benefits can be modified, amended or terminated. The same criteria ought to apply to governmental non-employer contributing entities that absorb any portion of OPEB liabilities. Paragraph 48 of the

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<sup>15</sup> Statement 27, paragraph 9, pg. 14; Statement 43, paragraph 33, pg. 26

<sup>16</sup> Compare Statement No. 27, Paragraph 10(b) with Statement No. 68, Paragraph 61.



OPEB ED sets forth a list of informational elements that are to be disclosed in connection with providing investors with a description of the OPEB Plan. As the Board itself acknowledges in Paragraph B-23 (pg. 100) OPEB liabilities do not necessarily represent a legal, contractual or statutory obligation of the governmental entity to pay other post-employment retirement benefits. Although the Board argues that an employer has a 'constructive obligation' to honor OPEBs even in the absence of a legal, contractual or statutory duty, in the eyes of investors there is a material difference between a *moral obligation* to make payment as opposed to a binding *legal obligation*. In order to facilitate full, clear and accurate disclosure regarding the legal enforceability of OPEB liabilities, Paragraph 48 ought to be amended as follows: (1) the phrase 'legal, contractual or statutory' should precede the word 'authority' in subparagraph (b)(5) on page 14 to promote disclosure of the legal, contractual or statutory basis, if any, of OPEB liabilities; (2) the phrase 'legal, contractual or statutory' ought to precede the word 'basis' in subparagraph (d)(4) on page 14 to promote disclosure of the legal or contractual or statutory basis, if any, of OPEB contribution requirements by the applicable governmental entity; and (3) the following text should entirely replace the language set forth in subparagraph (d)(2): " identification of the legal, contractual or statutory authority under which contribution requirements of the employer, non-employer contributing entities, if any, and employees are established or may be amended, modified or terminated".

- f. Retain Enhancements Provided Under New Pension/OPEB Standards: There are many notable improvements to financial reporting and accounting for pensions and OPEBs under Statement No. 67, Statement No. 68 and the proposed standards set forth in the OPEB Exposure Draft that should be retained. Here is a thumbnail list of the enhancements that serve to improve the understandability and usefulness of pension and OPEB financial information: (i) if an actuarially determined contribution is calculated, the New Standards provide that state and local governments should use an identical actuarial cost method known as 'Entry Age Normal'<sup>17</sup>, thereby facilitating improved comparability (the Old Standards allowed governmental entities to use any one of six Actuarial Cost Methods)<sup>18</sup>; (ii) recognition of net pension liability in government wide financial statements for Single and Agent Plans, although as noted in at least one other comment, these liabilities ought to be included in the financial statement for the general fund because this would better aid investors concerned with general obligation bonds<sup>19</sup>; (iii) with respect to the value of investment assets, the New Standards call for phase-out of the 3-5 year asset smoothing to be replaced by a mark-to-market value approach which will inject greater volatility in pension and OPEB valuations but at the same time provide financial statement users with a more accurate measurement; (iv) more immediate expense recognition for other cost components such as changes in benefits, changes in assumptions; (v) application of a more conservative blended discount rate to measure projected pension and OPEB costs equal to an expected long-term investment rate so long as net position of the plans is positive, combined with a rate that simulates an issuer's cost of funds at any time in which net position turns negative; (vi) more complete descriptions of pension and OPEB cost components for Single and Agent

<sup>17</sup> Statement 68, paragraph 32, pg. 13 for Single and Agent Plans, paragraph 70 for Cost-Sharing Plans; OPEB Exposure Draft, paragraph 40, pg. 34 for Single and Agent Plans, paragraph 83, pg. 49 for Cost-Sharing Plans

<sup>18</sup> See Statement No. 25 paragraph 36(d), pg. 16, Statement No. 27, paragraph 36(d), pg. 16

<sup>19</sup> See 'Letter of Comment No. 1, File Reference No. 1 (7/08/14)

Plans that depict changes in net pension liabilities by source and other details over a ten year time period; and (vi) a more complete 10 year history of changes in net pension and OPEB cost components for Multiple-Employer Plans showing a proportionate cost allocation

**List of Co-Signatories to the Comment Letter**

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