JUNE 2020

Governmental Accounting Standards Series

Statement No. 97 of the
Governmental Accounting
Standards Board

Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

an amendment of GASB Statements No. 14 and No. 84,
and a supersession of GASB Statement No. 32

GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

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Summary

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities,* be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans,* or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* respectively.

This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

This Statement supersedes the remaining provisions of Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,* as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of *all* Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances.

Effective Date

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.*

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans.

How the Board Considered Costs and Benefits in the Development of This Statement

One of the principles guiding the Board's setting of standards for accounting and financial reporting is the assessment of expected benefits and perceived costs. The Board strives to determine that its standards address significant user needs and that the costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit.

Regarding the requirements related to certain component unit criteria, the Board believes that the expected benefits of reporting certain defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans as fiduciary component units in a government's fiduciary fund financial statements do not justify the perceived costs. Therefore, this Statement requires that a primary government not be subject to certain component unit criteria such that those arrangements should be reported as fiduciary component units only if other component unit criteria are met.

Regarding the requirements related specifically to Section 457 plans, the Board believes that the expected benefits of the information provided through implementation of this Statement—(1) more relevant, consistent, and comparable information about Section 457 plans that meet the definition of a pension plan and about benefits provided through those plans and (2) more relevant investment information for all Section 457 plans—are significant and justify the perceived costs of implementation and ongoing compliance.

Unless otherwise specified, pronouncements of the GASB apply to financial reports of all state and local governmental entities, including general purpose governments; public benefit corporations and authorities; public employee retirement systems; and public utilities, hospitals and other healthcare providers, and colleges and universities. Paragraph 2 discusses the applicability of this Statement.

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an amendment of GASB Statements No. 14 and No. 84,
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June 2020

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INTRODUCTION

1. The primary objectives of this Statement are to (a) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (b) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans)[1] as fiduciary component units in fiduciary fund financial statements; and (c) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

[1]Other employee benefit plans are employee benefit plans *other than* any type of pension plan or OPEB plan. Pension plans include defined contribution pension plans and defined benefit pension plans, and OPEB plans include defined contribution OPEB plans and defined benefit OPEB plans.

STANDARDS OF GOVERNMENTAL ACCOUNTING AND FINANCIAL REPORTING

Scope and Applicability of This Statement

2. This Statement (a) clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units and (b) modifies the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans (for example, certain Section 457 plans). This Statement also establishes accounting and financial reporting requirements for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans and modifies the investment valuation requirements for all Section 457 plans. The requirements of this Statement apply to the financial statements of all state and local governments.

3. This Statement supersedes the remaining provisions of Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans; Implementation Guide No. 2015-1,* Question 5.116.5; Implementation Guide No. 2016-1, *Implementation Guidance Update—2016,* Question 4.69; Implementation Guide No. 2019-2, *Fiduciary Activities,* Question 4.6; and Implementation Guide No. 2020-1, *Implementation Guidance Update—2020,* paragraph 6. This Statement amends Statement No. 14, *The Financial Reporting Entity,* paragraph 27; Statement No. 84, *Fiduciary Activities,* paragraph 7; Implementation Guide 2015-1, Questions 4.9.6, 4.18.1, 4.18.8, and 4.22.1; and Implementation Guide 2019-2, Questions 4.3, 4.5, and 4.7.

Certain Component Unit Criteria

Absence of a Governing Board in Determining Financial Accountability

4. In certain instances, a legally separate organization does not have a governing board. For purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribu-

tion OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), if the primary government performs the duties that a governing board typically would perform, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board.

Applicability of the Financial Burden Criterion in Paragraph 7 of Statement 84

5. The financial burden criterion in paragraph 7 of Statement 84 is applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans,* or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* respectively.

Section 457 Plans

6. A Section 457 plan should be classified as either a pension plan or an other employee benefit plan, as follows:

a. A Section 457 plan that meets the definition of a pension plan in paragraph 51 of Statement 67 or paragraph 128 of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* is a pension plan for accounting and financial reporting purposes.
b. A Section 457 plan that does not meet the definition of a pension plan is an other employee benefit plan for accounting and financial reporting purposes.

7. Statement 84, as amended, should be applied to determine whether an arrangement organized under IRC Section 457 should be reported as a fiduciary activity in a government's fiduciary fund financial statements.

Section 457 Plans That Meet the Definition of a Pension Plan

8. If a Section 457 plan that meets the definition of a pension plan (a) is included in the financial statements of another government or (b) issues stand-alone financial statements, all accounting and financial reporting requirements that are relevant to pension plans should be applied.

9. All accounting and financial reporting requirements that are relevant to pensions should be applied to benefits provided through a Section 457 plan that meets the definition of a pension plan. For example, an employer or a nonemployer contributing entity should apply the requirements of Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended, or Statement 73, as amended, to such benefits, as appropriate. The requirements that are applied should be based on the specific type of benefits that are provided through the Section 457 plan, for example, defined contribution pensions.

EFFECTIVE DATE AND TRANSITION

10. The requirements of this Statement are effective as follows:

a. The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately.
b. The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021.
c. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

11. Earlier application is encouraged and is permitted by specific requirement as follows:

a. Paragraph 4 of this Statement as it applies to arrangements other than defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans
b. Paragraphs 6–9 of this Statement and the supersession of the remaining requirements of Statement 32 (as detailed in paragraph 3 of this Statement).

12. Questions 4.3 and 4.5 of Implementation Guide 2019-2, as amended, are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged if Statement 84, as amended, has been implemented.

13. Except as noted in paragraph 14, changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practicable, for all prior fiscal years or reporting periods, as described in paragraph 10, presented. If restatement for prior fiscal years or reporting periods, as described in paragraph 10, is not practicable, the cumulative effect, if any, of applying this Statement should be reported as a restatement of beginning net position (or fund balance or fund net position, as applicable) for the earliest fiscal year or reporting period restated.

14. If a Section 457 plan meets the definition of a defined benefit pension plan, the transition provisions of Statement 67, Statement 68, as amended by Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date,* or Statement 73 should be applied when paragraph 8 or paragraph 9 of this Statement is first implemented.

15. In each fiscal year or reporting period that any requirement of this Statement is first applied, the notes to financial statements should disclose the nature of the restatement (if any) and its effect. Also, the reason for not restating prior fiscal years or reporting periods presented should be disclosed.

The provisions of this Statement need not be applied to immaterial items.

This Statement was issued by unanimous vote of the seven members of the Governmental Accounting Standards Board.

David A. Vaudt, *Chairman*
Jeffrey J. Previdi, *Vice Chairman*
James E. Brown
Brian W. Caputo
Michael H. Granof
Kristopher E. Knight
Carolyn Smith

Appendix A

BACKGROUND

Certain Component Unit Criteria

A1. Statement 14, as amended, provides guidance on the identification of component units, and Statement 84 provides guidance on the identification of fiduciary activities and additional guidance on fiduciary component units. Prior to the issuance of this Statement, paragraph 7 of Statement 84 amended the requirements in Statement 14 regarding financial benefit or burden by adding a criterion to indicate that a primary government is considered to have a financial burden if it is legally obligated or has otherwise assumed the obligation to make contributions to a pension plan or an OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively. In addition, authoritative questions and answers in Implementation Guide 2019-2 previously provided that for certain arrangements, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board by addressing a specific situation in which some defined contribution pension plans and defined contribution OPEB plans (a) that are administered through a trust that meets the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, as applicable; (b) that do not have a governing board; and (c) in which the employer is legally required to make contributions to the plan, would have been reported as fiduciary component units by the sponsoring government. Prior to the issuance of that guidance in Statement 84 and Implementation Guide 2019-2, many sponsoring governments determined that those arrangements should not be reported in their fiduciary fund financial statements.

