



September 28, 2012

Robert Attmore
Chairman
Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856



Dear Mr. Attmore:

Our organizations, representing state and local government officials across the United States, recognize that the Governmental Accounting Standards Board's (GASB) new pension accounting standards focus entirely on how pension costs should be calculated. They do not address, however, how employers should calculate their annual required contribution (ARC). Because of this de-linkage, we recognize that state and local governments will need to develop guidance on how employers calculate the ARC.



To address this need, our organizations are engaged in an ongoing effort to develop a set of pension funding policy guidelines. Our collaborative pension funding policy guidelines will be designed around an actuarially determined ARC and would address the following general policy objectives in an integrated way: funding discipline; intergenerational equity; contributions as a stable percentage of payroll; and accountability and transparency in reporting. Furthermore, this development effort recognizes that a pension funding policy for state and local governments ought to address three core elements: actuarial cost method; asset smoothing; and amortization.



The last decade has been a sobering time for government leaders and pension plan sponsors. Actuarial practice is changing and will continue to evolve in the years ahead. An effective way for governments to make prudent decisions about their retirement plans is to have a pension funding policy that guides them over the long term. The first section of our draft "Pension Funding Policy Guidelines" (attached) is intended to provide a framework for policy leaders to update their pension funding policies.



Sincerely,



Dan Crippen, Executive Director
National Governors Association

William Pound, Executive Director
National Conference of State Legislatures





David Adkins, Executive Director
Council of State Governments



Matt Chase, Executive Director
National Association of Counties



Donald J. Borut, Executive Director
National League of Cities



Tom Cochran, CEO and Executive Director
The United States Conference of Mayors



Robert J. O'Neill, Executive Director
International City / County Management Association

Attachment

The "Big 7" is a coalition of seven national associations in Washington, D.C., whose members represent state and local governments. The leadership of these organizations works together regularly to discuss issues of mutual interest affecting state and local governments. Members of the "Big 7" include: The National Governors Association, the National Conference of State Legislatures, The Council of State Governments, the National Association of Counties, the National League of Cities, The U.S. Conference of Mayors and the International City/County Management Association.