

“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