A2. Stakeholders, including individual members of the Governmental Accounting Standards Advisory Council (GASAC) at the July and October 2019 meetings of the GASAC, expressed concerns related to the perceived costs, including audit costs, associated with the reporting of certain defined contribution pension plans and certain other employee benefit plans as fiduciary component units. In response, the GASB conducted additional stakeholder outreach efforts to more clearly understand (a) the structure and characteristics of certain defined contribution pension plans and certain other employee benefit plans, (b) the perceived implementation costs for a sponsoring government, and

(c) the expected benefits of reporting those types of arrangements in the fiduciary fund financial statements of a sponsoring government. The intent of the outreach was to further inform the Board's consideration of the expected benefits and perceived costs associated with presenting those types of arrangements as fiduciary component units.

A3. Based on the expected benefit and perceived cost information obtained during the outreach efforts, as discussed in paragraphs B3–B5 of Appendix B, the Board added a project to its current technical agenda in January 2020 to consider, in part, (a) how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units and (b) the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. The project also considered the accounting and financial reporting for Section 457 plans, discussed further in paragraphs A4–A9.

Accounting and Financial Reporting for Section 457 Plans

A4. Statement 32 was developed in response to a change in the IRC requiring that assets of Section 457 plans be "held in trust for the exclusive benefit of participants and their beneficiaries." At the time of the issuance of Statement 32, Section 457 plans were not viewed by the Board to be pension plans. Rather, at that time, the Board believed that Section 457 plans were more similar to tax-deferred employee savings plans than to pension plans, primarily because Section 457 plans typically did not have employer contributions. That view served as the basis for subsequent implementation guidance that specified that the pension standards should not be applied to benefits provided through Section 457 plans because those plans were not considered to be pension plans.

A5. Since the issuance of Statement 32, the characteristics of certain Section 457 plans have changed again, due in part to revisions to the IRC. In April 2018, the Board added a pre-agenda research activity to its technical plan to reexamine the effectiveness of Statement 32, as amended, by (a) assessing changes in the characteristics of Section 457 plans and (b) considering whether existing accounting and financial reporting requirements provide users of financial statements with essential information. To obtain information about the characteristics of Section 457 plans, the pre-agenda research included a literature review; interviews with persons knowledgeable about Section 457 plans; and separate surveys of preparers, auditors, and representatives of Section 457 plans.

A6. The pre-agenda research indicated that certain Section 457 plans are similar in nature to pension plans. For example, that research identified circumstances in which employers contribute to Section 457 plans, although those circumstances remain less common than those in which employers do not contribute. Feedback on (a) the results of the pre-agenda research and (b) a draft project proposal was provided by members of the GASAC at their November 2018 meeting.

A7. In December 2018, the Board added a project to the practice-issue portion of its current technical agenda to consider amending existing GASB literature to reflect the changes in the characteristics of certain Section 457 plans. Feedback on the project was provided by members of the GASAC at their March 2019 meeting. The Board's consideration of the individual feedback from GASAC members on the initial Exposure Draft is incorporated throughout Appendix B. When project issues are discussed with GASAC members, the GASAC does not take formal positions either in support of or in opposition to those issues.

A8. Board deliberations began in April 2019. In June 2019, an Exposure Draft, *Internal Revenue Code Section 457 Deferred Compensation Plans That Meet the Definition of a Pension Plan and Supersession of GASB Statement 32* (the initial Exposure Draft), was issued to address the accounting and financial reporting for Section 457 plans. The Board received 32 written responses to the initial Exposure Draft from organizations and individuals. As discussed previously, during that time, concerns were raised by preparers and auditors regarding the perceived costs of the fiduciary reporting of certain arrangements, including Section 457 plans.

A9. Although the initial Exposure Draft did not directly address any fiduciary reporting requirements, the proposals presented in that document would have affected the fiduciary reporting of certain Section 457 plans. As such, due to the interrelated nature between (a) the fiduciary reporting of certain arrangements, including Section 457 plans, and (b) the previous project on the Board's technical agenda regarding Section 457 plans, the two issues were combined into a single project that was added to the Board's current technical agenda in January 2020.

Exposure Draft for Combined Project

A10. In March 2020, the Board issued an Exposure Draft, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,* resulting from the combined project intended to address the topics described in paragraphs A1–A9. The Board received 24 written responses to the Exposure Draft from organizations and individuals. Feedback was provided by individual GASAC members at the March 2020 meeting of the GASAC. As discussed throughout Appendix B, comments and suggestions from respondents to the Exposure Draft and individual GASAC members contributed to the Board's deliberations in developing the requirements of this Statement.

Appendix B

BASIS FOR CONCLUSIONS

Introduction

B1. This appendix discusses factors considered significant by Board members in reaching the conclusions in this Statement. It includes discussion of the alternatives considered and the Board's reasons for accepting some and rejecting others. Individual Board members may have given greater weight to some factors than to others.

Scope and Applicability of This Statement

B2. For purposes of determining whether a primary government is financially accountable, this Statement establishes Category A authoritative guidance that the absence of a governing board should be treated the same as an appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform and addresses the arrangements for which that guidance should be applicable. Additionally, this Statement limits the applicability of the financial burden criterion in paragraph 7 of Statement 84 to only defined benefit pension plans or defined benefit OPEB plans administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively. (Prior to the issuance of this Statement, the financial burden criterion in paragraph 7 of Statement 84 also applied to defined contribution pension plans and defined contribution OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively.) As noted in Appendix A, in response to stakeholders' concerns related to the perceived costs, including audit costs, associated with reporting defined contribution pension plans and certain other employee benefit plans as fiduciary activities, the GASB conducted additional stakeholder outreach efforts to more clearly understand those issues. As such, the Board's conclusions regarding the scope and applicability related to the component unit criteria requirements of this Statement primarily were informed by that outreach, as discussed in paragraphs B3–B5.

B3. The outreach indicated that the users who participated either (a) had not seen information related to defined contribution pension plans or certain other employee benefit plans in fiduciary fund financial statements and stated that they would not use the information if it were available to them or (b) had seen the information in fiduciary fund financial statements and stated that they are not using it. The outreach also revealed that there are several perceived costs for governments related to (1) reporting those arrangements in fiduciary fund financial statements and (2) auditing the information. However, users who participated in the outreach did provide a compelling argument for how they would use the information related to those types of arrangements if the government is controlling the assets, as described in paragraph 12 of Statement 84.

B4. The Board concluded that, theoretically, existing authoritative guidance regarding (a) how the absence of a governing board affects the determination of whether a primary government is financially accountable for a legally separate organization based on the criterion in paragraph 21 of Statement 14 and (b) the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit and defined contribution pension and OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, is correct. However, the Board also concluded that it was important to reconsider the expected benefits and perceived costs of reporting certain arrangements as informed by the additional stakeholder feedback.

B5. As previously noted and as discussed in paragraphs B11 and B12, some users that participated in the outreach indicated that the inclusion of defined contribution pension plans and certain other employee benefit plans in a sponsoring government's fiduciary fund financial statements would be more valuable if that sponsoring government were controlling the assets of the plan. As such, the Board concluded that the fiduciary activities criteria of Statement 84 that are applicable to all arrangements that are not component units should not be considered in this Statement.

B6. In addition, as discussed in paragraph B26, the Board determined that certain Section 457 plans meet the definition of a pension plan based on the pre-agenda research that led to this project. Therefore, this Statement also addresses (a) the classification of Section 457 plans as either pension plans or other employee benefit plans and (b) the accounting and financial reporting requirements that should be applied to Section 457 plans that meet the definition of a pension plan and to benefits provided through those plans. Furthermore, as part of the reexamination of Statement 32, as amended, this Statement supersedes the remaining provisions of that Statement, which, prior to the issuance of this Statement, addressed the valuation of Section 457 plan investments.

B7. Some respondents to the Exposure Draft suggested that the Board define the term *other employee benefit plan* or provide clarification on the types of arrangements that would be included in this category. Some respondents requested clarification specifically as it relates to Section 457 plans and whether those plans are considered other employee benefit plans. The Board agreed that the use of the term in this Statement could be clarified by indicating that (a) other employee benefit plans are those employee benefit plans that are not pension plans or OPEB plans, (b) other employee benefit plans include certain Section 457 plans (that is, those Section 457 plans that do not meet the definition of a pension plan), and (c) Section 457 plans are classified as either other employee benefit plans or pension plans. The Board believes that the development of a formal definition for the term would require a more comprehensive consideration of and potential refinements to existing definitions in the postemployment benefit literature. Therefore, the Board determined that the term should not be defined in this Statement.

