

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

BOARD OF DIRECTORS

MINUTES OF MEETING – November 8-9, 2012

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BOARD OF DIRECTORS

MINUTES OF MEETING – NOVEMBER 8-9, 2012

A meeting of the AICPA Board of Directors was held Thursday, November 8 and Friday, November 9 at the AICPA's New York City office. The meeting convened at 8:30am on Thursday, November 8.

Attendance

The following Board members were present:

Rich Caturano, Chairman
Bill Balhoff, Vice Chairman
Gregory Anton, Immediate Past Chairman
Gulzari Babber
Nancy Bagranoff
Harold Baird
Tommye Barie
James Bourke
Thomas Foard
Bob Graham
Thomas Hilton
Jean Hobby
Kenneth Macias
Teresa Mason
Barry Melancon
Faye Miller
Jay Moeller
Bill Reeb
Gary Reynolds
Monica Sonnier
Kimberly Ellison-Taylor
Charles Weinstein

Also present:

Joanne Barry, Executive Director
New York State Society of CPAs
Erin Hardwick Pate, CEO
South Carolina Association of CPAs

John Finning, Chairman
Life Insurance/Disability Plans Committee

John Herber, Chairman
Professional and Personal Liability Insurance Plans Committee

Bruce Webb, Former Member
Auditing Standards Board

Rick Reeder, Chairman
Peer Review Board

Erik Asgeirsson, Chief Executive Officer
CPA2Biz

Michael Buddendeck, General Counsel and Secretary

Lawson Carmichael, Senior Vice President
Strategy, People and Innovation

Susan Coffey, Senior Vice President
Public Practice and Global Alliance

Heather Collins, Director – Academic & Career Awareness

Joanne Fiore, Publisher of Magazines & Newsletters
Journal of Accountancy

Audrey Foster, Director
Internal Audit (Thursday only)

Ellen Goldstein, Senior Manager
Communications

Ed Karl, Vice President
Taxation

Mark Koziel, Vice President
Firm Services and Global Alliances

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

Amy Pawlicki, Director
Business Reporting, Assurance and Advisory Services and
XBRL

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

Scott Spiegel, Chief Financial Officer

Arleen Thomas, Senior Vice President
Management Accounting
Mat Young, Vice President
State Regulatory and Legislative Affairs

Introduction and Chairman's Report

Richard Caturano, Chairman of the Board, opened the meeting by welcoming the Board members. He

Approval of Minutes

After discussion, upon a motion duly made and seconded, the minutes of the August 2, 2012 executive session, August 2-3, 2012 regular meeting and September 24, 2012 conference call meeting were approved.

The regular meeting minutes and conference call 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 updated the Board on

Report from the Life Insurance/Disability Plans Committee

John Finning, Chairman of the Life Insurance/Disability Plans Committee
and Jay Rothberg, Vice President – Office of the CEO

Resolution 1

RESOLVED, that, subject to approval by the applicable State Regulators, the contribution premium rate structure of the following plans under the Individual Life Insurance Program of the AICPA Insurance Trust – CPA Life Insurance Plan – Members, CPA Life Insurance Plan – Spouses, Group Variable Universal Life Insurance Plan, AICPA Plan and CPA2BIZ Plan, be amended for ages 30 through 44, effective October 1, 2013, as follows:

**AICPA Insurance Trust
Monthly Gross Contribution Premium Rates
Per \$10,000 of Life Insurance**

<u>Monthly Gross Contribution Premium Rates Without Waiver*</u>						
<u>Ages</u>	<u>Female</u>			<u>Male</u>		
	<u>Effective</u>			<u>Effective</u>		
	<u>October 1, 2013</u>	<u>Current</u>	<u>Change</u>	<u>October 1, 2013</u>	<u>Current</u>	<u>Change</u>
30 – 34	\$.28	\$.36	(\$).08	\$.36	\$.44	(\$).08
35 – 39	.36	.44	(.08)	.44	.52	(.08)
40 – 44	.50	.60	(.10)	.60	.70	(.10)

<u>Monthly Gross Contribution Premium Rates With Waiver*</u>						
<u>Ages</u>	<u>Female</u>			<u>Male</u>		
	<u>Effective</u>			<u>Effective</u>		
	<u>October 1, 2013</u>	<u>Current</u>	<u>Change</u>	<u>October 1, 2013</u>	<u>Current</u>	<u>Change</u>
30 – 34	\$.30	\$.40	(\$).10	\$.40	\$.50	(\$).10
35 – 39	.40	.50	(.10)	.50	.60	(.10)
40 – 44	.58	.68	(.10)	.70	.80	(.10)

* All rates shown above are without the optional Accidental Death and Dismemberment benefit.

