

**MEMO# 25322**

July 12, 2011

## **GASB Issues Exposure Drafts to Improve Pension Disclosure**

[25322]

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TO: FIXED-INCOME ADVISORY COMMITTEE No. 52-11  
MUNICIPAL SECURITIES ADVISORY COMMITTEE No. 35-11 RE: GASB ISSUES EXPOSURE  
DRAFTS TO IMPROVE PENSION DISCLOSURE

The Governmental Accounting Standards Board (GASB) recently issued two Exposure Drafts proposing changes to financial reporting of pensions by state and local governments: Accounting and Financial Reporting for Pensions and Financial Reporting for Pension Plans. [\*] The documents would propose amendments to the existing pension standards to improve how the costs and obligations associated with the pensions that governments provide to their employees are calculated and reported. Specifically, the first Exposure Draft, Accounting and Financial Reporting for Pensions, primarily relates to reporting by governments that provide pensions to their employees. The second Exposure Draft, Financial Reporting for Pension Plans, addresses the reporting by the pension plans that administer those benefits.

The first Exposure Draft proposes that governments be required to report in their statement of financial position a net pension liability, defined as the difference between the total pension liability and net assets set aside in a qualified trust to pay benefits to current employees, retirees, and their beneficiaries. It also proposes changes to how a government would calculate its total pension liability and pension expense including, among other changes, the immediate recognition of a greater number of components of pension expense than is currently required and more extensive note disclosures and required supplementary information. Further, the first Exposure Draft would require use of a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments and (b) the interest rate on a tax-exempt 30-year AA-or-higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.

The second Exposure Draft, which addresses financial reporting for plans that are administered through qualified trusts, outlines the basic framework for the separately issued financial reports of defined benefit pension plans. It also details proposed note disclosure requirements for defined contribution pension plans.

GASB has also announced that it will host public hearings on the Exposure Drafts on October 3, October 13, and October 20, 2011, and user discussion forums on October 4, 14, and 21. Locations and other details, including instructions for registering to participate, are explained in the Exposure Drafts.

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**endnotes**

[\*] See GASB Proposes Major Improvements for Pension Reporting, News Release (July 8, 2011), available at <http://www.gasb.org/cs/ContentServer?site=GASB&c=Page&pagename=GASB%2FPage%2FGASBSectionPage&cid=1176158721844>.

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