

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

BOARD OF DIRECTORS

MINUTES OF MEETING

INDEX

	<u>PAGE</u>
Approval of Minutes	5
Attendance	2
CPA Examination Update	14
CPA Horizons 2025 Update	13
Employee Benefit Plan Audit Quality Center Update	17
Executive Session	6 & 14
Governmental Audit Quality Center Update	16
Introduction and Chairman's Report	4
Legal Update and Secretary's Report	14
Panel Discussion – Banking and Insurance Industry – Current Industry and Audit Risks	13
Peer Review Annual Update	15
Presentation from the Life Insurance/Disability Plans Committee	8
Report from the Chairman of the Audit Committee	8
Report from the Finance Committee	6
Report from the President and CEO	5
Statutory Meetings	6
Update on EU “Green Paper” Recommendations	5
Update on FASAB Rule 203 Authority	15

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

BOARD OF DIRECTORS

MINUTES OF MEETING – NOVEMBER 3-4, 2011

A meeting of the AICPA Board of Directors was held Thursday, November 3 and Friday, November 4, 2011 at the AICPA's New York City Office. The meeting convened at 8:30 am on Thursday, November 3.

Attendance

The following Board members were present:

Greg Anton, Chairman
Rich Caturano, Vice Chairman
Paul Stahlin, Immediate Past Chairman
Tommye Barie
Allyson Baumeister
James Bourke
Thomas Foard
Bob Graham
Rodney Harano
Mark Hildebrand
Thomas Hilton
Kenneth Macias
Teresa Mason
Bill McKenna
Barry Melancon
Faye Miller
Jay Moeller
Bill Reeb
Bill Schneider
Monica Sonnier
Charles Weinstein

Also present:

Loretta Doon, Chief Executive Officer
California Society of CPAs
Ralph Thomas, Chief Executive Officer
New Jersey Society of CPAs

Stephen Allis, Principal in Charge of Government Affairs
KPMG

Chris Bumcrot, Partner

Applied Research and Consulting, LLC

Jack Finning, Chairman (by phone)

Life Insurance/Disability Plans Committee

Bob Lavenberg, Chairman

Employee Benefit Plan Audit Quality Center

Dan Hevia, Immediate Past Chairman

Peer Review Board

Corey Arvizu, Chairman

Governmental Audit Quality Center

Dave Alexander, Former Member

Financial Reporting Executive Committee

Rick Lynch, Chairman

Insurance Expert Panel

Erik Asgeirsson, Chief Executive Officer

CPA2Biz

Michael Buddendeck, General Counsel and Secretary

James Brackens, Vice President

Ethics & Practice Quality

Susan Coffey, Senior Vice President

Public Practice and Global Alliances

Michael Decker, Director of Operations & Development

Examinations

Robert Durak, Senior Technical Advisor

Accounting Standards/Private Company Financial Reporting

Joanne Fiore, Director

Magazines and Newsletters

Gil Nielsen, Director, Media Relations

Ed Karl, Vice President

Taxation

Cynthia Lund, Vice President

State Society Affairs

Janice Maiman, Senior Vice President

Communications and Media Relations

Jim Metzler, Vice President

Small Firm Interests

Hemchandra Nerkar, Vice President

Information Technology

Dan Noll, Director

Accounting Standards

Mark Peterson, Senior Vice President

Government and Public Affairs

Tony Pugliese, Senior Vice President

Finance, Operations and Member Value

Cheryl Gravis Reynolds, Director
Communications
Jay Rothberg, Vice President – Office of the CEO
Carol Scott, Vice President
Business, Industry and Government
Scott Spiegel, Chief Financial Officer
Arleen Thomas, Senior Vice President
Management Accounting
Beth Thoresen, Director of Operations
Peer Review Program
Victor Velazquez, Senior Vice President
People, Strategy and Enterprise Management
Mat Young, Vice President
State Regulatory and Legislative Affairs

Introduction and Chairman's Report

Greg Anton, Chairman of the Board, opened the meeting by welcoming the Board members and asking them to introduce themselves. He introduced Loretta Doon, Chief Executive Officer of the California Society of CPAs and Ralph Thomas, Chief Executive Officer of the New Jersey Society of CPAs, as representatives of CPA/SEA.

