

Statement of Financial Accounting Standards No. 75

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Deferral of the Effective Date of Certain Accounting
Requirements for Pension Plans of State
and Local Governmental Units

(an amendment of FASB Statement No. 35)

November 1983



Financial Accounting Standards Board
of the Financial Accounting Foundation
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**Deferral of the Effective Date of Certain
Accounting Requirements for Pension Plans of
State and Local Governmental Units**

an amendment of FASB Statement No. 35

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FAS 75: Deferral of the Effective Date of Certain Accounting Requirements for Pension Plans of State and Local Governmental Units

an amendment of FASB Statement No. 35

FAS 75 Summary

This Statement amends FASB Statement No. 35, *Accounting and Reporting by Defined Benefit Pension Plans*, to defer indefinitely its applicability to pension plans of state and local governmental units pending further action by the Board.

INTRODUCTION

1. In February 1983, the Board received a request from the AICPA Accounting Standards Executive Committee urging the Board to extend the effective date of FASB Statement No. 35, *Accounting and Reporting by Defined Benefit Pension Plans*, for pension plans of state and local governmental units. For the reasons given in the appendix, the Board has concluded that it is appropriate to further defer the effective date of Statement 35 for those plans.

STANDARDS OF FINANCIAL ACCOUNTING AND REPORTING

Amendment to FASB Statement No. 35

2. The first sentence of paragraph 30 of Statement 35 is superseded and replaced by the following two sentences:

This Statement shall be effective for plan years beginning after December 15, 1980, except for plans that are sponsored by and provide benefits for the employees of

one or more state or local governmental units. For those plans, the effective date of this Statement is deferred indefinitely pending further action by the Board.

Supersession of FASB Statement No. 59

3. This Statement supersedes FASB Statement No. 59, *Deferral of the Effective Date of Certain Accounting Requirements for Pension Plans of State and Local Governmental Units*.

Effective Date

4. This Statement shall be effective upon issuance retroactive to fiscal years beginning after December 15, 1980.

This Statement was adopted by the unanimous vote of the seven members of the Financial Accounting Standards Board:

Donald J. Kirk, *Chairman*
Frank E. Block
Victor H. Brown
John W. March
David Mosso
Robert T. Sprouse
Ralph E. Walters

Appendix: BACKGROUND INFORMATION AND BASIS FOR CONCLUSIONS

5. Statement 35 was issued in March 1980 and defines generally accepted accounting principles for general purpose external financial reports of defined benefit pension plans. It was intended to apply both to plans in the private sector and to plans sponsored by state and local governmental units. As originally issued, Statement 35 was to be effective for plan years beginning after December 15, 1980.

6. In April 1982, the Board issued Statement 59. That Statement amended Statement 35 by deferring its applicability until plan years beginning after June 15, 1982 for plans that are sponsored by and provide benefits for the employees of one or more state or local governmental units.

7. In November 1982, the Financial Accounting Foundation (FAF) reached agreement with the Municipal Finance Officers Association, the National Association of State Auditors, Comptrollers and Treasurers, and the American Institute of Certified Public Accountants

regarding the establishment of a Governmental Accounting Standards Board (GASB). The Foundation's trustees have approved the formation of an FAF committee to oversee all aspects of implementation of the agreement. Among the questions that remain to be resolved is how standards should be set for government-related entities (such as hospitals, municipal utilities, universities, and pension plans) that are similar to entities in the private sector.

8. As indicated in paragraph 1, the Board has been requested to further extend the effective date of Statement 35 for pension plans of state and local governmental units. The Board believes that the current efforts to establish a new structure for setting accounting standards for state and local governmental units bear on the consideration to amend Statement 35. The Board believes that those efforts might be impaired by imposition of new standards at this time or by the existence of differing standards issued by different bodies.

9. On June 7, 1983, the FASB issued an Exposure Draft proposing deferral of the effective date for application of Statement 35 to pension plans of state and local governmental units until plan years beginning after June 15, 1985. The Exposure Draft was issued after the Board was informed by representatives of the National Council on Governmental Accounting (NCGA) that the NCGA would consider at its June 1983 meeting taking similar action regarding its recently issued Statement 6, *Pension Accounting and Financial Reporting: Public Employee Retirement Systems and State and Local Government Employers*. NCGA Statement 6 differs significantly from Statement 35 in the measurement of participants' benefits and the basis for valuing plan investments. The Board received 10 letters of comment in response to the Exposure Draft, all of which generally supported extending the period of mutual deferral of both Statement 35 and NCGA Statement 6. Subsequent to issuance of the Exposure Draft, the NCGA has taken various actions regarding the effective date of Statement 6. The Board understands that the NCGA will soon issue its Interpretation 8 which will extend indefinitely the effective date of Statement 6.

10. The Board believes that a mutual deferral of both Statement 35 and NCGA Statement 6 is appropriate while discussions relating to the formation and operation of the GASB are in progress. Accordingly, the Board decided to defer indefinitely the applicability of Statement 35 to pension plans of state and local governmental units pending further action by the Board.

11. The Board has concluded that it can reach an informed decision on the basis of existing information without a public hearing and that the effective date specified in paragraph 4 is advisable in the circumstances.