Certain Component Unit Criteria

B8. Paragraph 20 of Statement 14, as amended, provides that component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Paragraph 21 of Statement 14 states that "accountability flows from the notion that individuals are obliged to account for their acts, including the acts of the officials they appoint to operate governmental agencies." Furthermore, paragraph 21 of Statement 14, as amended, provides that a primary government is financially accountable for a legally separate organization if (a) the primary government appoints a voting majority of the organization's governing body and is able to impose its will on that organization; (b) the primary government appoints a voting majority of the organization's governing body and there is the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or (c) the organization is fiscally dependent on the primary government and there is the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The Board believes that if the primary government performs the duties that a governing board typically would perform, the absence of a governing board should be treated the same as the appointment of a voting majority of the governing board because the primary government is obliged to account for their acts (as discussed further in paragraph B13).

B9. Expanding on the component unit guidance in Statement 14, as amended, prior to the issuance of this Statement, paragraph 7 of Statement 84 provided that a primary government is considered to have a financial burden if it is legally obligated or has otherwise assumed the obligation to make contributions to a pension plan or an OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively. In addition, for those pension and OPEB plans, Questions 4.5 and 4.6 in Implementation Guide 2019-2, as issued, were intended to clarify (a) whether the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board for purposes of determining financial accountability and (b) the applicability of the financial burden criterion in paragraph 7 of Statement 84.

B10. In considering the perceived costs associated with reporting certain arrangements as fiduciary component units in the project that led to this Statement, the Board first considered the likelihood that arrangements would meet the component unit criteria discussed in paragraphs B8 and B9. Participants in the stakeholder outreach indicated that IRC Section 401(a), 401(k), 403(b), and 457(b) plans generally would be administered through trusts or equivalent arrangements that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, because of IRC regulations that mandate how those plans are structured. Existing authoritative implementation guidance specifies that pension plans or OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are legally separate. The Board acknowledges that, based on the outreach, those arrangements that were subject to the outreach generally are legally separate for accounting and financial reporting purposes. As a result, defined contribution pension plans or defined contribution OPEB plans in which a government is legally obligated to contribute (and, therefore, prior to the issuance of this Statement, met the component unit financial burden criterion in paragraph 7 of Statement 84) and (a) the sponsoring government appoints a voting majority of the plan's governing board or (b) the plan does not have a governing board and the sponsoring government performs the duties that the governing board typically would perform (Implementation Guide 2019-2, Questions 4.5 and 4.6, as issued), would have been required to be reported as fiduciary component units in accordance with paragraph 6 of Statement 84.

B11. Based on the perceived costs identified by stakeholders as part of the additional outreach, the Board decided to reconsider the component unit guidance related to (a) whether the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board for purposes of determining financial accountability and (b) the financial burden criterion in paragraph 7 of Statement 84, as issued. The Board concluded that any reconsideration of those specific provisions should maintain the tenets of Statement 14, as amended, related to financial accountability. In addition, based on feedback from users that indicated that the information would be more valuable if the sponsoring government were controlling the assets, the Board determined that the applicability of paragraphs 10 and 11 of Statement 84 should not be reconsidered; therefore, those paragraphs continue to be applicable to all arrangements, including legally separate arrangements, that are determined to not be a component unit.

B12. Some respondents to the Exposure Draft requested that the Board reconsider the applicability of other component unit criteria for certain arrangements (namely, defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans) with the result that those arrangements be exempt from all of the component unit criteria in Statement 14, as amended. Those respondents believe that those types of plans should be reported as a fiduciary activity only if the government is controlling the assets of the plan. Other respondents requested that the Board provide further clarification on (a) the applicability of the component unit criteria related to the imposition of will in Statement 14 and (b) the determination of control, as described in paragraph 12 of Statement 84. The Board concluded that a primary objective of this Statement was to address specific concerns related to perceived costs associated with reporting certain arrangements as fiduciary component units, while still providing benefits to users of financial statements. Based on the stakeholder outreach described in paragraphs A2 and A3, the Board determined that the cost concerns were best mitigated by modifying the component unit criteria related to (1) certain instances related to the appointment of a voting majority of a governing board and (2) financial burden. The Board noted that the objective of this project was not to more broadly reexamine Statement 14, as amended, nor was it to provide further guidance on other component unit criteria. As a result, the Board determined that other component unit criteria, including (a) a specific exemption for all defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans from being reported as a component unit and (b) as previously noted, an expansion on "control" as described in paragraph 12 of Statement 84, should not be reconsidered in this Statement.

Absence of a Governing Board in Determining Financial Accountability

B13. Prior to the issuance of this Statement, Question 4.5 in Implementation Guide 2019-2 provided that a government that performs the duties of a governing board in the absence of one should be treated the same as a government that appoints a voting majority of a governing board for purposes of determining financial accountability. Prior to the issuance of this Statement, the circumstance that was addressed in Question 4.5 applied to a pension plan or an OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, and Question 4.6 served as a follow-up question to indicate that the answer is the same for both defined benefit plans and defined contribution plans. The Board still believes that conclusion is sound based on the principles set forth in Statement 14, as amended, and could be applied to any potential component unit. However, after considering the results of the outreach regarding perceived costs and the expected usefulness of the information, the Board reassessed the cost-benefit considerations and concluded that the expected benefits do not justify the perceived costs in all situations. As such, the Board determined that certain arrangements should not be subject to the principle established by the conclusion related to the absence of a governing board. Paragraphs B15–B17 discuss the types of arrangements that the Board concluded should not be subject to that principle.

B14. In determining that certain arrangements should not be subject to the principle that a government performing the duties of a governing board in the absence of one should be treated the same as the appointment of a voting majority of a governing board for purposes of determining financial accountability, the Board noted that those arrangements should be reported as a component unit if the other component unit criteria in Statement 14, as amended, are met. Arrangements meeting the other component unit criteria in Statement 14, as amended, were outside the scope of this project. Furthermore, as previously discussed, the Board did not reconsider the applicability of paragraphs 10 and 11 of Statement 84 regarding the reporting of fiduciary activities that are not component units.

Defined Contribution Pension Plans and Other Employee Benefit Plans That Were the Subject of the Outreach

B15. Outreach participants with whom the GASB discussed plan characteristics indicated that there are no substantive differences in terms of plan structure from a financial reporting perspective between defined contribution pension plans and certain other employee benefit plans (for example, a Section 457 plan to which only employees contribute). Moreover, the Board concluded that persuasive concerns related to perceived costs were raised relative to including both types of arrangements in a sponsoring government's fiduciary fund financial statements. The Board also acknowledges that many of the users that participated in the outreach stated that they did not use or would not use fiduciary fund financial statements reporting information about either type of arrangement. Although users that participated in the outreach generally do not use the information, some of those users indicated that they were more likely to use information about defined contribution pension plans as compared to information about certain other employee benefit plans. However, the Board noted that the primary reason provided by many users was that the contributions from the government are "taxpayer dollars." Based on that feedback, the Board believes that (a) the information that those users are interested in is provided by the employer reporting for defined contribution pensions and (b) the fiduciary relationship of the government to those plan assets, regardless of how the plan is funded, is the same. As such, the Board does not see a significant difference, from a fiduciary reporting standpoint, between defined contribution pension plans and certain other employee benefit plans that were the subject of the outreach. Consequently, for such arrangements, the Board determined from a cost-benefit standpoint that a primary government should be exempt from treating the absence of a governing board the same as the appointment of a voting majority of a governing board for purposes of determining financial accountability in circumstances in which the government is performing the duties a governing board typically would perform.

