*THE* ***GASB*** *REPORT*

***No. 310 / January 2011***

*(The GASB Report No. 272)*

***GASB Calendar***

The GASB has scheduled the following public meeting dates:

March 1–3

April 12–14

The GASB also is scheduled to meet via **teleconference** on **March 22** and **May 3.** The precise time, as well as the agenda, will be announced approximately two weeks before each meeting. Unless otherwise indicated, all meetings are held at the Financial Accounting Foundation (FAF) offices in Norwalk, Connecticut.

In addition, the GASB will meet with the Governmental Accounting Standards Advisory Council on March 3 and 4 in Norwalk, and the FAF will be meeting on February 15 in Norwalk. Finally, the GASB will meet with its Economic Condition Reporting—Fiscal Sustainability Task Force on April 14 in Norwalk.

Please check the GASB website at www.gasb.org three working days prior to meetings to verify the final agenda.

If you plan to attend *any* meetings, please notify Ragan Vincent at (203) 956-5372 or via email at rpvincent@gasb.org. In addition, due to the FAF’s security procedures, visitors to the Norwalk meetings are required to go to www.gasb.org to register at least 24 hours before each meeting they are planning to attend.

***GASB Requests Input on Emerging Issues***

Although some of the GASB’s time is spent monitoring practice for developing issues in governmental accounting and financial reporting, those who prepare, audit, and use governmental financial statements are best positioned to identify potential practice issues when they arise. As a result, the Board continually seeks input from its constituents to help identify emerging issues that may require its attention. The GASB’s agenda is full; however, the Board remains committed to addressing important emerging issues that are faced by state and local governments as they arise.

***How Issues Come to the Board’s Attention***

The GASB has several processes in place that assist in identifying emerging issues. These include the activities of its advisory council, the Governmental Accounting Standards Advisory Council (GASAC), which meets three times a year to, among other things, consider whether there are matters that the GASB should research. Constituents also indirectly help the GASB identify potential issues when they contact its staff with questions about its standards. The GASB tracks the technical inquiries that it receives, and if a number of questions about a particular topic are posed, the Board, GASAC, and staff consider whether there may be an issue that requires further consideration.

In addition to these procedures, the GASB encourages constituents to notify its staff if issues come to their attention, including raising those issues at presentations made by the Board members and staff at conferences around the country.

***How to Notify the GASB of Potential Accounting Issues***

If you are aware of new issues for which accounting and financial reporting guidance is needed or any issues with the interpretation or implementation of GASB standards or with the financial reporting information that results from application of existing guidance, please let the GASB know. Potential concerns can be sent via email to the GASB’s Director of Research and Technical Activities at director@gasb.org. Alternatively, a letter can be sent to:

Director of Research and Technical Activities

GASB

401 Merritt 7

PO Box 5116

Norwalk, CT 06856-5116

When submitting a description of an issue, please be sure to include your name and contact information so that the GASB’s technical staff can follow up with you. Matters brought to the GASB’s attention will be explored by the staff and, based on the results of that research, may be considered either for addition as a project on the GASB’s technical agenda along with competing projects or for inclusion in a question and answer in the GASB *Comprehensive Implementation Guide.*

***Board Meeting Summary***

The GASB met via teleconference on December 29 to discuss issues associated with its project on pension accounting and financial reporting and the *Comprehensive Implementation Guide.*

The Board also held a public meeting at its office in Norwalk, Connecticut, on January 18–20 to discuss issues associated with its projects on derivative instruments, pension accounting and financial reporting, fiscal sustainability as it relates to economic condition reporting, and deferred inflows of resources and deferred outflows of resources. Due to publication deadlines, details of those deliberations are not described in this issue of *The GASB Report* but will be discussed in the next issue.

***Pension Accounting and Financial Reporting***

In its project on pension accounting and financial reporting, the Board considered a paper summarizing the results of staff outreach related to the relative significance of various actuarial assumptions used in the measurement of defined pension benefits for accounting and financial reporting purposes.

After reviewing the feedback received from members of the actuarial community consulted by the staff, the Board considered whether to establish specific guidance in the Exposure Draft related to the selection of assumptions for accounting and financial reporting purposes. The Board tentatively decided to include a proposal in the Exposure Draft that the selection of actuarial assumptions be made in accordance with Actuarial Standards of Practice; however, the Board will further deliberate the assumption associated with the expected rate of return at the January meeting.