Mr. Anton reported on his activities during his first month as Chairman, which included presentations at the NASBA annual meeting and seven state society presentations. He led the Board through a discussion of the effectiveness of the Fall 2011 Council meeting. It was the general consensus of the Board members that the Fall Council meeting was highly successful.

Mr. Anton said that with Terry Branstad's resignation as a Public Member the Board to become Governor of the State of Iowa, there was a vacancy on the Board. According to Section 6.5.02 of the AICPA Bylaws, he recommended Harold Baird, the President of the Chartered Institute of Management Accountants, to fill this position subject to the election of Council. Upon a motion

duly made and seconded, Mr. Baird was appointed as a Public Member and would attend his first Board meeting in January, 2012.

Approval of Minutes

After discussion, upon a motion duly made and seconded, the minutes of the August 4-5, 2011 regular meeting, the August 4, 2011 executive session and the September 26, 2011 conference call meeting were approved.

The regular meeting minutes were authorized for placement on the AICPA's web site.

Report from the President and CEO

Mr. Melancon briefed the Board members on a number of organizational and professional issues. He said the Joint Venture between the AICPA and Chartered Institute of Management Accountants was progressing well with the launch of the Chartered Global Management Accountant credential scheduled for January 31, 2012.

Mr. Melancon briefed the Board on a number of Washington legislative developments as well as recent activities at the PCAOB and IRS. He also discussed the proposed new credential in Canada and his attendance at the recent GAA and IFAC meetings.

Mr. Melancon closed by updating the Board on the profession's progress on practice mobility and answered questions from the members of the Board.

Update on EU "Green Paper" Recommendations

Stephen Allis, Principal in Charge of Government Affairs – KPMG, explained the primary elements of the European Union's "Green Paper" on Auditing. He said the proposal would require the largest firms to be exclusively audit firms with no consulting practices and mandate joint ventures with two

auditors on all public company engagements. The proposal would also prohibit firms from participating in a firm network and require mandatory audit firm rotation at least every nine years. He said the initial proposal was being discussed within the EU and he expected a further refined proposal to be presented in December, 2011.

The members of the Board discussed the possible consequences of the proposal with Mr. Allis.

Executive Session

The Board convened into executive session at 11:40 am and reconvened the regular session after lunch at 2:30 pm.

Statutory Meetings

Mr. Spiegel presided over the statutory meetings of the Accounting Research Association, the AICPA Benevolent Fund and the AICPA Foundation during which a report was made on the activities of each of the respective organizations, the financial statements of the prior year and the new officers and trustees.

Upon a motion duly made, seconded and approved, the trustees for the Accounting Research Association and the AICPA Benevolent Fund for the coming year were approved.

Report from the Finance Committee

Tommye Barie, Chair of the Finance Committee, stated that with new members on the committee, and this being the first meeting of the year, the committee reviewed its roles and responsibilities. She reported on the Institute's current financial results. She said the Institute's current forecast reflected an

operating loss of \$7 million, which is in-line with the annual budget. This operating loss is due to the Board's approved CGMA initiative.

Ms. Barie said that management continues to monitor cash flow projections and is currently projecting a draw of \$12 million on the Institute's \$27 million line of credit to fund our ongoing pension and debt payments.

Tony Pugliese, Senior Vice President – Finance, Operations and Member Value, reported on the Institute's membership renewal statistics and said to date the results forecast to remain at the original budget of \$100.6 million. He said Fiscal 2012 renewals remain positive consistent with prior year trends and new memberships are in line with budget.

The financial statements are at **Appendix A** in the official minute records of the AICPA.

