“THE FEDERAL GOVERNMENT AND THE WORLD OF PUBLIC EMPLOYEE PENSION TRANSPARENCY”

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“The Nunes/Burr Bills”

• H.R. 567 (Rep. Devin Nunes, CA)
  referred to House Ways and Means
  51 co-sponsors

S. 347 (Sen. Richard Burr, NC)
  referred to Senate Finance
  8 co-sponsors
Objective of Both Bills

- Specifies “voluntary” annual reporting requirements for state and local government pension benefit plans
- Directs the U.S. Secretary of the Treasury to develop model reporting statements
- Directs the U.S. Secretary of the Treasury to maintain a public website where reports will be posted.
What “voluntary” means

• Any state or local government that does not submit annual employee pension benefit plan reports is denied tax benefits relating to bonds issued by a state or political subdivision during any period of non-compliance
Report Contents

• A schedule of the funding status of the plan
• A schedule of contributions by the plan sponsor
• Alternative projections for a 20-year window for
  – Annual contributions
  – Fair market value of plan assets
  – Current liability
Report Contents (cont.)

• Funding percentage
• Any other data the Secretary of the Treasury specifies
• Actuarial assumptions
• Number of plan participants retired/separated from service; receiving or entitled to benefits; those active under the plan
• Statement of investment returns
Report Contents (cont.)

• Statement of the degree to which unfunded liabilities are expected to be eliminated
• Statement of the amount of pension obligation bonds outstanding
Sponsor’s Findings

• pension benefit plans are becoming a large financial burden resulting in tax increases and service reductions
• Pension plans are unfunded by $3.23 trillion
• There is a lack of meaningful disclosure of assets and liabilities
• Governmental accounting rules and practices obscure actual assets and liabilities
Driving and Related Forces

• BANKRUPTCY

• DEFAULTS ON OBLIGATIONS

• BAILOUTS

• FISCAL CONDITIONS
RELATED ACTIONS

• Administration’s FY 2012 Commerce Budget
  – “more relevant data in the area of pensions statistics are needed”
  – “public policymakers (need) a complete data source in which to assess trillions of liabilities for public pensions”
  – “comprehensive, comparable data on public pensions are of vital need”
GASB

• Governmental Accounting Standards Board
  – Not a federal entity
  – Recently issued “Exposure Draft” (ED) that proposes changes to state and local government pension accounting and financial reporting standards (process started in 2010)
  – ED comments due 9/30/2011
  – Public hearings on ED, 10/2011
  – Field tests underway
GASB – Select Areas of Change

• Reporting Pension Liability – net liability to balance sheet
• Annual Required Contribution – no longer required
• Discounting – combine long-term rate of return with bond index
• Note Disclosures – numerous changes