; 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 following plans under the Individual Life Insurance Program - CPA Life Insurance Plan – Members, CPA Life Insurance Plan –

Spouses, Group Variable Universal Life Insurance Plan, AICPA Plan and CPA2BIZ Plan and policies 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 aforementioned Plans and policies in accordance with the above Resolutions.

Resolution 2

RESOLVED, that, subject to approval by the applicable State Regulators, the AICPA Insurance Trust gross contribution premium rate structure of the CPA Life Insurance Plan – Members, CPA Life Insurance Plan – Spouses, AICPA Plan and CPA2BIZ Plan, be amended, effective October 1, 2013, to provide for a Preferred Rate Schedule with monthly Contribution Premium Rates as follows:

**Monthly Contribution Premium Rates
Per \$10,000 of
Coverage***

<u>Ages</u>	<u>Monthly Contribution Premium Rates*</u>			
	<u>With Waiver of Contribution Benefit</u>		<u>Without Waiver of Contribution</u>	
	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>
50 – 54	\$1.14	\$1.40	\$ 1.00	\$ 1.24
55 – 59	1.82	2.20	1.60	1.94
60 – 64	N/A	N/A	2.80	3.30
65 – 69	N/A	N/A	4.60	5.70
70 – 74	N/A	N/A	8.50	10.90
75 – 79	N/A	N/A	15.70	20.50

* Excluding optional accidental death and dismemberment benefits that are available to insureds under age 65 and insureds ages 65 through 74 at a monthly cost of \$0.20 and \$0.30 per \$10,000, respectively; and it be

FURTHER RESOLVED, that, the Preferred Rate Schedule will only be available to insured participants ages 50 and over whose total life insurance in force under the CPA Life Insurance Plan – Members, CPA Life Insurance Plan – Spouses, AICPA Plan and CPA2BIZ Plan, is \$250,000 or greater; 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 CPA Life Insurance Plan – Members, CPA Life Insurance Plan – Spouses, AICPA Plan and CPA2BIZ Plan policies 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 Plans and policies in accordance with the above Resolutions.

Resolution 3

RESOLVED, that, subject to approval by the applicable State Regulators, that a new disability insurance program – the AICPA Business Overhead Expense Reimbursement Plan - be offered under the AICPA Insurance Trust, effective January 1, 2013; and be it

FURTHER RESOLVED, that the new disability insurance program will be available to

AICPA members and will include the following features:

- A. Maximum monthly benefits payable to an insured member is \$12,000.
- B. Maximum benefit period is 24 months (12 months for insureds ages 65 through 69) after a 30-day waiting period before benefits would begin.
- C. Covered expenses include, but are not limited to, the following types of expenses: employees' salaries (excluding the insured's salary, if applicable), payroll taxes, rent or mortgage interest payments, real estate taxes, charges for utilities, costs for the maintenance and repairs of equipment and other fixed overhead expenses that are normal and customary in the operation of the insured owner's firm.
- D. Underwriting – an eligible AICPA member must be actively at work and be approved following the medical underwriting process for coverage to commence.
- E. Eligibility for monthly benefits – an insured will be eligible for benefits if due to sickness or injury, he or she is unable to perform the material and substantial duties of his or her own occupation. However, any member working 40 hours per week or having the capacity to work 40 hours per week will not be eligible for benefits. In addition, the insured must be under the regular care of a physician to be eligible for benefits.

; and be it

FURTHER RESOLVED, that the monthly Premium Rates per \$1,000 of monthly benefits be as follows:

**AICPA Business Overhead Expense
Reimbursement Plan
Monthly Premium Rates
Per \$1,000 of Monthly
Benefits Maximum
Benefit Period 24 Months***

<u>Age</u>	<u>Monthly Rates Per \$1,000</u>
Under 30	\$ 2.80
30 – 34	3.70
35 – 39	4.80
40 – 44	6.30
45 – 49	8.90
50 – 54	11.40
55 – 59	18.70
60 – 69	29.80

* Maximum benefit period for insured owners ages 65 through 69 is 12 months.

; 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 AICPA Insurance Trust, AICPA Business Overhead Expense Reimbursement 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 Trust, Plan and policy in accordance with the above Resolutions.