Mr. Pugliese and Scott Spiegel, the Chief Financial Officer, presented the Investment Committee's report. They reviewed the performance of the long-term and pension plan portfolios. Mr. Pugliese said the long-term portfolio was performing in-line with its benchmark and since July 31, 2011 and lost approximately \$2.8 million. It is allocated approximately 60% to equities and 40% to fixed income. Mr. Spiegel reported on the pension. He said the portfolio is allocated approximately 55% to fixed income and 45% to equities. He said it is slightly underperforming its benchmark.

Ms. Barie and Messrs. Pugliese and Spiegel answered questions from the members of the Board.

Report from the Chairman of the Audit Committee

Bill Schneider, Chairman of the Audit Committee, reported that the committee held an orientation for new members and received updates on the Institute's major Information Technology projects, including the Information Technology Roadmap, PRISM, the CGMA Joint Venture website and the completion of Phase I and launch of Phase II of the Data Dimensions project. He said there were no SAS or Management Comment Letter findings for Fiscal 2011 and the Oracle Access Review for Fiscal Year 2010 was completed and accepted by JH Cohn LLP. He said the committee also received a report from the Director of Internal Audit on the team's internal audit plan.

Mr. Schneider said the committee met privately with representatives of JH Cohn LLP, the AICPA President, Senior Vice President – Finance, Membership and Operations, and the Director of Internal Audit, and discussed various operational matters.

Presentation from the Life Insurance/Disability Plans Committee

Jack Finning, Chair of the Life Insurance/Disability Plans Committee, (participating by phone) and Jay Rothberg, Vice President – Office of the CEO, said they had a structural change and several plan enhancements for the Board's consideration.

The first recommendation called for the establishment of the AICPA Group Insurance Trust, where the current Group Insurance Plan, which is an ERISA plan, would be segregated from the individual insurance plans. They said this organizational change would coincide with the committee's intentions to expand

its Group Insurance offerings to firms. This change would be effective January 1, 2012.

After discussion, upon a motion duly made and seconded, the Board approved the following resolution:

WHEREAS, The Board of Directors has previously authorized the removal of JPMorgan Chase ("JPMC") from office as Trustee under the Amended Agreement and Declaration of Trust of the American Institute of Certified Public Accountants Insurance Trust ("AICPA Insurance Trust"), with such removal to be effective October 1, 2011; and

WHEREAS, The AICPA Insurance Trust currently makes available various types of insurance coverage to employer members of the American Institute of Certified Public Accountants ("Institute"), as well as to individual members of the Institute; and

WHEREAS, The Board of Directors in a resolution dated April 5, 2011, previously authorized the appointment of Bank of New York Mellon ("BNY Mellon") as the successor trustee of the AICPA Insurance Trust, with such appointment to be effective October 1, 2011; and

WHEREAS, The AICPA Life Insurance/Disability Plans Committee recommends that, in order to simplify overall administration of the insurance program, coverage to employer members and individual members be offered under two, separate trusts; and

NOW, BE IT RESOLVED, That the effective date of removal of JPMC as current trustee and appointment of BNY Mellon as successor trustee of the AICPA Insurance Trust is hereby amended from October 1, 2011 to January 1, 2012; and

BE IT FURTHER RESOLVED, That an AICPA Group Insurance Trust be created and formed to provide coverage to employer members of the Institute, while coverage to individual members continues to be provided under the AICPA Insurance Trust; and

BE IT FURTHER RESOLVED, That the Institute's President & CEO, Chief Financial Officer and General Counsel & Secretary be, and each of them hereby is vested with any and all powers necessary to act on behalf of the Board of Directors to effectuate the foregoing resolutions.

Messrs. Finning and Rothberg then recommended that the contribution Premium rates be reduced for insureds ages 50 and over under the Long Term Disability Plan, effective January 1, 2012.

