

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

GASB

- New accounting and financial reporting standards approved June 25, 2012 (Statements 67 and 68)
- Provisions effective June, 2013 and June, 2014.
- Adds “net pension liabilities” to the annual financial reports
- Drops “annual required contribution”

GASB (cont.)

- 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