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

***No. 332 / November 2012***

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***GASB Calendar***

The GASB has scheduled the following public meeting dates:

***January 8–10***

***February 19–21***

The GASB also is scheduled to meet via **teleconference** on **December 17** and **January 28.** 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.

Also, the GASB will be meeting with the Governmental Accounting Standards Advisory Council on February 21 and 22 in Norwalk, Connecticut.

Finally, the FAF Board of Trustees will meet on February 26 in Norwalk, Connecticut.

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 *all* meetings are required to go to www.gasb.org to register at least 24 hours before each meeting they are planning to attend.

***GASB Encourages Planning, Preparation, and Collaboration on New Pension Statements***

With new public pension accounting and financial reporting standards set to take effect in 2013 and 2014, state and local public officials and pension plan administrators are encouraged to take steps now to ensure that they are well prepared to implement those requirements.

The GASB has identified several areas that public officials and plan administrators are urged to consider as they prepare for implementation. These areas include:

* Selection of assumptions
* Timing of measurements
* Timing of actuarial valuations
* Development of information for employer reporting.

The GASB recently approved Statement No. 67, *Financial Reporting for Pension Plans,* which applies to pension plans that administer pension benefits, and Statement No. 68, *Accounting and Financial Reporting for Pensions,* which applies to governments that provide pension benefits to their employees. The new pension standards introduce a wide array of enhancements to financial reporting that will result in significant changes in the type and form of information collected and reported by pension plans and governmental employers.

To prepare for these upcoming financial reporting changes, the GASB encourages pension plans and governmental employers that have not yet begun the implementation process to become familiar with the new standards and to initiate discussions that address the key implementation issues highlighted below.

GASB Chairman Robert H. Attmore noted that “based on constituent feedback received during the Board’s extensive public due process, the need for all parties involved to engage in significant coordination and collaboration became quite evident to the GASB. Due to the significant efforts that are needed to successfully implement the new pension standards, the Board extended the transition period for most governments to allow for a reasonable time for transition,” the chairman added.

Challenges facing pension plans and employers that provide pensions through those plans may vary depending upon whether the plan is a single-employer, agent multiple-employer, or cost-sharing multiple-employer plan. However, certain common issues also exist for all types of plans and employers. Key areas to be considered by all types of plans and employers include the following:

* *Selection of assumptions.* Similar to the requirements of earlier pension standards, Statement 68 requires that when the same or similar measures are required to be reported by both the pension plan and employers that provide benefits through that plan, the assumptions used to determine those measures be the same. Therefore, coordination will be necessary between pension plans and employers when measurements of the net pension liability of the employers are made. Assumptions integral to the measurement of an employer’s pension liability include the long-term expected rate of return on pension plan investments, which plays a potentially significant role in the determination of the discount rate.
* *Timing of measurements.* To meet the requirements of the new Statements, single-employer pension plans, cost-sharing multiple-employer pension plans, and single, agent, and cost-sharing employers will need to report information about the net pension liabilities of the employers. For pension plans that are required to present information about the liabilities of the employers, the net pension liability is required to be measured as of the end of the pension plan’s fiscal year. Employers, however, are provided with additional flexibility with regard to the “as of” (or “measurement”) date of the net pension liability reported in its financial statements each period. That is, an employer may report a pension liability measured between the end of the employer’s prior fiscal year and its current fiscal year-end (for example, as of the pension plan’s fiscal year-end). Because information about pension plan net position is needed to measure the employer’s net pension liability, in pension plans in which the same fiscal year-end is not shared among the employers and the plan itself, coordination of the employers’ measurement date will be necessary.
* *Timing of actuarial valuations.* Statements 67 and 68 require that actuarial valuations for financial reporting purposes be prepared at least every two years; however, the timing of the actuarial valuation relative to the fiscal year-end for which information based on the results of that valuation is reported might differ for plans and employers. For pension plans, the actuarial valuation date can be no more than 24 months prior to the plan’s fiscal year-end, and for employers, the actuarial valuation date can be no more than 30 months earlier than the employer’s fiscal year-end. In circumstances in which pension plan and employer fiscal year-ends are different, attention to the timing of the actuarial valuation date relative to those fiscal year-ends will be necessary to ensure that the actuarial valuation date, in conjunction with the measurement date (discussed above), will fall within the timing requirements of the new Statements.
* *Development of information for employer reporting.* Statement 68 requires some employers to report certain information that also is required by Statement 67 to be reported by the pension plan (for example, single employers will disclose information about the sources of change in the net pension liability in the current period—information that also will be presented in a schedule of required supplementary information by the single-employer pension plan). Other information that will be reported by certain employers will be *derived from* information that will be reported by the pension plan but will not itself be reported by the pension plan (for example, single-employer and cost-sharing employer pension expense). Key considerations relative to the information needed for employer financial statements will be which entity will prepare the information, which entity will incur the cost to develop this information, and the roles that each entity’s auditors will play in providing appropriate assurance on that information.

