

CAS Board – 68th Meeting
July 14, 2011

Chairman Daniel Gordon, the Administrator of the Office of Federal Procurement Policy (OFPP), convened the 68th meeting of the Cost Accounting Standards (CAS) Board (CASB) on July 14, 2011 at 1:05 pm EST. The meeting was held in the Eisenhower Executive Office Building in Washington, DC. Board Members Patrick Fitzgerald, Kathleen Turco, Bruce Timman and Richard Wall were in attendance. Also attending the meeting were Raymond Wong, CASB Director; and Eric Shipley, CASB Staff.

Agenda Items:

CAS (b)(6) Commercial Item Exemption

Mr. Wong briefed the CASB on the draft *Federal Register* Notice of proposed rule on whether to amend the CAS (b)(6) commercial item exemption to clarify the exact coverage of the exemption. The CASB discussed the draft text, but did not reach a consensus during the meeting. Additional revisions would be considered at the next meeting.

CAS Pension Harmonization Rule

Mr. Shipley briefed the CASB on the Investment Quality grades required of the investments with respect to the computation of the Minimum Liability for determining pension costs. The different rating firms use different rating systems to grade the investment quality of investments. There was some confusion on the comparability of the different investment quality grades assigned to the particular investment by the different rating firms. After some discussion, the CASB reached a consensus on the minimum investment quality grades to be assigned to the investments required for the computation of the Minimum Liability for determining CAS pension costs in the FR Notice. The CASB directed the Staff to modify the FR Notice accordingly to incorporate the CASB's decision for the next CASB meeting.

Mr. Wong informed the CASB that an earlier version of the draft FR Notice had been submitted into the routine administrative clearance process. The Working Group anticipates that it will receive agency comments from the OIRA (Office of Information and Regulatory Affairs) interagency clearance process, a part of the routine administrative clearance process.

Status of Cases

Mr. Wong briefed the CASB on the status of various rulemaking cases.

CAS Applicability Threshold (TINA): The *Federal Register* Notice of interim rule revising the CAS Applicability Threshold, and making future changes to the CAS Applicability Threshold automatic upon the FAR adoption of any change to the TINA

(Truth in Negotiations Act) threshold was recently published (76 FR 40817, July 12, 2011). The FR Notice has been posted on the CASB website. The comment period will close on September 12, 2011.

CAS (b)(14) Overseas Exemption: The FR Notice of final rule on the CAS (b)(14) overseas exemption has been submitted into the routine administrative clearance process

CAS (b)(15) Firm-Fixed-Price Contract Exemption (Cost or Pricing Data): The routine administrative clearance package is being prepared for the FR Notice of proposed rule on whether to amend the CAS (b)(15) firm-fixed-price (FFP) contract exemption to clarify the usage of the phrase “certified cost or pricing data”.

CAS 403, Allocation Thresholds for Home Office Expenses: The routine administrative clearance package is being prepared for the FR Notice to discontinue the CASB’s review of the allocation thresholds for home office expenses.

CAS 416, Catastrophic Insurance: The routine administrative clearance package is being prepared for the FR Notice to discontinue the CASB’s review of catastrophic losses.

Administrative Matters

PBGC Staff Meeting

Mr. Shipley briefed the CASB on a recent meeting by Mr. Wong and him with the PBGC’s (Pension Benefit Guaranty Corporation) Department of Insurance Supervision and Compliance. The PBGC has an interest in the accounting for pension costs in accordance with CAS as it insures pension benefits, including those offered by plans sponsored by Government contractors who are subject to CAS. The PBGC has a primary interest in the funding adequacy of pension plans. The PBGC expressed an interest in working collaboratively with the CASB on pension issues, and has committed staff resources to the potential CAS Working Group on Pension Segment Closing.

GASB Proposed Rule on Pension Accounting and Financial Reporting

Mr. Shipley briefed the CASB on the recent Proposed Statement of the Governmental Accounting Standards Board (GASB) (plain language supplement): Pension Accounting and Financial Reporting [for State and Local Governmental Entities]. Public comments are due on September 30, 2011. The Proposed Statement induces accrual-based government-wide financial statements, including pension costs, for state and local governmental entities. It only addresses accounting and financial reporting by the governmental entity, and does not address the funding of pension costs. Currently, accounting and financial reporting is closely tied to funding. The Proposed Statement would report net pension liability as the difference between the total pension liability and the value of pension assets. The GASB’s stated goals for the information in financial

reports are improved transparency, assistance in assessing accountability, and usefulness for making important decisions.

Adjournment

The CASB Chair, Mr. Gordon, adjourned the meeting at 3:45 pm.

Minutes submitted by Raymond J. M. Wong, July 29, 2011.