Defined Contribution OPEB Plans and Other Employee Benefit Plans That Were Not the Subject of the Outreach

B16. Defined contribution OPEB plans and certain other employee benefit plans (for example, a plan through which healthcare is provided to active employees) were not the explicit subjects of the stakeholder outreach. However, because of the symmetry between the current pension and OPEB guidance, the Board concluded that a primary government also should be exempt from treating the absence of a governing board the same as the appointment of a voting majority of a governing board for purposes of determining financial accountability in circumstances in which the government is performing the duties a governing board typically would perform for defined contribution OPEB plans that were not the subject of the outreach. Similarly, the Board believes, based on the feedback from users related to the other employee benefit plans that were subject to the outreach, that the expected benefits to users regarding information related to certain other employee benefit plans would not justify the perceived costs and, therefore, concluded that such arrangements also should be exempt from treating the absence of a governing board the same as the appointment of a voting majority of a governing board for purposes of determining financial accountability in circumstances in which the government is performing the duties a governing board typically would perform.

Arrangements in Which Assets Are Accumulated for Purposes of Providing Defined Contribution Pensions or Defined Contribution OPEB through Plans That Are Not Administered through Trusts That Meet the Criteria in Paragraph 3 of Statement 67 or Paragraph 3 of Statement 74, Respectively

B17. The Board also considered arrangements in which assets are accumulated for purposes of providing defined contribution pensions or defined contribution OPEB through plans that are not administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively. The Board generally believes that the applicability of the component unit criteria would be less common in those circumstances because the arrangement first is required to be legally separate to be a component unit. In addition, as previously discussed, users that participated in the outreach generally did not or would not use information in the fiduciary fund financial statements about defined contribution pension plans. The Board also noted that, in addition to the appointment of a voting majority of a governing board, other component unit criteria in Statement 14, as amended, would need to be satisfied to be a component unit. The Board questioned how frequently those types of arrangements would satisfy any of the other criteria. Therefore, the Board determined that an additional distinction did not need to be drawn based on the presence of a trust that meets the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74 and concluded that a primary government should be exempt from treating the absence of a governing board the same as the appointment of a voting majority of a governing board for purposes of determining financial accountability in circumstances in which the government is performing the duties a governing board typically would perform for arrangements in which assets are accumulated for purposes of providing defined contribution pensions or defined contribution OPEB through plans that are not administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively.

Applicability of the Financial Burden Criterion in Paragraph 7 of Statement 84

B18. Concerns about perceived implementation and ongoing application costs also were raised during the outreach by individual GASAC members and other stakeholders regarding the reporting of defined contribution pension plans for which there is a governing board and the primary government has appointed a majority of that governing board. As such, to mitigate costs related to reporting those plans, the Board also considered whether the financial burden criterion in paragraph 7 of Statement 84 should be limited to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively.

B19. The Board concluded that the financial burden criterion in paragraph 7 of Statement 84 should be limited to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively. Without this limitation, defined contribution pension plans and defined contribution OPEB plans that are administered through such trusts and that have governing boards for which the sponsoring government has appointed a voting majority would have met the component unit criteria. The Board believes that limiting the applicability of the financial burden criterion in paragraph 7 of Statement 84 mitigates cost concerns associated with reporting those arrangements and is consistent with feedback received from users who participated in the outreach. Furthermore, for reasons similar to those discussed previously, the Board also concluded that paragraph 7 of Statement 84 also should be limited to exclude application to defined contribution OPEB plans because of the symmetry between the current pension and OPEB guidance.

B20. Similar to its conclusions discussed in paragraph B14, in determining that the financial burden criterion in paragraph 7 of Statement 84 should be limited, the Board noted that a primary government assessing an arrangement to which the criterion in paragraph 7 of Statement 84 is not applicable should report that arrangement as a component unit if the other component unit criteria in Statement 14, as amended, are met. Moreover, the Board did not reconsider the applicability of paragraphs 10 and 11 of Statement 84 regarding the fiduciary reporting of fiduciary activities that are not component units.

Accounting and Financial Reporting for Section 457 Plans

Supersession of Statement 32, as Amended

B21. As initially issued in October 1997, Statement 32 addressed both (a) the fiduciary reporting of Section 457 plans and (b) the valuation of investments of Section 457 plans. Regarding the fiduciary reporting of Section 457 plans, Statement 84 superseded the fiduciary reporting requirements of Statement 32. Because Statement 84, as issued, addressed identifying and reporting fiduciary activities (including Section 457 plans), the initial Exposure Draft, which only included proposals specifically related to Section 457 plans, did not address the fiduciary reporting requirements for Section 457 plans (regardless of whether a Section 457 plan meets the definition of a pension plan). However, as discussed previously, the project that led to the initial Exposure Draft became part of a broader project and, as such, this Statement includes provisions that are relevant, in most cases, to determining whether a Section 457 plan is reported as a fiduciary activity.

B22. Regarding the valuation of investments of Section 457 plans, prior to the issuance of this Statement, paragraph 5 of Statement 32 required that investments of Section 457 plans be measured at fair value. Although this Statement supersedes paragraph 5 of Statement 32, the Board did not reconsider the application of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* as amended, or Statement No. 72, *Fair Value Measurement and Application,* as amended, regarding valuing investments of Section 457 plans. Rather, the Board decided that the requirements regarding the valuation of investments in Statement 31, as amended, and Statement 72, as amended, for all Section 457 plans, as well as the requirements in Statement 67, as amended, for Section 457 plans that meet the definition of a pension plan, are sufficient. As such, the Board concluded that duplication of the requirements of those Statements or specific references to those Statements is unnecessary. A respondent to the initial Exposure Draft raised concerns about the requirement to measure plan investments at fair value. The Board noted that prior to the issuance of this Statement, those investments already were required to be measured in accordance with Statements 31 and 72, as amended; this Statement only removed the reference that was in Statement 32 to those requirements.

B23. Prior to the issuance of this Statement, paragraph 6 of Statement 32, as amended, permitted a government to use the most recent report of the plan administrator for investment valuation information if it was impractical to obtain that information from the plan administrator as of the reporting government's financial report date. That provision initially was included in Statement No. 2, *Financial Reporting of Deferred Compensation Plans Adopted under the Provisions of Internal Revenue Code Section 457,* which was issued in January 1986. The Board concluded that paragraph 6 of Statement 32, as amended, should be superseded for all Section 457 plans because of the availability of timely fair value information and to be consistent with Statement 67, as amended, in circumstances in which that Statement is applicable.

Classification and Fiduciary Reporting of Section 457 Plans

B24. Based on the pre-agenda research for the project that led to this Statement, the Board concluded that certain Section 457 plans meet the definition of a pension plan. As discussed in paragraph B7, some respondents to the Exposure Draft raised concerns regarding the understandability of the proposals and the relationship between the requirements related to (a) certain component unit criteria and (b) Section 457 plans. Therefore, this Statement clarifies that Section 457 plans should be classified as either pension plans or other employee benefit plans depending on whether the definition of a pension plan is met.

B25. In addition, some respondents viewed the requirements of the Exposure Draft related to Section 457 plans as requiring a Section 457 plan that meets the definition of a pension plan to be reported as a fiduciary activity in all circumstances. Other respondents requested clarification regarding the circumstances in which a Section 457 plan should be reported as a fiduciary activity. The Board noted that the requirements of the Exposure Draft were not intended to imply that a Section 457 plan that meets the definition of a pension plan should be reported as a fiduciary activity in all circumstances. In addition, the Board acknowledges that specifically indicating whether a Section 457 plan should be reported as a fiduciary activity would be inconsistent with the approach taken in Statement 84, as amended, to evaluate arrangements based on their characteristics to determine whether they should be reported as fiduciary activities. Therefore, the Board concluded that this Statement should clarify the requirements that should be applied to determine whether a Section 457 plan should be reported as a fiduciary activity. (See paragraph 7 of this Statement.)

Section 457 Plans That Meet the Definition of a Pension Plan

B26. As discussed previously, based on the pre-agenda research for the project that led to this Statement, the Board concluded that certain Section 457 plans meet the definition of a pension plan and that those plans—and benefits provided through them—should be reported in accordance with the relevant pension standards. In the context of the GASB's existing pension literature, the Board considered the circumstances in which a Section 457 plan may or may not meet the definition of a pension plan. The Board believes that whether a Section 457 plan meets the definition of a pension plan centers on whether the government is providing a pension—principally retirement income—which is a form of postemployment benefit.

