

# **Bond Case Briefs**

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## **Moody's: New Pension Disclosures Under GASB 67/68 Will Have Limited Impact on US State and Local Government Ratings.**

New York, June 30, 2014 — The new state and local government pension accounting standards, Government Accounting Standards Board (GASB) 67 and 68, scheduled to start later this year, will not change the methodology that Moody's Investors Service uses to adjust US state and local government pension data in its rating process. Some liability measures could be affected, however, by new information in the additional disclosure that the standards will require, specifically on the sensitivity of liabilities to changes in the discount rate.

Moody's explains the impact of the GASB 67/68 reporting changes on its credit analysis in the report, "Moody's US Public Pension Analysis Mostly Unchanged By New GASB 67/68 Standards."

"The revised standards do not change our approach to calculating Moody's Adjusted Net Pension Liability, or ANPL, for state and local governments, the measure of these liabilities that we use in our ratings," says Analyst Tom Aaron. "The new information that will be disclosed on the sensitivity of discount rates, however, could materially impact the results of our adjustments in some cases."

The additional disclosure is unlikely to impact ratings in the vast majority of cases, says Moody's. When it does, the information could be credit positive or credit negative, depending on pension plan liability characteristics.

Moody's will use the new liability disclosure related to discount rate changes for estimating the specific duration of a given plan. Absent other data, Moody's had previously assumed a uniform plan duration of 13 years in making its discount rate adjustments to plan liabilities.

Moody's will continue to adjust reported liabilities in their entirety using a high-grade corporate bond index tied to the actuarial valuation date.

Important changes in GASB 67/68 that will not change Moody's pension adjustments include the disclosure of local governments' shares of a multi-employee cost-sharing plans, and the appearance of net pension liabilities on local government balance sheets.

The accounting standards will change with pension plan disclosures for fiscal year 2014 and bond issuer disclosures for fiscal year 2015.

For more information, Moody's research subscribers can access the report at:

[http://www.moodys.com/viewresearchdoc.aspx?docid=PBM\\_PBM171874](http://www.moodys.com/viewresearchdoc.aspx?docid=PBM_PBM171874).

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-4110, Hong Kong +852-3758-1350, Sydney +61-2-9270-8141, Mexico City 001-888-779-5833, São Paulo 0800-891-2518, or Buenos Aires 0800-666-3506. You can also email us at [mediarelations@moodys.com](mailto:mediarelations@moodys.com) or visit our web site at [www.moodys.com](http://www.moodys.com).

Thomas Aaron  
Analyst  
Public Finance Group  
Moody's Investors Service, Inc.  
100 N Riverside Plaza  
Suite 2220  
Chicago, IL 60606  
U.S.A.  
JOURNALISTS: 212-553-0376  
SUBSCRIBERS: 212-553-1653

Timothy F Blake  
MD - Public Finance  
Public Finance Group  
JOURNALISTS: 212-553-0376  
SUBSCRIBERS: 212-553-1653

Releasing Office:  
Moody's Investors Service, Inc.  
250 Greenwich Street  
New York, NY 10007  
U.S.A.  
JOURNALISTS: 212-553-0376  
SUBSCRIBERS: 212-553-1653