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GASB Stakeholder Focus: The Request to Delay Statement 68.

Governments should continue gearing up to implement the GASB's recent pension standards as planned in light of a recent Board decision not to delay the implementation date. The decision came after extensive Board discussion, research, and outreach in response to a request by certain stakeholders to delay implementation.

The Stakeholder Request

Two organizations of GASB stakeholders—one representing financial statement preparers and the other persons involved in various aspects of public employee pensions—asked the GASB at the end of February and in early March to delay the implementation of the revised pension standards, Statement No. 68, *Accounting and Financial Reporting for Pensions*. Governments are required to implement Statement 68 for fiscal years beginning July 1, 2014, and later.

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The organizations' request for delay was based primarily on a concern that audit procedures related to the pension standards were unsettled and, consequently, the financial reports of governments implementing Statement 68 might not receive a "clean" audit opinion.

Other individual stakeholders and stakeholder organizations wrote to the GASB asking that the implementation of Statement 68 *not* be delayed. These groups and individuals cited the importance of the information that would result from implementation of the Statement, and the fact that many governments and their pension plans are already working toward implementation, as reasons for allowing Statement 68 to be implemented as originally required.

The GASB's Response

In light of the fact that the effective date of Statement 68 was just four months away at that time, the GASB moved quickly to evaluate the request. Shortly after the request was received, the Board discussed it with the GASAC members at their scheduled meeting on March 11 and 12. The GASAC's 30 members are broadly representative of the GASB's stakeholders and include all of the major organizations representing preparers, auditors, and users of financial statements.

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Annual financial reports of various types of governments in all 50 states were examined to assess how many governments would be affected by the issue raised by the groups seeking a delay. The experiences of other standards setters that had previously delayed implementation of a pronouncement were reviewed and the repercussions of those actions considered. The GASB staff also followed up with the organizations and individuals mentioned above, consulted with other groups representing GASB stakeholders, and conducted interviews with financial statement users and auditors. The purpose of the latter interviews was to obtain insight into the audit procedures that might be applied as governments implement Statement 68 and auditors' experience in performing those procedures for the first time with their clients.

The user interviews were intended to inform the Board's understanding of how municipal bond analysts, taxpayer associations, and other users would potentially view a government receiving a modified audit opinion in these circumstances and what ramifications, if any, there would be. Users generally preferred that Statement 68 not be delayed.

The Board's Decision

The Board considered all of the information and feedback that had been assembled and deliberated the request for a delay during its open public teleconference meeting on March 24. After a lengthy discussion, the Board unanimously concluded that the implementation of Statement 68 should not be delayed.

Although many factors contributed to the Board's decision, four particular factors were most influential:

- Financial statement users consider the information that will result from implementation of Statement 68 to be highly important.
- Pension plans are already well into the process of implementing related standards for their own separately issued financial reports. Consequently, if the implementation of Statement 68 were postponed, some governments would incur the added cost of engaging an actuary to provide information under the old pension standards in addition to the information already obtained under the new standards.
- Delaying the new standards may not address the concern about a modified audit opinion.
- Concerns about the effort required to implement Statement 68 are real and significant, particularly with regard to governments in some cost-sharing multiple-employer pension plans. However, the Board was fully aware of these issues when it originally considered the costs and benefits associated with establishing the implementation date. No new evidence has been brought forth to date that would result in the reconsideration of this issue.

Conclusion

Many accounting and financial reporting issues the Board considers generate a wide range of stakeholder views, usually representing multiple sides of the issues. One of the more difficult but essential tasks of the Board is to weigh the competing needs of its stakeholders. The Board seeks to establish standards that lead to users receiving the information they need to make decisions and assess government accountability, while simultaneously minimizing the impact on the governments that will be responsible for providing that information.

Few accounting and financial reporting issues the Board considers resonate with the general public the way that pensions do. Nevertheless, the Board follows the same set of open and objective due process procedures for all subjects, whether they touch upon controversial areas of public policy or deal with narrow technical issues of accounting practice.