



NATIONAL ASSOCIATION OF STATE RETIREMENT ADMINISTRATORS
NATIONAL COUNCIL ON TEACHER RETIREMENT

For Immediate Release

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EXPECTING GASB TO ISSUE TOUGH, BUT DELIBERATIVE, RULES
State and Local Governments and their Retirement Systems Prepare to Respond

WASHINGTON, D.C., July 7, 2011 – In anticipation of the Governmental Accounting Standards Board (GASB) issuing its Exposure Drafts outlining new rules for how state and local governments account for their pensions, the National Association of State Retirement Administrators and the National Council on Teacher Retirement offer the following statement:

“Government sponsors and their defined benefit pension plans will be challenged by the tough new changes to its regulations that GASB is proposing. However, given the deliberative, thorough process GASB has followed in developing them, we are hopeful that on balance, these industry changes may ultimately help alleviate concerns about transparency, consistency, and comparability, thereby strengthening public confidence in state and local pension accounting and reporting.

“A central concern remains the anticipated decision to no longer include on financial statements the annual required contribution (ARC). The ARC has provided policymakers and others with a funding target and a tool to know whether pension plan sponsors are making an effort to advance-fund their pension costs. Eliminating this tool and requiring instead the reporting of the full net pension liability is equivalent to an individual needing to report on a finance statement, not his or her monthly mortgage payment, but the entire outstanding home mortgage, including interest, so that the debt-to-asset ratio is drastically changed.

“We also are concerned with potential proposed changes to the accounting requirements of cost-sharing retirement plans and their sponsors. We believe current disclosures adequately express employers’ obligation to the plan, although we would support additional disclosures.

“We will continue to work closely with GASB, including submitting written comments on behalf of our membership and participating in the October public hearings to clarify our issues so that policymakers and other stakeholders can have a means to identify funding targets, and to enable others to be able to see more clearly whether those targets are being met on an annual basis.

“Without exception, the state and local government retirement system community is committed to having the highest-quality standards of accounting and financial reporting possible. While we continue to believe that the existing GASB standards have served this purpose well, we also understand that the changing environment may require some modifications to enable easier access to decision-useful information. We look forward to conducting a closer review of the GASB Exposure Drafts with this goal in mind.”

NASRA is a nonprofit, nonpartisan association for the directors of the nation’s largest public retirement systems. NCTR membership includes state, territorial, and local pension systems to which teachers belong. The membership and assets of systems included in their combined memberships comprise approximately 85 percent of the entire state and local government retirement system community.

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