New GASB Pension Standards

In June 2012, the Governmental Accounting Standards Board (GASB) issued two new standards that will substantially change the accounting and financial reporting of public employee pension plans and the state and local governments that participate in such plans. GASB Statement No. 67, *Financial Reporting for Pension Plans*, revises existing guidance for the financial reports of most governmental pension plans. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. GASB Statement No. 67 is effective for financial statements for periods beginning after June 15, 2013. GASB Statement No. 68 is effective for financial statements for fiscal years beginning after June 15, 2014.

Auditing Interpretation No. 1, “Auditor of Participating Employer in a Governmental Pension Plan,” (paragraphs .01-.02) is intended to assist both plan and employer auditors who are auditing entities that have implemented the new accounting standards.

1. Auditor of Participating Employer in a Governmental Pension Plan

.01 Question—Many governmental entities (employers) provide pension benefits to their employees through governmental pension plans. In order to report pension amounts in accordance with GASB Statement No. 68, employers obtain certain information (for example, net pension liability) from the governmental pension plan. In this circumstance, is the governmental pension plan considered a component of the employer for purposes of AU-C section 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)* (AICPA, Professional Standards)?

.02 Interpretation—No. In this circumstance, a governmental pension plan is not a component of the employer for purposes of AU-C section 600. Accordingly, it would not be appropriate for an employer auditor to make reference to the audit report of the governmental pension plan auditor.

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