B27. Similar to feedback received on the initial Exposure Draft, some respondents agreed that Section 457 plans can meet the definition of a pension plan, whereas other respondents generally disagreed that a Section 457 plan can meet the definition of a pension plan. The Board acknowledges that there are many Section 457 plans that do not meet the definition of a pension plan; nevertheless, the pre-agenda research and technical inquiries submitted by stakeholders have demonstrated that there also are Section 457 plans that from a financial reporting perspective are similar to arrangements that currently are classified as defined contribution pension plans. Furthermore, although the pre-agenda research indicated that Section 457 plans that meet the definition of a pension plan generally are defined contribution pension plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67, the Board acknowledges that there could be circumstances in which the Section 457 plan is (a) not administered through a trust that meets that criteria or (b) not considered defined contribution. As such, the Board did not want to limit the applicability of the provisions of this Statement should those circumstances arise.

B28. Furthermore, some respondents indicated a belief that the term *pension plan* is limited to a defined benefit pension plan. Although the requirements of this Statement were developed within the context of existing definitions in the pension literature (and, therefore, *pension plan* is a broad term that includes both defined benefit and defined contribution pension plans), the Board concluded that clarification should be provided in this Statement that the term *pension plan* includes a defined contribution pension plan.

B29. Some respondents, although not disagreeing with the proposals in the Exposure Draft, requested clarification on various points. The Basis for Conclusions of the initial Exposure Draft provided examples of Section 457 plans that would and would not meet the definition of a pension plan. Those examples primarily were based on the presence of an employer contribution. Many respondents to the initial Exposure Draft understood the examples to be a clarification of the existing definition of a pension plan and suggested that if the presence of an employer contribution is the distinguishing factor in determining whether an arrangement meets the definition of a pension plan, that principle should be included in the authoritative literature. Some respondents to the Exposure Draft continued to request that the definition of a pension plan be modified to clarify the role of an employer contribution, noting that the removal of the examples from the initial Exposure Draft added to confusion about which Section 457 plans meet the definition of a pension plan. On that point, the Board noted that the example was intended to reflect the Board's discussions regarding whether and, if so, in what circumstances, a Section 457 plan can meet the definition of a pension plan and was not intended to extend or limit the existing definition. The Board affirmed its conclusion that reconsidering the definition of a pension plan was not within the scope of the project that led to this Statement and decided that the specific examples that were provided in the Basis for Conclusions of the initial Exposure Draft should not be included in this Statement.

B30. Other respondents to the Exposure Draft continued to raise concerns about determining whether a Section 457 plan meets the definition of a pension plan in specific circumstances. Respondents to the initial Exposure Draft requested additional clarification about determining whether specific circumstances would meet the definition of a pension plan, including circumstances in which (a) employer contributions are made only for a small number of employees, (b) an employer has the ability to decide annually whether it makes contributions, and (c) employers have made contributions in the past but no longer make contributions. Those respondents also raised questions about whether the nature of the participation (either by the government or its employees), vesting provisions, or the government's control of a Section 457 plan's assets affect the determination of whether a Section 457 plan meets the definition of a pension plan. Some respondents to the Exposure Draft emphasized a need for guidance with respect to the circumstance presented in (c), noting that for Section 457 plans specifically, the initial source of the contribution typically is not tracked by the plan, and, therefore, the plan would be unable to determine whether employer contributions had been made in the past. In addition, some respondents to the Exposure Draft questioned whether circumstances in which only some employers contribute to what the respondents refer to as a multiple-employer Section 457 plan would meet the definition of a pension plan. Generally, the Board believes that the application of the definition of a pension plan to specific circumstances would be more appropriately considered for potential inclusion in future implementation guidance and noted that some of the issues raised are broadly applicable to determining whether arrangements similar to Section 457 plans also would meet the definition of a pension plan. Therefore, the Board concluded that additional guidance regarding specific circumstances should not be provided in this Statement.

B31. Some respondents to the Exposure Draft requested more specific direction regarding which accounting and financial reporting requirements should be applied to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans. Those respondents questioned whether *all* pension-related requirements should be applied given the differences in risk and exposure between defined contribution pension plans and defined benefit pension plans. The Board acknowledges that the existing accounting and financial reporting requirements for defined contribution pension plans and defined contribution pensions are different from the defined benefit requirements and noted that paragraphs 8 and 9 of this Statement provide that *relevant* requirements be applied, based on the type of pension (defined contribution or defined benefit) that is being provided.

B32. Overall, the Board believes that the primary objective of the requirements related to Section 457 plans is to align the accounting and financial reporting for Section 457 plans with other similar arrangements. Currently, for any employee-benefit-related arrangement other than a Section 457 plan, the government determines whether the arrangement meets the definition of a pension plan and, if so, what type of benefit (defined benefit or defined contribution) is being provided. Based on those determinations, the government then applies the relevant literature (for example, the relevant requirements of Statements 67, 68, 73, and 84). The intent of the requirements of this Statement is for that same approach to be taken for Section 457 plans.

Considerations Related to Benefits and Costs

B33. The overall objective of financial reporting by state and local governments is to provide information to assist users (the citizenry, legislative and oversight bodies, and investors and creditors) in assessing the accountability of governments and in making economic, social, and political decisions. One of the principles guiding the Board's setting of standards for financial reporting is the assessment of the expected benefits and perceived costs. The Board strives to determine that its standards (including disclosure requirements) address a significant user need and that the costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit.

B34. Present and potential users are the primary beneficiaries of improvements in financial reporting. Persons within governments who are responsible for keeping accounting records and preparing financial statements, as well as managers of public services, also benefit from the information that is collected and reported in accordance with GASB standards. The costs to implement the standards are borne primarily by governments and, by extension, their citizens and taxpayers. Users also incur costs associated with the time and effort required to obtain and analyze new information to meaningfully inform their assessments and decisions.

B35. The Board's assessment of the expected benefits and perceived costs of issuing new standards is unavoidably more qualitative than quantitative because no reliable and objective method has been identified for quantifying the value of improved information in financial statements. Furthermore, it is difficult to accurately measure the costs of implementing new standards until implementation has taken place. Nonetheless, the Board undertakes this assessment based on the available evidence regarding expected benefits and perceived costs with the objective of achieving an appropriate balance between maximizing benefits and minimizing costs.

Certain Component Unit Criteria

B36. As previously discussed, the requirements of this Statement related to certain component unit criteria (paragraphs 4 and 5) address certain issues that have been raised during the implementation of Statement 84. The Board believes that the provisions in this Statement generally will reduce costs to preparers that they otherwise would have incurred when implementing Statement 84. The Board acknowledges that the provision regarding how the absence of a governing board should be considered in applying the financial accountability criteria in paragraph 21 of Statement 14, as amended, has the potential to affect governments that have arrangements that will not be exempt from that provision. However, the Board believes that those instances may not be as pervasive as those in which a government will be exempt from the principle in determining whether an arrangement is a component unit. The Board believes that limiting the applicability of certain component unit criteria with the result that defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans generally will no longer be fiduciary component units (unless they satisfy other component unit criteria), reduces costs to preparers.

Section 457 Plans

B37. Regarding the expected benefits of this Statement, the Board believes that reporting Section 457 plans that meet the definition of a pension plan as pension plans and reporting benefits provided through those plans as pensions will provide users with more relevant, consistent, and comparable information about those plans, benefits provided through those plans, and postemployment benefits as a whole. The Board also believes that preparers and auditors will benefit from (a) a more conceptually consistent approach than that provided by previous guidance for Section 457 plans and (b) the issuance of Category A authoritative guidance for Section 457 plans that meet the definition of a pension plan. Moreover, the Board believes that users will benefit from more relevant investment information for all Section 457 plans.