Resolutions 4

RESOLVED, that, subject to approval by the applicable State Regulators, that a long- term disability income insurance program be offered under the AICPA Group Insurance Trust effective April 1, 2013; and be it

FURTHER RESOLVED, that the long-term disability insurance program will be available to firms at least 50% owned by an AICPA member(s) and with at least 25 eligible owners and employees (any mix) and will include the following features:

- A. Definition of Disability and Maximum Monthly Disability Income Benefits Available – Election by Firm.
1. Regular Occupation definition of disability for the entire benefit period – the inability of an insured to work at her or his occupation as they had been employed at the time of disability. Firms may elect individual maximum monthly benefits of \$4,000; \$5,000; \$6,000; \$7,000; \$8,000; \$9,000; \$10,000; \$11,000; \$12,000; \$13,000; \$14,000 or \$15,000.
 2. Regular Occupation definition for the first two years of disability (as described under A.1., above) and then a Gainful Occupation definition would apply – the inability of an insured to work at any occupation for which the insured is reasonably fitted by education, training or experience. Firms may elect individual maximum monthly benefit of \$4,000; \$5,000; \$6,000; \$7,000; \$8,000; \$9,000 or \$10,000.
- A firm may elect the same definition of disability for Owners and Employees or elect a separate definition for Owners. Also, a firm may elect to cover Employees only.
- B. Benefit Levels Available – Election by Firm.
1. Pre-tax contributions and taxable benefits of 60% of pre disability earnings.
 2. Pre-tax contributions and taxable benefits of 66 2/3% of pre disability earnings.
 3. After-tax contributions and tax-free benefits of 60% of pre disability earnings.
- C. Definitions of Monthly Earnings.
1. Monthly Earnings for Owners - are the average profits, fees, commissions and other compensation for professional services earned after deduction of normal business expenses as reported on the owner's federal income tax returns for the two years prior to the date of the insured owner's disability. Earnings do not include investment returns, rent income, royalties or other like income not produced from the insured owner's occupation.

2. Monthly Earnings for Employees – is the average monthly income from the firm reported on the insured's federal income tax return for the last year prior to the date of disability. Monthly income excludes commissions, bonuses, overtime pay, incentive payments and similar types of compensation or income received from sources other than the firm.

- D. Underwriting – An owner or employee must be actively at work for coverage to commence.

There is no need to answer any medical questions or be examined by a medical practitioner as long as the firm has at least 25 eligible owners and employees (any mix). Firms must have at least 25 owners and employees (any mix) enrolled for the firm's coverage to commence.

- E. Elimination Period Before Monthly Disability Income Benefits Begin – Election by Firm.

1. 13-Weeks.
2. 26-Weeks.

- F. Monthly benefits for Partial Disabilities.

1. Regular Occupation Definition of Disability – insured must lose at least 20% of pre disability earnings to be eligible.
2. Gainful Occupation Definition of Disability – insured must lose at least 40% of pre disability earnings to be eligible.

- G. Maximum benefit periods.

1. Disability resulting from an accident or sickness – disability benefits paid up to normal retirement age under Social Security.
2. Disability resulting from a mental illness – disability benefits paid up to 4 months.

- H. Monthly disability benefits would be reduced by payments from the following:

1. Benefits received from other group disability insurance programs.
2. Social Security disability and/or retirement payments to the insured and his or her family.
3. Salary continuation plans, sick leave arrangements, employer retirement programs, unemployment benefits and similar types of payments that may

be received by a disabled insured.

; and be it

FURTHER RESOLVED, that the monthly contribution premium rate schedules for the long- term disability income program under the AICPA Group Insurance Trust be as follows:

<u>Exhibit</u>	<u>Table</u>	<u>Contributions</u>	<u>Benefits Taxable</u>	<u>%*</u>
A	1	All	N/A	N/A
B	2.1	Pre-tax	Yes	60%
C	2.2	Pre-tax	Yes	66 $\frac{2}{3}$
D	2.3	After-tax	No	60

* Percentage of pre-disability monthly earnings elected by firm for monthly disability income benefit determination. Monthly disability income benefit cannot exceed maximum monthly benefit amount elected by firm.

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 AICPA Group Insurance Trust 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 Group Insurance Trust to modify the Plan and policy in accordance with the above Resolutions.

Resolution 5

RESOLVED, that, subject to approval by the applicable State Regulators, that a new life insurance program be offered under the Group Insurance Plan of the AICPA Group Insurance Trust effective December 1, 2012; and be it

FURTHER RESOLVED, that the new life insurance program will be available to firms with 25 – 49 owners and employees and will include the following features:

A. Amounts of Insurance.

1. Life Insurance provided by firm.

- a. Owners – from \$50,000 to \$500,000 with employees insured for 1 times, 2 times, or 3 times earnings up to the maximum life insurance amount on owners.