With regard to specific assumptions, the Board tentatively agreed to consider at a later meeting whether to include additional note disclosures about mortality assumptions. The Board also asked the staff to continue to discuss with members of the actuarial community issues related to the frequency of the reevaluation of actuarial assumptions used in calculations for accounting and financial reporting purposes and tentatively agreed to consider these issues further at a later meeting.

The Board also discussed accounting for two types of insurance arrangements within the context of defined benefit pension arrangements. The Board first discussed contracts with an insurance company under which the related payments to the insurer are currently used to purchase immediate or deferred annuities for individual members—also referred to as *allocated insurance contracts.* The Board tentatively agreed that such contracts should be excluded from plan assets and that the employer’s total pension liability should exclude benefit payments to be provided through these types of contracts if (1) the contract irrevocably transfers to the insurer the responsibility for providing the benefits and (2) all required payment(s) to acquire the contracts have been made and the likelihood is remote that the employer or plan will be required to make future payments to satisfy the benefit payments covered by the contract.

The Board also tentatively agreed to continue the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* with regard to defined benefit plan accounting for allocated insurance contracts.

In addition, the Board tentatively decided to propose that employers and defined benefit pension plans should be required to disclose the following information about allocated insurance contracts that are excluded from plan assets and about benefits that are excluded from the employer’s total liability:

• The amount in the current period attributable to the purchase of allocated insurance contracts in (1) the change in the employer’s total pension liability and (2) benefit payments recognized by the plan

• A brief description of the benefits for which allocated insurance contracts were purchased in the current period

• The fact that the obligation for the payment of benefits covered by the allocated insurance contracts has been effectively transferred from the employer to one or more insurance companies

• Whether the employer retains an obligation for benefits covered by the allocated insurance contracts in the event of the insurance company’s insolvency.

The Board also considered accounting and financial reporting issues related to employers that provide defined pension benefits by means of a financing arrangement under which funds are accumulated with an insurance company while employees are in active service in return for the insurer undertaking an unconditional legal obligation to pay the pension benefits of those employees or their beneficiaries.

These arrangements are referred to in Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as insured plans. The Board tentatively decided to propose that if the probability is remote that the employer will be obligated to transfer additional assets to the insurer in the future to support the payment of the benefit obligation, an employer that provides defined pension benefits through such an arrangement should do as follows:

• Exclude from its total pension liability benefits to be provided through the insured plan

• Recognize pension expense equal to the contributions or premiums required in accordance with their agreements with the insurance company for such benefits

• Disclose the following in the notes to its financial statements:

– The current-year pension expense/expenditure associated with premiums for the insured plan

– A brief description of the insured plan, including the benefit provisions and the authority under which benefit provisions are established or may be amended

– The fact that the obligation for the payment of benefits has been effectively transferred from the employer to one or more insurance companies

– Whether the employer retains an obligation for benefits in the event of the insurance company’s insolvency.

***Comprehensive Implementation Guide***

The Board reviewed and provided comments on the ballot draft of the mid-year supplement to the 2010–2011 *Comprehensive Implementation Guide* before unanimously clearing it for issuance. Many of the proposed changes, additions, and deletions to questions and answers for the supplement relate to the implementation of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* The mid-year supplement will be available on the GASB website, www.gasb.org, in early February.

***GASB Performance Measures: Technical Inquiry Activities***

The GASB staff spends a significant amount of time responding to questions (technical inquiries) from its constituents about GASB standards. The following performance measures assess a part of the GASB’s strategic plan objective to “guide and educate constituents about the content and value of the GASB’s reporting requirements and proposed standards.”

***Time Required to Complete Inquiries***

GASB response times to complete technical inquiries submitted to the GASB in 2010 exceeded goals for responses in the less than one- , two- , and three-week categories, as indicated in the table below. The goal of completing all technical inquiries in less than 4 weeks was not met, though just less than 1 percent of the inquiries during 2010 required 4 or more weeks to complete. There are a variety of reasons why inquiries can take four weeks or more to complete. Some of the more complex inquiries sometimes lead to an extended dialogue between the inquirer and the GASB staff to obtain or clarify specific facts or circumstances and may therefore take longer to resolve.

