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Issue: # 8

September 23, 2011

Accounting and Financial Reporting Changes for State and Local Governments

The Governmental Accounting Standards Board (GASB) released two exposure drafts in June amending GASB 25 (Financial Reporting for Pension Plans) and GASB 27 (Accounting and Financial Reporting for Pensions). These exposure drafts have not yet been finalized. The comment period deadline is September 30, 2011.

Proposed Effective Dates

Effective dates are the first plan year beginning after June 15, 2013, except for very large (over \$1 billion in net position) single employer plans, which will be required to adopt one year earlier.

Major Changes Proposed

- In cost-sharing multiple-employer plans, governments share the costs of providing benefits, administering the plan, and investing plan assets. Cost-sharing employers previously had no reporting requirements, but will now be required to report their proportion of the collective net pension liability, expense and deferred inflows/outflows of pension resources. The employer's proportion will be based on its projected future contributions relative to the projected future contributions of all the employers in the plan.
- Unfunded liabilities will be included on the employer's balance sheet.
- All plans will be required to use the Entry Age Normal (Level Percent of Salary) actuarial cost method to value liabilities for GASB accounting purposes.
- At the point that plan assets are no longer projected to be available to make benefit payments, plans will be required to use a discount rate equal to the interest rate on a high quality tax-exempt 30-year municipal bond index instead of the long-term expected return on plan assets.
- Plan and assumption changes, as well as gains and losses, will be amortized much more rapidly.
- Plans will be required to provide substantially more detail as it relates to financial disclosures.
- Restatement of prior fiscal year results is required. The exposure draft requires 10 years of results to be summarized and any years that are not restated require an explanation.

The complete exposure drafts can be found at [GASB 25 and 27 Exposure Drafts](#)

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