B38. Regarding the perceived costs, the Board believes the most significant costs likely will be incurred by governments reporting Section 457 plans that meet the definition of a pension plan. Some respondents to the initial Exposure Draft raised concerns about costs that might be incurred, including costs associated with (a) obtaining actuarial valuations, (b) including the disclosures required for agent multiple-employer defined benefit pension plans, and

(c) reporting Section 457 plans in a government's fiduciary fund financial statements. As previously noted, based on the pre-agenda research and reiterated by the additional stakeholder outreach, the Board believes that Section 457 plans that meet the definition of a pension plan generally are defined contribution pension plans administered through trusts that meet the criteria in paragraph 3 of Statement 67. Therefore, regarding (a) and (b), the Board believes that the incremental costs specifically associated with application of the pension standards generally will be limited to note disclosures related to defined contribution pension plans or defined contribution pensions. In addition, based on the Board's conclusions regarding the applicability of certain component unit criteria to those arrangements, the Board believes that the circumstances in which a Section 457 plan is reported as a fiduciary activity is expected to be more limited, thus mitigating to some degree the concerns regarding fiduciary reporting raised in (c). Regarding investment valuation requirements for all Section 457 plans, costs might be incurred to obtain more timely information; however, the Board believes that given the availability of that information, those costs will be minimal.

Overall Conclusion Regarding Benefits and Costs

B39. Considering (a) the aforementioned expected benefits of the provisions of this Statement related to certain component unit criteria, Section 457 plans that meet the definition of a pension plan, and reporting of Section 457 plan investment information, and (b) the previously discussed reductions in costs related to certain component unit criteria and the minimal costs associated with implementing the remaining provisions of this Statement, the Board believes that the expected benefits that will result from the information provided through implementation of this Statement are significant and justify the perceived costs of implementation and ongoing compliance.

Effective Date and Transition

B40. The requirements of (a) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (b) paragraph 5 of this Statement are effective immediately. The Board concluded that those requirements should be effective as soon as possible to address in a timely manner issues raised by stakeholders and to eliminate inconsistencies in practice related to the reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. Those provisions require changes that will result in governments not being required to report certain defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans as fiduciary component units.

B41. The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The Board determined that it was necessary to require some provisions to be effective for fiscal years and other provisions for reporting periods in order to align the effective date requirements in this Statement with current authoritative guidance related to postemployment benefits (fiscal years) and fiduciary activities (reporting periods).

B42. The provision in paragraph 4 may require preparers to report arrangements that are not exempt from that requirement as fiduciary component units for the first time. Therefore, the Board concluded that having additional time for implementation of that requirement is appropriate. Regarding the provisions specific to Section 457 plans, only certain Section 457 plans meet the definition of a pension plan, and, therefore, only affected governments are required to apply the relevant pension standards or to reconsider the fiduciary reporting of such plans. In addition, the Board believes that the effective date provides sufficient time to obtain investment valuation information for all Section 457 plans as of the end of the plans' reporting periods. Finally, some governments may wish to implement those requirements earlier than the effective date, which this Statement encourages. The Board also concluded that, because of the relationship of the requirements to each other, requirements related to Section 457 plans should be implemented together, whereas the requirements in paragraph 4, which are not directly related to Section 457 plans, should be permitted to be early implemented separately.

B43. Some respondents to the Exposure Draft requested that the effective date of all requirements of this Statement other than those that are effective immediately be delayed as a result of the COVID-19 pandemic. After taking into account the challenges being faced, the Board believes that the effective dates of fiscal years or reporting periods beginning after June 15, 2021, is sufficient because of the time available between the issuance and the effective date.

B44. For the requirements related to Section 457 plans that meet the definition of a pension plan, a respondent to the Exposure Draft requested that the Board consider staggering the effective dates if the Section 457 plan is a defined benefit pension plan to allow for employers to implement the requirements one year later than the pension plan, consistent with the effective date approach taken in Statements 67 and 68. The Board acknowledges that Statements 67 and 68 had staggered effective dates and noted that a primary consideration of that approach related to implementation challenges that would be faced by cost-sharing multiple-employer pension plans and employers. However, the Board believes that to the extent a Section 457 plan meets the definition of a *defined benefit* pension plan, it generally would not be a cost-sharing multiple-employer plan. As such, the Board concluded that adding another effective date to the provisions of this Statement would create unnecessary complexity.

B45. In addition, prior to the issuance of this Statement, Implementation Guide 2020-1 delayed indefinitely the effective dates of Questions 4.3, 4.5, and 4.6 of Implementation Guide 2019-2 because of their direct relationship with the requirements of this Statement. This Statement includes guidance that supersedes Question 4.6 and provides that Questions 4.3 and 4.5 of Implementation Guide 2019-2, as amended, are effective for reporting periods beginning after December 15, 2019. Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance,* delayed the effective date of Statement 84 and the related implementation guidance to reporting periods beginning after December 15, 2019 (a one-year delay), and as such, the Board noted that all implementation guidance related to Statement 84, as amended, that has been issued to date now has the same effective date, with earlier application encouraged to the extent that Statement 84, as amended, has been implemented.

B46. With respect to transition, the Board concluded that it is appropriate to require retroactive application of the provisions of this Statement, if practicable, and noted that retroactive application is consistent with the transition provisions for the accounting and financial reporting requirements for both pensions and fiduciary activities. In addition, consistent with its conclusions to not limit the potential for a Section 457 plan to be a defined benefit pension plan, the Board determined that transition provisions, including those related to deferred inflows and deferred outflows of resources related to pensions, should be specified in circumstances in which a Section 457 plan meets the definition of a defined benefit pension plan.

B47. The phrase *if practicable* has been used in other GASB standards in a similar context as used in this Statement with respect to transition provisions that require restating the financial statements for all prior periods presented. The Board believes that reasonable efforts should be employed before a government determines that restatement of all prior reporting periods or fiscal years presented is not practicable. In other words, *inconvenient* should not be considered equivalent to *not practicable.*

Appendix C

CODIFICATION INSTRUCTIONS

Codification of Governmental Accounting and Financial Reporting Standards—June 2020 Update

C1. The instructions that follow update the December 31, 2019 *Codification of Governmental Accounting and Financial Reporting Standards* (Codification) and paragraph C1 of Implementation Guide No. 2020-1, *Implementation Guidance Update—2020,* for the provisions of this Statement that are effective immediately or for reporting periods beginning after December 15, 2019.

* * *

[Update cross-references throughout.]

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FUND ACCOUNTING **SECTION 1300**

.130 [Replace the last sentence with the following:] In determining whether those legally separate entities are component units, a primary government is considered to have a financial burden relative to a defined benefit pension plan or defined benefit OPEB plan if it is legally obligated or has otherwise assumed the obligation to make contributions to the defined benefit pension plan or defined benefit OPEB plan. [GASBS 84, ¶7, as amended by GASBS 97, ¶5]

[Do not incorporate the effects of Implementation Guide 2020-1 described in paragraph C1 of Implementation Guide 2020-1.]

.716-3 [Delete the last two sentences of the answer and switch the order of the remaining two sentences of the answer.] [GASBIG 2019-2, Q4.3, as amended by GASBS 97, ¶5]

[Revise Question .716-5 as follows:]

.716-5 Q—A defined benefit pension plan or defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph .101 of Section Pe5 or paragraph .101 of Section Po50, as applicable, does not have a governing board. Instead, another government (for example, a sponsoring government) performs the duties that a governing board typically would perform (for example, the government determines or amends the structure of the plan [vesting requirements and required contributions]). If that other government (for example, a sponsoring government) is legally obligated to make contributions to the defined benefit pension plan or defined benefit OPEB plan, should the plan be included as a fiduciary component unit of that other government?

A—Yes. In accordance with paragraph .120a of Section 2100, a government is financially accountable for a legally separate organization if it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the government. For purposes of applying that paragraph to defined benefit pension plans or defined benefit OPEB plans, a government (for example, a sponsoring government) that performs the duties of a governing board in the absence of one should be treated the same as a government that appoints a voting majority of a governing board. Furthermore, in accordance with paragraph .130 of this section, a government is considered to have a financial burden if it is legally obligated or has otherwise assumed the obligation to make contributions to the defined benefit pension plan or defined benefit OPEB plan. As a result, the plan should be included as a fiduciary component unit of the other government (for example, a sponsoring government).

[GASBIG 2019-2, Q4.5, as amended by GASBS 97, ¶4 and ¶5]

[Delete Question .716-6; renumber subsequent questions.]