After discussion, upon a motion duly made and seconded, the Board approved the following resolution:

RESOLVED, that, subject to approval by the applicable state regulatory authorities, the contribution premium rate structure of the Long Term Disability Income Plan be amended, effective January 1, 2012, as follows:

**Monthly Contribution Premium Rates
Per \$1,000 of Monthly Disability Income Benefits
Ages 50 and Over**

	<u>Effective January 1, 2012</u>	<u>Current</u>	<u>Reduction</u>	
			<u>Amount</u>	<u>%</u>
Waiting Period Before Benefits Begin:				
13-Weeks	\$16.00	\$18.00	\$2.00	11%
26-Weeks	\$12.40	\$14.00	\$1.60	11%

; and be it

FURTHER RESOLVED, that, the AICPA Life Insurance/Disability Plans Committee be and hereby is directed to make all changes necessary to effect these amendments to the Long Term Disability Income Plan and policy issued by The Prudential Insurance Company of America; and be it

FURTHER RESOLVED, that the AICPA Life Insurance/Disability Plans Committee be and hereby is vested with any and all powers necessary to direct the Trustee of the AICPA Insurance Trust to modify the Plan and policy in accordance with the above Resolutions.

Messrs. Finning and Rothberg then proposed that under the Long Term Disability Income Plan, insureds under age 40 would be able to increase their monthly disability income benefits each year by 5% of their current benefit, rounded up to the nearest \$100.00 of monthly benefits without the need to

answer any medical questions or be examined by a medical practitioner. This change would be effective January 1, 2013.

After discussion, upon a motion duly made and seconded, the Board approved the following resolution:

RESOLVED, that, subject to approval by the applicable state regulatory authorities, the Long Term Disability Income Plan be amended to permit insureds under age 40 to increase their monthly disability income benefits each year by 5% of their current benefit amount, rounded up to nearest \$100.00 of monthly benefits, without the need to answer medical questions or be examined by a medical practitioner, effective January 1, 2013; and be it

FURTHER RESOLVED, that, the AICPA Life Insurance/Disability Plans Committee be and hereby is directed to make all changes necessary to effect these amendments to the Long Term Disability Income Plan and policy issued by The Prudential Insurance Company of America; and be it

FURTHER RESOLVED, that the AICPA Life Insurance/Disability Plans Committee be and hereby is vested with any and all powers necessary to direct the Trustee of the AICPA Insurance Trust to modify the Plan and policy in accordance with the above Resolutions.

Messrs. Finning and Rothberg said their third program enhancement was also related to the Long Term Disability Income Plan. They said the Life Insurance Disability Plans Committee recommended, effective January 1, 2013, the Long Term Disability Income Plan provide an optional feature for payment of monthly disability income benefits for partial disabilities.

After discussion, upon a motion made and seconded, the Board approved the following resolution:

RESOLVED, that, subject to approval by the applicable state regulatory authorities, the Long Term Disability Income Plan be amended to add an optional feature that provides for the payment of monthly disability income benefits for partial disabilities, also known as Residual Disability Benefits, effective January 1, 2013; and be it

FURTHER RESOLVED, that, the optional feature for the payment of monthly benefits for partial disabilities, or Residual Disability Benefits, include the following provisions:

- A. Maximum Age to Elect Optional Benefit – Age 64.
- B. Maximum Benefit Period for Disabilities Resulting from Mental or Nervous Disorders – Five Years.
- C. Eligibility for Monthly Benefits Requires that:
 - 1. The insured must be unable to perform the material and substantial duties of her or his own occupation;
 - 2. The insured is under the regular care of a physician; and
 - 3. The insured has experienced a 20% or more loss in monthly earnings.
- D. Monthly earnings is defined as the average gross monthly income as reported on the insured’s federal income tax returns for the two calendar years immediately preceding the insured’s date of disability after deduction of normal business expenses and losses. For purposes of this benefit, monthly earnings includes salary, profits, fees, commissions, bonuses and other compensation received by the insured for professional and other services. Monthly earnings does not include investment returns, rent, royalties and similar types of income not produced as a result of an insured’s occupation.
- E. Return to Work feature that permits an insured to replace up to 100% of reduced earnings during the first 12 months of receiving benefits.