- b. Increments of \$50,000 starting at \$50,000 and ending at \$300,000.
- c. Increments of \$100,000 starting at \$300,000 and ending at \$500,000.
- 2. Limitations on amounts of life insurance otherwise applicable for owners and employees.

<u>Ages</u>	<u>Limit</u>
65 – 69	75%
70 – 74	50
75 – 79	35
80 & Over	25

- B. Living Benefits to be Included – Up to 75% of the life insurance amount could be paid to an insured with a life expectancy of six months or less.
- C. Optional Benefits Available (a Firm Election).
 - 1. Accidental Death and Dismemberment – 50% or 100% of life insurance amount.
 - 2. Waiver of premiums to age 60.
 - 3. Dependents life insurance.
 - a. Spouse - \$25,000 maximum; not to exceed 25% of life insurance in force on owner or employee.
 - b. Child - \$10,000.
- D. Other Features.
 - 1. Underwriting - must be actively at work for coverage to commence. No need to answer any medical questions or be examined by a medical practitioner.
 - 2. Eligibility for coverage – 20 or more work hours per week.
 - 3. Census data for owners and employees (and dependents, if applicable) submitted periodically.
 - 4. Firms would be eligible for refunds. However, premium rates are set so that no refunds are expected to be paid to such firms at the current time.

; and be it

FURTHER RESOLVED, that the monthly Premium Rates per \$10,000 of coverage under the life insurance program for firms with 25 - 49 covered lives be as follows:

**Group Insurance Plan
Select Program
Monthly Premium Rates
For Firms With a Total of 25 - 49 Owners and Employees
Per \$10,000 of Coverage**

<u>\$10,000*</u>	<u>Monthly Rates Per</u>		
<u>AD&D</u>	<u>Age</u>	<u>Life</u>	<u>Waiver</u>
Under 30	\$.16	\$.01	\$.10
30 - 34	.22	.02	.10
35 - 39	.28	.03	.10
40 - 44	.36	.05	.10
45 - 49	.55	.08	.10
50 - 54	.90	.15	.10
55 - 59	1.56	.39	.10
60 - 64	3.38	N/A	.10
65 - 69	6.71	N/A	.10
70 - 74	11.37	N/A	.10
75 - 79	16.34	N/A	.10
80 & Over	25.87	N/A	.10

* For firms that elect dependents life insurance (Spouse - \$25,000 maximum; not to exceed 25% of life insurance in force on owner or employee and Child \$10,000 maximum) the monthly premium is an additional \$2.00 per month for each owner and employee of the firm.

; 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 Group Insurance 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 Group Insurance Trust to modify the Plan and policy in accordance with the above Resolutions.

Report from the Professional and Personal Liability Insurance Plans Committee

John Herber, Chairman of the Professional and Personal Liability Insurance Plans Committee and Mr. Rothberg

Statutory Meetings

Scott Spiegel, Chief Financial Officer

Reports from the Auditing Standards Board and the Accounting and Review

Services Committee

Bruce Webb, Former Member of the Auditing Standards Board and Chuck Landes, Vice President – Professional Standards

Financial Reporting Framework for Small and Medium Sized Entities

Mr. Landes

Specialization/Credentialing Update

Jeannette Koger, Director – Member Specialization and Credentialing

Membership Update

Susan Amey, Director, Member Value

Report from the Finance Committee

Tommye Barie, Chair of the Finance Committee, reported on

Anthony Pugliese reported

Report from the Chairman of the Audit Committee

Tom Foard, Chairman of the Audit Committee, reported that

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. 926, 927, 927 and 928 for the time period of April 5, 2012 to July 26, 2012 admitting 7464 members, accepting 420 resignations, 161 reinstatements and 74 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 5:00pm and adjourned at 5:20 pm on Thursday, November 8. The regular session reconvened at 9:00 am on Friday, November 9.

National Commission on Diversity

Kim Drumgo, Director, Diversity and Inclusion

Washington and Tax Update

Ed Karl, Vice President of Taxation, briefed the Board on

Mark Peterson, Senior Vice President – Congressional and Political Affairs,

Peer Review Board Annual Update

Rick Reeder, Chairman of the Peer Review Board and Jim Brackens, Vice President – Ethics and Practice Quality

Innovation in Quality Assurance Debrief from Council

Sue Coffey, Senior Vice President – Public Practice and Global Alliances,
Mr. Reeder and Mr. Brackens

Update on 2012 State Legislative and Regulatory Activities

Mat Young, Vice President – State Regulatory and Legislative Affairs

* * * *

There being no further business, the meeting adjourned at 12 noon on
Friday, November 9, 2012.