Additional considerations that might be primarily relevant to cost-sharing pension plans and employers include the following:

* *Information to determine employers’ proportionate shares.* Financial reporting by cost-sharing employers will require the determination of each employer’s proportionate share of the pension liability associated with all employees provided with benefits through the pension plan (the collective net pension liability). Statement 68 encourages the use of each employer’s projected long-term relative share of contributions to the plan as the basis for establishing each employer’s proportion for this purpose. However, the Statement also provides flexibility, noting that any measure associated with the manner in which contributions are assessed may be used as the basis for an employer’s proportion. Because an employer’s proportion is a measure of its contribution responsibility relative to all contributing governments, regardless of the basis that is selected, information about the plan as a whole will be needed to meet the Statement 68 requirements.

As discussed more broadly above, pension plans and employers, in consultation with the plan’s actuary and the plan and employer auditors, also will need to evaluate the role that the pension plan and its actuary will take in several areas, including determining each employer’s proportion, measurement of collective pension expense and collective deferred outflows of resources and deferred inflows of resources, and calculations that are necessary for each employer individually. (For example, each employer is required to identify the effects of changes in its individual proportion from period to period.) If information for employer reporting purposes will be provided by the pension plan and its actuary, another key consideration will be the establishment of procedures that will support the needs of auditors of the employers’ financial statements to ensure that they can express an opinion on that information.

In circumstances in which the pension plan does not currently interact directly with the employers (for example, when a separate intermediary agency coordinates collection of contributions from individual employers and the transmission of those contributions to the pension plan), the pension plan might not have information to identify the activities of any one individual employer. Coordination among the pension plan, intermediaries, and individual employers will be necessary to ensure that information is available to employers to meet the new requirements.

* *Identification of the reporting responsibility for pensions in circumstances in which a nonemployer entity is involved.* Statement 68 differentiates financial reporting requirements for employers and nonemployer entities depending upon the form the nonemployer entity’s involvement takes. In certain circumstances in which a nonemployer entity has a legal requirement to make contributions to support pensions, the nonemployer entity will be required to recognize a proportionate share of the employer’s pension liability, and the employer’s recognized liability will be reduced. These situations will need to be evaluated to appropriately classify the arrangements for financial reporting purposes.

Additional information about the new pension Statements, including a series of fact sheets, the full text of the documents, an article providing a high-level overview of key provisions of the Statements, and information on how to order hard copies, is available on the GASB website, www.gasb.org.

***Board Meeting Summary***

The Board met via teleconference on October 19 to discuss issues associated with its project on accounting and financial reporting for other postemployment benefits (OPEB).

In addition, the Board held a public meeting on November 28–30 to discuss issues associated with a number of projects, including those on government combinations and disposals of government operations, OPEB, recognition and measurement approaches under the conceptual framework, measurement and application of fair value, the hierarchy of generally accepted accounting principles, and financial guarantees. Due to publication deadlines, details of those deliberations are not discussed in this issue of *The GASB Report* but will be described in the December issue.