; and be it

FURTHER RESOLVED, that, the monthly contribution premium rates per \$1,000 of monthly benefits under the Long Term Disability Income Plan, including the current benefit programs and the optional feature for the payment of benefits for partial disabilities under each program, be as follows:

<u>Ages</u>	<u>Schedules of Benefits</u>	
	<u>13-Weeks</u>	<u>26-Weeks</u>
Under 30	\$ 6.00	\$ 4.80
30 – 34	8.30	6.60
35 – 39	10.80	8.20
40 – 44	14.00	10.60
45 – 49	19.00	14.50
50 – 64	21.60	16.70

; and be it

FURTHER RESOLVED, that, the AICPA Life Insurance/Disability Plans Committee be and hereby is directed to make all changes necessary to effect these amendments to the Long Term Disability Income Plan and policy issued by The Prudential Insurance Company of America; and be it

FURTHER RESOLVED, that the AICPA Life Insurance/Disability Plans Committee be and hereby is vested with any and all powers necessary to direct the Trustee of the AICPA Insurance Trust to modify the Plan and policy in accordance with the above Resolutions.

CPA Horizons 2025 Update

Paul Stahlin, Immediate Past Chairman of the Board, briefed the Board on the Horizons 2025 presentation and breakout session discussions at the fall 2011 Council meeting and publication and posting of the project's report.

Panel Discussion – Banking and Insurance Industry – Current Industry and Audit Risks

Dave Alexander, Former Member - Financial Reporting Executive Committee and Rick Lynch, Chairman - Insurance Expert Panel, reviewed the current issues affecting the banking and insurance industries and possible business, accounting, and audit risk areas. Mr. Alexander cited a number of developments in the banking industry including the Dodd-Frank bill and its Volcker Rule, the European financial crisis, Basel III, the future of Federal National Mortgage Association and Federal Home Loan Mortgage Corporation and FASB/IASB pronouncements on financial instruments. Mr. Lynch said the insurance industry was facing a squeeze on margins because of low interest rates, had a difficult year in the property and casualty area and was facing turmoil in the health arena. There also were questions raised regarding the companies' valuation of investments and how FASB was going to handle Deferred Acquisition Costs (DAC).

Messrs. Alexander and Lynch answered questions from the members of the Board.

Legal Update and Secretary's Report

Michael Buddendeck, General Counsel and Secretary, provided the Board with a Legal Update.

Mr. Buddendeck then delivered the Secretary's Report. Membership ballots No. 918, 919, and 920 for the time period of July 24, 2011 to October 26, 2011 admitting 5754 members, accepting 822 resignations, 277 reinstatements and 132 advances of dues, were received and approved.

Upon a motion duly made and seconded, the Board accepted the Secretary's Report.

The Secretary's Report is at **Appendix B** in the official minute records of the AICPA.

Executive Session

The Board convened into executive session at 4:40 pm and adjourned at 5:15 pm on Thursday, November 3. The Board held a second executive session beginning at 8:30 am on Friday, November 4 and reconvened into the regular meeting at 9:15 am on Friday, November 4.

CPA Examination Update

Michael Decker, Director – Operations and Development - Exams, updated the Board on the evolution and current developments of the Uniform CPA Exam. He said a new computer based exam (CBT-e) was launched on January 1, 2011, which includes new simulations, an improved calculator and spreadsheets and more emphasis on skills in the exam scoring. He said the new

exam includes new authoritative literature, IFRS and faster score reporting beginning in the fourth quarter of 2011. Mr. Decker said candidate satisfaction remains very positive and the volume of test takers continues to be strong.

