

Pension Accounting Updates and Changes

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What's New?

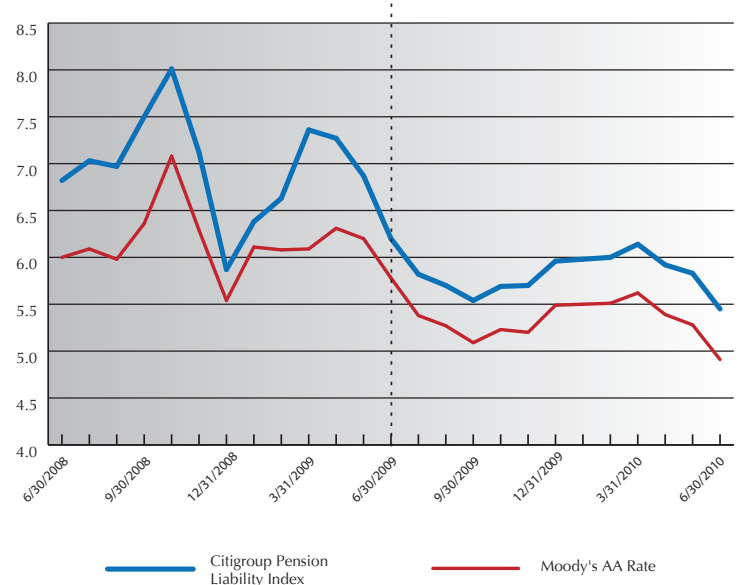
The terms "Statement of Financial Accounting Standards 87, 88, 132(R)-1, and 158" have been replaced. This information has been consolidated into the Accounting Standards Codification released on July 1, 2009 by the Financial Accounting Standards Board (FASB), which is effective for annual periods ending after September 15, 2009. The codification is now the single source of authoritative nongovernmental U.S. generally accepted accounting principles (US GAAP), and one of the goals of the codification is to simplify user's access to this information. The defined benefit pension accounting information can be found in FASB ASC 715-20 and FASB ASC 715-30. This Codification does not change any of the calculations within the Pension Accounting reports.

Interest Rate Update

Defined benefit pension plans subject to prepare June 30, 2010 Pension Accounting Disclosures have seen greater liabilities over the past two years, in part due to declining discount rates. The discount rate, which is used to determine the liabilities of the plan, must be based on current market conditions. A conventional benchmark for selecting a discount rate has often been based on Moody's long-term AA Corporate Bond rates. In recent years, there has been an increased interest in selecting a rate by matching a Plan's expected benefit payments to the Citigroup Pension Discount Yield Curve.

The Citigroup Pension Discount Yield Curve is a broader and more transparent index compared to Moody's. The resulting discount rate using the Citigroup Pension Discount Yield Curve will vary based on a Plan's demographics. Assuming a typical shaped yield curve, if a majority of a Plan's benefits are expected to be paid out in the near future, the discount rate will be comparably lower than for a plan whose payouts are expected to be paid further into the future.

Conrad Siegel Actuaries works with the plan sponsor and communicates with the auditor in selecting the discount rate to be utilized. The following graph shows the Moody's long-term AA Corporate Bond rates and the Citigroup Pension Liability Index, which Citigroup publishes monthly based upon a typical plan's demographics, applying the Citigroup Pension Discount Yield Curve.



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