**Technical Inquiries in 2010**

**Technical Inquiries Number 2010 Cumulative 2009 Cumulative GASB**

**Closed Within of Inquiries Percentage Percentage Goals**

0–6 days 1,465 84.0% 84.8% 80.0%

7–13 days 200 95.5% 93.9% 90.0%

14–20 days 46 98.1% 96.6% 95.0%

21–27 days 17 99.1% 98.2% 100.0%

28+ days 16 100.0% 100.0% 100.0%

1,744

***Time Until First Contact Is Made with the Inquirer***

Although it may take longer to provide a final answer to an inquirer, the staff actually responds within days of receiving an inquiry in order to acknowledge receipt of the inquiry and to gather additional information. The GASB’s goal is to make initial contact with all inquirers within one week. During 2010, contact was made within a day for more than 65 percent of the inquiries. Contact was made within 7 days in nearly 93 percent of the inquiries received. The GASB is endeavoring to increase those percentages in 2011.

**Technical Inquiries in 2010**

**First Contact**

**with Inquirer Number 2010 Cumulative 2009 Cumulative GASB**

**Made Within of Inquiries Percentage Percentage Goals**

1 day 1,135 65.1% 64.8% 60.0%

2–6 days 438 90.2% 90.0% 90.0%

7 days 43 92.7% 92.7% 100.0%

8+ days 128 100.0% 100.0% 100.0%

1,744

***Inquirer Satisfaction with Understandability, Helpfulness, and Promptness***

Constituent satisfaction with the GASB’s technical inquiry activities remained high in 2010, substantially exceeding the GASB’s goals. This is significant considering that the volume of technical inquiries increased by more than 7 percent over the previous year. Overall satisfaction reached nearly 95 percent. While certainly a respectable response, it represents a 1 percent decrease from the 2009 overall satisfaction level. The GASB is endeavoring to increase overall satisfaction in 2011.

**Technical Inquiries in 2010**

**Total GASB Total**

**Measure 2010 Goals 2009**

Answers to technical inquiries

were understandable or

very easy to understand 95.6% 90.0% 96.7%

Person responding to technical

inquiry was helpful or

very helpful 97.8% 90.0% 98.4%

Person making technical inquiry

was satisfied or very satisfied

with promptness of response 96.7% 90.0% 96.7%

Overall, person making technical

inquiry was satisfied or very

satisfied with the experience 94.5% 90.0% 95.7%

***How to Submit a Technical Inquiry***

The answers to many general questions (for example, status of a current GASB project or effective date of a Statement) can be found on the GASB’s website, www.gasb.org, or by contacting staff members via email.

Inquirers with questions that include requests for interpretation of accounting standards are encouraged to use the GASB’s web-based technical inquiry system at www.gasb.org. The system can be accessed by clicking the Technical Inquiry System menu item under the Technical Issues tab on the GASB website.

***Who’s Who at the GASB***

*In January, two postgraduate technical assistants joined the GASB.*

***Lyra Burgess*** joined the GASB staff in January 2011. She came to the GASB from the University of Texas at Austin, where she received a master’s degree in accounting. Lyra’s significant project assignments include pension accounting and financial reporting, fair value measurements, and financial guarantees.

***Janna Lovell*** joined the GASB staff in January 2011. She came to the GASB from the University of Nevada-Las Vegas, where she received a master’s degree in public administration. Janna’s significant project assignments include fiscal sustainability as it relates to economic condition reporting and fiduciary responsibilities.

*Also in January, the GASB marked the departure of a post-graduate technical assistant who completed his term.*

***Daniel Brown*** will join PwC as a senior assistant in the firm’s accounting and financial reporting transaction services group. He came to the GASB staff in January 2010 from Babson College, Babson Park, Massachusetts, where he received a master’s degree in accounting. During his tenure at the GASB, Dan worked on a number of technical projects including economic condition reporting—fiscal sustainability, and service efforts and accomplishments reporting.

***The GASB Report***

The GASB welcomes feedback on *The GASB Report.*

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