.716-6 [In the second sentence of the answer in current Question .716-7, insert *to a defined benefit pension plan* between *contributions* and *constitutes*; delete the fifth sentence of the question and the third sentence of the answer.] [GASBIG 2019-2, Q4.7, as amended by GASBS 97, ¶5]

* * *

.111 [Revise the sources as follows:] GASBS 14, ¶12, as amended by GASBS 34, ¶6 and GASBS 61, ¶4; GASBS 84, ¶7, as amended by GASBS 97, ¶5; GASBS 90, ¶7

.119 [Revise the sources as follows:] GASBS 14, ¶20, as amended by GASBS 61, ¶4; GASBS 84, ¶7, as amended by GASBS 97, ¶5; GASBS 90, ¶7

.120 [Revise the sources as follows:] GASBS 14, ¶21, as amended by GASBS 61, ¶6 and GASBS 90, ¶7; GASBS 84, ¶7, as amended by GASBS 97, ¶5; GASBS 90, ¶7

.126 [In subparagraph (d), replace *pension plan or OPEB plan* with *defined benefit pension plan or defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph .101 of Section Pe5 or paragraph .101 of Section Po50, respectively*.] [GASBS 14, ¶27, as amended by GASBS 61, ¶6, GASBS 84, ¶7, and GASBS 97, ¶5; GASBS 84, ¶7, as amended by GASBS 97, ¶5]

.133 [Revise the sources as follows:] GASBS 14, ¶34; GASBS 61, ¶6; GASBS 84, ¶7, as amended by GASBS 97, ¶5

.144 [Revise the sources as follows:] GASBS 14, ¶43; GASBS 84, ¶7, as amended by GASBS 97, ¶5; GASBS 84, ¶26

.511 [Revise the definition as follows:] An obligation, legal or otherwise, to finance the deficits of, or provide financial support to, an organization; an obligation in some manner for the debt of an organization; or an obligation, legal or otherwise, to make contributions to an organization that is a defined benefit pension plan that is administered through a trust that meets the criteria in paragraph .101 of Section Pe5 or a defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph .101 of Section Po50. [2100.130–.132] [GASBS 14, ¶131; GASBS 84, ¶7, as amended by GASBS 97, ¶5]

.707-4 [Delete the last two sentences of the answer and switch the order of the remaining two sentences of the answer.] [GASBIG 2019-2, Q4.3, as amended by GASBS 97, ¶5]

.708-3 [In the parenthetical in the last sentence, replace *.713-1–.713-11* with *.713-1–.713-10*.] [GASBIG 2015-1, Q4.9.6, as amended by GASBS 97, ¶4 and ¶5 and GASBIG 2019-2, Q4.4, Q4.5, and Q4.7]

[Revise Question .713-5 as follows:]

.713-5 Q—A defined benefit pension plan or defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph .101 of Section Pe5 or paragraph .101 of Section Po50, as applicable, does not have a governing board. Instead, another government (for example, a sponsoring government) performs the duties that a governing board typically would perform (for example, the government determines or amends the structure of the plan [vesting requirements and required contributions]). If that other government (for example, a sponsoring government) is legally obligated to make contributions to the defined benefit pension plan or defined benefit OPEB plan, should the plan be included as a fiduciary component unit of that other government?

A—Yes. In accordance with paragraph .120a of this section, a government is financially accountable for a legally separate organization if it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the government. For purposes of applying that paragraph to defined benefit pension plans or defined benefit OPEB plans, a government (for example, a sponsoring government) that performs the duties of a governing board in the absence of one should be treated the same as a government that appoints a voting majority of a governing board. Furthermore, in accordance with paragraph .130 of Section 1300, a government is considered to have a financial burden if it is legally obligated or has otherwise assumed the obligation to make contributions to the defined benefit pension plan or defined benefit OPEB plan. As a result, the plan should be included as a fiduciary component unit of the other government (for example, a sponsoring government).

[GASBIG 2019-2, Q4.5, as amended by GASBS 97, ¶4 and ¶5]

[Delete Question .713-6; renumber subsequent questions.]

.714-1 [In the parenthetical in the last sentence, replace *.713-1–.713-11* with *.713-1–.713-10*.] [GASBIG 2015-1, Q4.9.6, as amended by GASBS 97, ¶4 and ¶5 and GASBIG 2019-2, Q4.4, Q4.5, and Q4.7]

.715-6 [In the second bullet of the answer, replace *.* with *, or*, and add a third bullet as follows:] The primary government is legally obligated or has otherwise assumed the obligation to make contributions to an organization that is a defined benefit pension plan that is administered through a trust that meets the criteria in paragraph .101 of Section Pe5 or a defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph .101 of Section Po50. [GASBIG 2015-1, Q4.22.1, as amended by GASBS 84, ¶7 and GASBS 97, ¶5]

.715-8 [In the second sentence of the answer, insert *to a defined benefit pension plan* between *contributions* and *constitutes*; delete the fifth sentence of the question and the third sentence of the answer.] [GASBIG 2019-2, Q4.7, as amended by GASBS 97, ¶5]

* * *

REPORTING ENTITY AND COMPONENT UNIT PRESENTATION AND DISCLOSURE — SECTION 2600

.102 [Revise the sources as follows:] GASBS 14, ¶12 and ¶20, as amended by GASBS 61, ¶4; GASBS 84, ¶7, as amended by GASBS 97, ¶5

.113 [Revise the sources as follows:] GASBS 14, ¶53, as amended by GASBS 61, ¶8 and GASBS 80, ¶5; GASBS 84, ¶7, as amended by GASBS 97, ¶5; GASBS 80, ¶5

.127 [Revise the sources as follows:] GASBS 14, ¶66, as amended by GASBS 61, ¶4; GASBS 84, ¶7, as amended by GASBS 97, ¶5

[Do not incorporate the effects of Implementation Guide 2020-1 described in paragraph C1 of Implementation Guide 2020-1.]

.702-4 [Delete the last two sentences of the answer and switch the order of the remaining two sentences of the answer.] [GASBIG 2019-2, Q4.3, as amended by GASBS 97, ¶5]

[Revise Question .702-6 as follows:]

.702-6 Q—A defined benefit pension plan or defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph .101 of Section Pe5 or paragraph .101 of Section Po50, as applicable, does not have a governing board. Instead, another government (for example, a sponsoring government) performs the duties that a governing board typically would perform (for example, the government determines or amends the structure of the plan [vesting requirements and required contributions]). If that other government (for example, a sponsoring government) is legally obligated to make contributions to the defined benefit pension plan or defined benefit OPEB plan, should the plan be included as a fiduciary component unit of that other government?

A—Yes. In accordance with paragraph .120a of Section 2100, a government is financially accountable for a legally separate organization if it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the government. For purposes of applying that paragraph to defined benefit pension plans or defined benefit OPEB plans, a government (for example, a sponsoring government) that performs the duties of a governing board in the absence of one should be treated the same as a government that appoints a voting majority of a governing board. Furthermore, in accordance with paragraph .130 of Section 1300, a government is considered to have a financial burden if it is legally obligated or has otherwise assumed the obligation to make contributions to the defined benefit pension plan or defined benefit OPEB plan. As a result, the plan should be included as a fiduciary component unit of the other government (for example, a sponsoring government).

[GASBIG 2019-2, Q4.5, as amended by GASBS 97, ¶4 and ¶5]

[Delete Question .702-7; renumber subsequent questions.]