***Other Postemployment Benefits***

The Board continued its discussion of issues associated with the projection of OPEB benefits in the measurement of an OPEB liability. The Board discussed coverage assumptions, healthcare cost trend rates, and other economic and demographic assumptions used by actuaries in projecting OPEB benefits. The Board tentatively decided to propose that coverage assumptions, healthcare cost trend rates, and other economic and demographic assumptions used for the projection of benefits in the measurement of an employer’s OPEB liability be selected in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

The Board also discussed feedback received from task force members at the October 5, 2012 task force meeting on issues related to the projection of OPEB benefits in the measurement of an OPEB liability. The Board tentatively reaffirmed its decision to propose that the projection of benefits for the measurement of an employer’s OPEB liability include (1) benefits provided outside of a formal, written document; (2) consideration of the historic pattern of sharing costs between employers and benefit recipients; and (3) benefit changes that the employer has formally approved and communicated to employees.

***www.gasb.org***

***GASB Website Resources***

One of the GASB’s key objectives is to effectively communicate with its constituents, including financial report users, preparers, and auditors. To support this important goal, the GASB makes a variety of resources available through our website, www.gasb.org. While the site is designed to be fully accessible, a number of areas are worth highlighting.

***Free Copies of GASB Statements and Proposals***

The GASB makes copies of all of its final pronouncements and current draft proposals available for download at no charge.

Final GASB documents are available under the Pronouncements tab. In addition to the full text of Statements, Concepts Statements, Interpretations, and Technical Bulletins, links to both summaries and status updates for each of these types of GASB literature also are available in this section.

GASB proposals, including Exposure Drafts, Preliminary Views, and Invitations to Comment, are available on the Documents for Public Comment page under the Projects tab.

***Projects***

Projects on the GASB’s agenda—both current and research projects—each have their own page in this section of the website. Individual project pages include recent developments, major tentative decisions, contact information for project staff, and work plan information. The information on active projects is updated after each meeting in which the projects are discussed by the Board.

***Technical Issues***

Information related to the GASB’s research and technical activities may be found under this tab. It includes both full and summary versions of the GASB’s Technical Plan. The Technical Plan, which is updated three times a year, presents detailed information about each of the projects currently being deliberated by the Board and projects for which research is being conducted, and identifies potential future projects.

***Technical Inquiries***

Do you have a question about GASB standards or state and local government accounting and financial reporting? By filling out and submitting the GASB on-line form—which may be accessed through a link in the Technical Issues section—website viewers may pose questions to GASB staff about the application of GASB pronouncements. Nonauthoritative staff responses will be provided by phone.

***Plain Language***

Proposed and new GASB standards are often accompanied by a short explanatory “plain-language” article that uses a minimum of technical language. Reading GASB’s pronouncements can be difficult for a couple of reasons. First, depending on the subject matter, the issues addressed can be highly technical. Second, the standards are written in a manner that is intended to ensure that the specific requirements are clearly delineated. This is why the GASB has made a priority of communicating with users of financial reports about its standards and standards-setting activities as plainly as possible.

Available under the Education tab, plain-language articles summarize the issues that the proposals or final pronouncements are intended to address and their key requirements. The GASB also keeps an archive of its plain-language materials. All of the articles, fact sheets, and publications available under the Education tab may be downloaded free of charge.

***Visitors’ Register***

Take a few minutes to provide the GASB with your contact information for GASB’s confidential constituent database. Sharing that with us helps focus our efforts to obtain input. It also makes you eligible to receive occasional email news updates and to participate in the GASB’s research efforts.

***GASB Store***

Hard copies of GASB publications, subscriptions, and CD-ROM products are available for purchase through the GASB store. Also available here is the GASB user guide series, which currently provides a nontechnical introduction to the financial reports of state and local governments, and school districts.

