

“Big Seven” Focus on Pension Funding Policy

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WASHINGTON—The executive directors of the Big Seven state and local associations today released draft [“Pension Funding Policy Guidelines”](#) for state and local governments.

The Governmental Accounting Standards Board (GASB) recently issued new standards that focus entirely on how state and local governments should account for pension benefit costs. However, they did not address how employers should calculate the annual required contribution (ARC). To assist state and local government employers, the seven associations are engaged in an ongoing effort to develop policy guidelines.

State and local governments should have a policy that addresses the following general policy objectives:

- Ensure pension funding plans are based on actuarially determined contributions;
- Build funding discipline into the policy to ensure promised benefits can be paid;
- Maintain intergenerational equity so the cost of employee benefits is paid by the generation of taxpayers who receives services;
- Make employer costs a consistent percentage of payroll; and
- Require clear reporting to show how and when pension plans will be adequately funded.

“The last decade has been a sobering time for government leaders and pension plan sponsors. Actuarial practice is continuously evolving,” said **Dan Crippen, NGA executive director**. “Planning for the long-term is essential. These draft guidelines can provide a framework for policymakers to update their pension funding policies.”

“Government leaders have to make difficult budget decisions every year, said **Robert J O’Neill, ICMA executive director**. “Having a rational way to calculate their annual required contribution helps them stay on track to meet their retirement obligations.”

Members of the Big 7 organizations include the National Governors Association, the National Conference of State Legislatures, The Council of State Governments, the National Association of Counties, the National League of Cities, the U.S. Conference of Mayors and the International City/County Management Association.

The National Association of State Auditors, Comptrollers and Treasurers; the Government Finance Officers Association; the National Association of State Retirement Administrators and the National Council on Teacher Retirement helped draft the guidelines.

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