new york state society of
NYSSCPA
certified public accountants

Home of the Trusted Professional
3 park avenue, at 34th street, new york, ny 10016-5991
212.719.8300 • fax 212.719.3364
www.nysscpa.org

May 27, 2009

Ms. Ann Marsh
Accountant
Rate Setting Unit
NYS Education Department
Room 302 Education Building
89 Washington Avenue
Albany, New York 12234

By e-mail: amarsh@mail.nysed.gov

Re: Request for Comments by the NYS Consolidated Fiscal Reporting System Interagency Committee (NYS IAC on the Impact of FASB 158 to Consolidated Fiscal Report Providers)

Dear Ms. Marsh:

The New York State Society of Certified Public Accountants, representing 30,000 CPAs in public practice, industry, government and education, submits the following comments to you regarding the above captioned matter. The NYSSCPA thanks the NYS IAC for the opportunity to comment.

The NYSSCPA's Not-for-Profit Organizations Committee deliberated the impact of FASB 158 to Consolidated Fiscal Report Providers and drafted the attached comments. If you would like additional discussion with us, please contact Derek A. Flanagan, chair of the Not-for-Profit Organizations Committee, at 201-933-3780, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

Sharon Sabba Fierstein
President

Attachment

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www.nysscpa.org

COMMENTS ON THE IMPACT OF FASB 158 TO CONSOLIDATED FISCAL REPORT

May 27, 2009

<u>Principal Drafters</u>

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Allen L. Fetterman
Derek Flanagan
Howard Lorch
Beatrix McKane
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David Rottkamp

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NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

Request for Comments by the NYS Consolidated Fiscal Reporting System Interagency Committee (NYS IAC on the Impact of FASB 158 to Consolidated Fiscal Report Providers)

General Comments

The New York State Society of Certified Public Accountants welcomes the opportunity to comment on the impact of FASB 158 to Consolidated Fiscal Report Providers.

Specific Comments

You have requested that constituents provide comments on five questions pertaining to the impact of FASB Statement No.158 ("FAS 158"). Our comments are provided below, with each question reprinted in italics, followed by our response.

Before we address the individual specific questions, however, we would like to preface our response by clarifying the difference between pension expense and pension contributions. Pension expense (in the case of defined benefit pension plans, "DB Plans") is determined under generally accepted accounting principles ("GAAP") through the recognition of cost to a period based on an actuarial calculation. This calculation does not result in a transfer of cash (i.e., a contribution). Pension contributions, in comparison, are determined by the IRS and DOL and result from a calculation other than the calculation of pension expense.

1. When the initial adjustment is made for FASB 158 is there an impact to an entity's required contribution amount in that year? Also, what is FASB 158's impact to future required contributions?

> The initial implementation of FAS 158 and any subsequent adjustments arising from its application will have no impact on the contribution to the plan. Contributions are governed by IRS and DOL regulations. FAS 158 only impacts the accounting for expenses and the related balance sheet accounts arising from single employer DB Plans.

2) What components are involved in computing required contributions and are they heavily impacted by changes in the stock market or are market fluctuations averaged out in the computation?

Currently, contribution requirements for single-employer defined benefit pension plans are set forth in "-The Pension Protection Act of 2006" (the "PPA"). Currently, PPA requires that a DB plan fund 100% of the plan's present value of accrued benefit liabilities. Therefore, the contribution will be impacted by several factors, including fluctuation in market value of plan assets, the discount rate used, and the composition of plan participants.

3) Is it feasible that the one-time adjustment required under FASB 158 will be factored into the future required contribution amounts over an extended period of time or will a lump-sum payment be expected? Is it at the organization's discretion to pay the under-funded amount (liability) in one lump sum or over an extended period of time? How is the one-time adjustment for under-funded plans computed and how is it recorded in the first year? Is it to be reflected as an adjustment to Net Assets or as an increase to the pension liability?

The adjustment under FAS 158 is not directly related to the future contribution requirements. Funding requirements are determined by the PPA. The one-time adjustment is calculated as the difference between the plan's assets available for plan benefits (at fair value) and the plan's projected benefit obligation ("PBO"). The adjustment would be reflected (in the case of a plan where plan assets are less than the PBO) as a cumulative effect adjustment to recognize costs from prior years, resulting in an increase in both pension expense and pension liability.

4) Are lending and/or financing institutions sensitive to this change in reporting required under FASB 158 when evaluating the credit-worthiness of an organization? Do you anticipate issuing more Going Concern opinions based upon the change in reporting under FASB 158?

We presume that lending and financial institutions would be sensitive to the impact that FAS 158 would have on the balance sheets and revenue and expense statements of the reporting entities impacted. The increase in liabilities would have an impact on such matters as measurements calculated in connection with credit facility covenants (such as debt to equity, unrestricted net asset levels, etc). This implementation might result in consideration being given to issuing going concern opinions to the financial statements of entities that have financial difficulties prior to FAS 158 implementation; however, it is our view that the negative impact of this implementation due to the fair market values of pension assets as of the date of the implementation will be reversed over time as the

financial markets recover. The liability will generally be long term debt, meaning that the bulk of the obligation will not be "due" until future years; this will lessen the effect on the consideration of the going concern issue.

5) Lastly, how would you advise providers who complete the Consolidated Fiscal Report (CFR) to report the one-time adjustment resulting from implementation of FASB 158 on their CFR? It is our understanding that this item should not be an operating expense in the current period. Do you concur?

We would advise CFR filers to report the implementation as a cumulative effect adjustment. Essentially, this would result in recognition of the expense that would have been recorded in prior years had this accounting standard been in effect. This "catching-up" of expense would be allocated as non-mandated fringe benefit expense to the various departments/programs of the organization.

For reporting years subsequent to the implementation, the annual FAS 158 adjustment should be recognized as a reconciling item between the financial statements and the CFR and, therefore, would not be reflected as an expense on the CFR.