Mr. Decker reported on the successful launch of the CPA exam internationally and concluded with highlights of the Exam team's Vision, goals and objectives for the future.

Update on FASAB Rule 203 Activity

Greg Anton and Mary Foelster, Director – Governmental Auditing and Accounting, updated the Board on the Financial Accounting Standards Advisory Board and its compliance with Rule 203. Mr. Anton provided the Board members with background on the subject and the AICPA Council's and AICPA FASAB Rule 203 Panel's prior actions. He reviewed the FASAB Panel's recommendations and FASAB actions and said FASAB had appropriately and successfully implemented the panel recommendations, providing more transparency and accountability around FASAB's operations. He suggested that the current AICPA Rule 203 Review Panel be disbanded and that a process for appointing AICPA members to the FASB Appointments Panel be developed. Protocols will be developed for future AICPA Vice Chairman of the Board to make these appointments.

Peer Review Annual Update

Dan Hevia, Immediate Past Chairman – Peer Review Board, reported on the major initiatives of the Peer Review program for the past year. This included regulatory outreach enhancing the program's communication and relationships with federal and state regulators. Mr. Hevia also reviewed the current peer

reviewer pool and the initiatives to restructure the peer reviewer training, revise the initial team captain qualifications, launch a mentoring program and reinvigorate the concierge program.

Beth Thoresen, Director of Operations – Peer Review Program, briefed the Board on the program’s initiatives to improve internal efficiency, responsiveness, delivery and communications. She also updated the Board on the PRISM computer system.

Mr. Hevia closed by discussing the Peer Review program’s strategic plan and answering questions from the members of the Board.

Governmental Audit Quality Center Update

Corey Arvizu, Chairman – Governmental Audit Quality Center and Mary Foelster, Director – Governmental Auditing and Accounting, reported on the Governmental Audit Quality Center activities of the past year. As part of its annual report to the Board, Mr. Arvizu said the Audit Quality Center had increased its membership to 1,628 member firms, an annual net growth of 12%. In addition, 17 state audit organizations had joined the Audit Quality Center, a net growth of 2 over the prior year.

Mr. Arvizu reported on the Center’s resources to members, which included 28 *GAQC Alerts*, 9 member web events and an annual required webcast with optional CPE. He outlined the Center’s advocacy, community awareness and building efforts and technical activity. Ms. Foelster spoke of some of the issues the Center has been involved in and the Center’s ongoing goals and challenges.

Mr. Arvizu and Ms. Foelster answered questions from the members of the Board.

Employee Benefit Plan Audit Quality Center Update

Bob Lavenberg, Chairman – Employee Benefit Plan Audit Quality Center, and Sue Hicks, Senior Technical Manager – Employee Benefit Plan Audit Quality Center, provided the Board with the Audit Quality Center’s annual report. Mr. Lavenberg reviewed the composition of the executive committee and the center’s membership which had grown to 2,196 firm members, a net growth of 12.3%. Mr. Lavenberg said that the member firms audit more than 75% of all ERISA plans.

Mr. Lavenberg described the Audit Quality Center’s member resources and benefits, its plan advisories and online resources including the member to member discussion forum. He said 27 EAlerts were issued during the past year.

Mr. Lavenberg highlighted the Center’s current activities, which included testifying before the ERISA Advisory Council on the audits of IRC Section 403(b) retirement plans, service auditors’ reports/SAS 70/SSAE 16 reports, fraud in employee benefit plans and privacy and security issues affecting employee benefit plans. He also reviewed the overall results of the second year of audits of 403(b) retirement plans and the Center’s recommendations for the future.

Ms. Hicks summarized the Center’s efforts working with the Department of Labor and the AICPA Peer Review Program to improve the overall quality of audits of employee benefit plans. She also outlined some of the challenges the Center has identified for the future, such as reaching those firms that perform only one or two employee benefit audits.

* * * *There being no further business, the meeting adjourned at 12:20 p.m. on Friday, November 4, 2011.