The Federal Government is Watching

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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
Objectives 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
- Complete supplemental report using federal discount rate
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
• New accounting and financial reporting standards approved June 25, 2012 (Statements 67 and 68)
• Adds “net pension liabilities” to the annual financial reports
• Drops “annual required contribution”
• Requires determination of proportionate net pension liability for cost-sharing employers.
• Requires blended discount rate consisting of long-term investment strategy yields and municipal bond yields.
• Various new footnote disclosures

• HELP NEEDED: PENSION FUNDING GUIDELINES
Social Security

- Old Proposal to Compel State and Local Government Employee Participation
- Apply to New Employees
- Revenue Raiser for Federal Government
- Scoring Does Not Expose Costs
- Estimated Fiscal Mandate on States/Locals--$53 billion (2011)
- Found in many deficit reduction reports
PENDING IRS DETERMINATIONS

• Normal Retirement Age

• Definition of a Governmental Plan