

## GASB PROPOSES SIGNIFICANT FINANCIAL REPORTING CHANGES FOR EMPLOYERS

After examining pension accounting and reporting standards, the Governmental Accounting Standards Board (GASB) released a Preliminary View titled, "Pension Accounting and Financial Reporting by Employers." A preliminary view reports findings and provides a comment and consideration period during which the Board can decide whether modification to existing standards would improve the effectiveness of the accounting and financial reporting standards for state and local governments. PERSI is a cost-sharing plan, which is covered in Chapter 6 of the document. (The full document and a plain language supplement are available on the GASB Web site at [www.gasb.org](http://www.gasb.org).)

The follow areas are covered in the preliminary view, with those of particular interest to employers highlighted:

- **A net pension liability would be shown on employers' financial statements, rather than as supplemental information.**
- The net pension obligation concept would be rejected; and changes in net pension liability would be amortized over shorter periods.
- Separate rules would apply for amortizing changes to active liabilities, retired liabilities, and assets.
- Acceptable asset smoothing would change.
- Single discount rate would be used based on when expected assets are projected to run out.
- Plans would use the entry age actuarial cost method for disclosures.
- **Employers participating in cost sharing plans would recognize a proportionate share of net pension liability and expense calculated in the same general manner as sole and agent employers.**

Of these views, four have been identified as potentially having the most significant impact on PERSI and employers:

- 1) **Reporting pension liability and cost sharing employers' liability.**
- 2) Pension liability projections include future service and salary increases.
- 3) Discount rate changes
- 4) Changes to shorten amortization payment methodology.

The purpose of the preliminary view is to gather public input in advance of potential changes to existing reporting standards. PERSI will be responding to GASB from a plan administrator's perspective; however, the impact of the proposed changes may be significant to our employers. **Employers may want to consider submitting written comments to GASB by the September 17, 2010, deadline.** (Instructions for submitting comments are on page 16 of the plain language supplement.) Contact Cheri Campbell or Patrice Perow at PERSI if you have questions.