***Other Resources***

The GASB website offers an array of additional resources, including comment letters on proposals issued by the Board, resources designed specifically for users of financial statements, selected articles from *The GASB Report,* Board member bios, and links to our Strategic Plan, News Center, and Calendar pages.

***GASAC Members Appointed***

The Financial Accounting Foundation (FAF) Trustees approved the appointment of six new members of the Governmental Accounting Standards Advisory Council (GASAC), who will begin two-year terms on January 1, 2013. The new members are:

* James Lanzarotta, partner and national practice leader, Government Services Group, Moss Adams, LLP, representing the American Institute of Certified Public Accountants
* Robert Reardon, senior investment officer, State Farm Insurance, representing insurance industry investors
* Gil Southwell, vice president and senior municipal analyst, Wells Capital Management, representing the National Federation of Municipal Analysts
* Ronald Green, city controller, Houston, Texas, representing the National League of Cities
* Tasha Repp, partner, Tribal Services Group, Moss Adams, LLP representing the Native American Finance Officers Association
* Perry James, chief financial officer, Raleigh, North Carolina, representing the U.S. Conference of Mayors.

“We are proud to welcome Jim, Bob, Gil, Ron, Tasha, and Perry to the GASAC,” said Martin J. Benison, chairman of the GASAC. “Their deep experience in public sector financial reporting will be valuable in providing the GASB with feedback needed to achieve its goal of continually improving accounting standards used by state and local governments,” he added.

Robert H. Attmore, chairman of the GASB, stated, “The GASAC plays an integral role in advising the GASB as it works toward developing accounting and financial reporting guidance for the state and local government environment. We look forward to the contributions of the incoming GASAC members,” he said.

In addition to the new member appointments, the FAF also has approved the reappointment of the following GASAC members for two-year terms covering 2013 and 2014:

* Amanda Noble, deputy city auditor, city of Atlanta, Georgia, representing the Association of Local Government Auditors
* Shirley Broz, retired chief financial and legislative officer, Rockwood School District, Missouri, representing the Association of School Business Officials International
* Karl Jacob, senior director, public finance, Standard & Poor’s, representing bond rating agencies
* Catherine Provencher, treasurer, state of New Hampshire, representing the Council of State Governments
* Robert Scott, director of finance, city of Brookfield, Wisconsin, representing the Government Finance Officers Association
* Cline Comer, partner, Clifton Larson Allen, LLP, representing the Healthcare Financial Management Association
* Steven Thompson, executive director, Municipal Technical Advisory Service, University of Tennessee, representing the International City/County Management Association
* John Overdorff, retired shareholder, public finance, Greenberg Traurig, LLP, representing the National Association of Bond Lawyers
* Anne Ross, senior vice president, Roosevelt & Cross, Inc., representing the Securities Industry and Financial Markets Association
* Lisa Blumerman, chief, Governments Division, U.S. Census Bureau, representing the U.S. Census Bureau.

The FAF and GASB wish to recognize the following GASAC members who conclude their terms on December 31, 2012:

* Ryan Claw, assistant comptroller, the University of Arizona, representing the Native American Finance Officers Association
* Terry Menzel, retired partner, KPMG, LLP, representing the AICPA
* Mike Zaroogian, investment officer, State Farm Insurance, representing insurance industry investors
* Randy Riggs, former council member, city of Waco, Texas, representing the National League of Cities.

***Who’s Who at the GASB***

***Deborah Beams*** joined the GASB in November as a practice fellow. She comes to the GASB from the Dallas, Texas office of Grant Thornton LLP, where she was an audit manager serving a variety of clients in the government sector, including cities, community college districts, pension funds, public entity risk pools and public universities. Deborah received a bachelor’s and master’s degree in accounting from the University of North Texas, Denton, Texas, and she is a certified public accountant.

***The GASB Report***

The GASB welcomes feedback on *The GASB Report.*

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