.702-7 [In the second sentence of the answer in current Question .702-8, insert *to a defined benefit pension plan* between *contributions* and *constitutes*; delete the fifth sentence of the question and the third sentence of the answer.] [GASBIG 2019-2, Q4.7, as amended by GASBS 97, ¶5]

* * *

CABLE TELEVISION SYSTEMS **SECTION Ca5**

.110 [Revise the sources as follows:] GASBS 14, ¶66, as amended by GASBS 61, ¶4; GASBS 84, ¶7, as amended by GASBS 97, ¶5

* * *

COLLEGES AND UNIVERSITIES **SECTION Co5**

.109 [Revise the sources as follows:] GASBS 14, ¶66, as amended by GASBS 61, ¶4; GASBS 84, ¶7, as amended by GASBS 97, ¶5

* * *

HOSPITALS AND OTHER HEALTHCARE PROVIDERS **SECTION Ho5**

.110 [Revise the sources as follows:] GASBS 14, ¶66, as amended by GASBS 61, ¶4; GASBS 84, ¶7, as amended by GASBS 97, ¶5

* * *

INSURANCE ENTITIES—OTHER THAN PUBLIC ENTITY RISK POOLS **SECTION In3**

.110 [Revise the sources as follows:] GASBS 14, ¶66, as amended by GASBS 61, ¶4; GASBS 84, ¶7, as amended by GASBS 97, ¶5

* * *

SPECIAL-PURPOSE GOVERNMENTS **SECTION Sp20**

.121 [Revise the sources as follows:] GASBS 14, ¶66, as amended by GASBS 61, ¶4; GASBS 84, ¶7, as amended by GASBS 97, ¶5

* * *

UTILITIES **SECTION Ut5**

.110 [Revise the sources as follows:] GASBS 14, ¶66, as amended by GASBS 61, ¶4; GASBS 84, ¶7, as amended by GASBS 97, ¶5

* * *

Codification of Governmental Accounting and Financial Reporting Standards—June 2021 Update

C2. The instructions that follow update the December 31, 2019 *Codification of Governmental Accounting and Financial Reporting Standards* (Codification) for the provisions of this Statement that are effective for fiscal years or reporting periods beginning after June 15, 2021. Only the paragraph number of the Statement is listed if the paragraph will be cited in full in the Codification.

* * *

[Update cross-references throughout.]

* * *

DEFINING THE FINANCIAL REPORTING ENTITY **SECTION 2100**

Sources: [Add the following:] GASBS 97

.111 [In the first sentence, replace *(see paragraphs .120–.137)* with *(see paragraphs .120–.138)*; in the third sentence, replace *(see paragraphs .139–.142)* with *(see paragraphs .140–.143)*.] [GASBS 14, ¶12, as amended by GASBS 34, ¶6 and GASBS 61, ¶4; GASBS 84, ¶7, as amended by GASBS 97, ¶5; GASBS 90, ¶7; GASBS 97, ¶4]

.119 [In the first sentence, replace *(as discussed in paragraphs .120–.137)* with *(as discussed in paragraphs .120–.138)*; in the second sentence, replace *(as discussed in paragraphs .139–.142)* with *(as discussed in paragraphs .140–.143)*.] [GASBS 14, ¶20, as amended by GASBS 61, ¶4; GASBS 90, ¶7; GASBS 84, ¶7, as amended by GASBS 97, ¶5; GASBS 97, ¶4]

[Insert new paragraph .124 and footnote 7, as follows; renumber subsequent paragraphs and footnotes.]

.124 In certain instances, a legally separate organization does not have a governing board. For purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an employee benefit plan other than a pension plan or an OPEB plan (other employee benefit plan),[7] if the primary government performs the duties that a governing board typically would perform, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board. [GASBS 97, ¶4]

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[7]Other employee benefit plans are employee benefit plans *other than* any type of pension plan or OPEB plan. Pension plans include defined contribution pension plans and defined benefit pension plans, and OPEB plans include defined contribution OPEB plans and defined benefit OPEB plans. Certain Section 457 plans are other employee benefit plans. (See Section D25, "Deferred Compensation Plans [IRC Section 457].") [GASBS 97, ¶4 and fn1]

.601 [In the first sentence of the response, replace *paragraphs .120–.137* with *paragraphs .120–.138*.] [GASBTB 2004-1, ¶4; GASBS 90, ¶7; GASBS 97, ¶4]

.712-7 [Insert the following sentence at the beginning of the question:] A legally separate authority has a governing board. [GASBIG 2015-1, Q4.18.8, as amended by GASBS 97, ¶4]

.713-1 [Insert the following at the end of the answer:] Furthermore, paragraph .124 of this section provides that, for purposes of determining whether a primary government is financially accountable, except for defined contribution pension plans, defined contribution other postemployment benefit plans, and certain other employee benefit plans, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board. [GASBIG 2015-1, Q4.18.1, as amended by GASBS 97, ¶4]

* * *

REPORTING ENTITY AND COMPONENT UNIT PRESENTATION AND DISCLOSURE **SECTION 2600**

Sources: [Add the following:] GASBS 97

.102 [In the first sentence of the paragraph, replace *(See Section 2100, paragraphs .120–.136.)* with *(See paragraphs .120–.137 of Section 2100.)*; in the third sentence of the paragraph, replace *(See Section 2100, paragraphs .139–.141.)* with *(See paragraphs .140–.142 of Section 2100.)*.] [GASBS 14, ¶12 and ¶20, as amended by GASBS 61, ¶4; GASBS 84, ¶7, as amended by GASBS 97, ¶5; GASBS 97, ¶4]

.113 [In subparagraph (a), replace *paragraphs .126–.132 of Section 2100* with *paragraphs .127–.133 of Section 2100*; in subparagraph (d), replace *paragraphs .120–.136 of Section 2100* with *paragraphs .120–.123 and .125–.137 of Section 2100*.]

.127 [Replace *(See Section 2100, paragraphs .120–.142.)* with *(See paragraphs .120–.143 of Section 2100.)*.] [GASBS 14, ¶66, as amended by GASBS 61, ¶4; GASBS 84, ¶7, as amended by GASBS 97, ¶5; GASBS 97, ¶4]

.706-1 [In subparagraph (d), replace *paragraphs .120–.136 of Section 2100* with *paragraphs .120–.123 and .125–.137 of Section 2100*; in the last sentence, replace *paragraph .141* with *paragraph .142*.]

* * *

[Replace current Section D25 with the following:]

DEFERRED COMPENSATION PLANS (IRC SECTION 457) **SECTION D25**

Sources: GASBS 97

See also: Section 1300, "Fund Accounting"
Section P20, "Pension Activities—Reporting for Benefits Provided through Trusts That Meet Specified Criteria—Defined Benefit"
Section P21, "Pension Activities—Reporting for Benefits Provided through Trusts That Meet Specified Criteria—Defined Contribution"

Section P22, "Pension Activities—Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria—Defined Benefit"
Section P23, "Reporting Assets Accumulated for Defined Benefit Pensions Not Provided through Trusts That Meet Specified Criteria"
Section Pe5, "Pension Plans Administered through Trusts That Meet Specified Criteria—Defined Benefit"
Section Pe6, "Pension Plans Administered through Trusts That Meet Specified Criteria—Defined Contribution"

Internal Revenue Code Section 457 Deferred Compensation Plans

.101 An Internal Revenue Code (IRC) Section 457 deferred compensation plan (Section 457 plan) should be classified as either a pension plan or an employee benefit plan other than a pension plan or an OPEB plan (other employee benefit plan), as follows:

a. A Section 457 plan that meets the definition of a pension plan in paragraph .527 of Section Pe5 or paragraph .509 of Section P23 is a pension plan for accounting and financial reporting purposes.[1]
b. A Section 457 plan that does not meet the definition of a pension plan is an other employee benefit plan for accounting and financial reporting purposes.

[GASBS 97, ¶6]

[1]Pension plans include defined contribution pension plans and defined benefit pension plans. [GASBS 97, fn1]

.102 Section 1300 should be applied to determine whether an arrangement organized under IRC Section 457 should be reported as a fiduciary activity in a government's fiduciary fund financial statements. [GASBS 97, ¶7]

Section 457 Plans That Meet the Definition of a Pension Plan

.103 If a Section 457 plan that meets the definition of a pension plan (a) is included in the financial statements of another government or (b) issues standalone financial statements, all accounting and financial reporting requirements that are relevant to pension plans should be applied. [GASBS 97, ¶8]

.104 All accounting and financial reporting requirements that are relevant to pensions should be applied to benefits provided through a Section 457 plan that meets the definition of a pension plan. For example, an employer or a nonemployer contributing entity should apply the requirements of Section P20, Section P21, Section P22, or Section P24, "Pension Activities—Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria—Defined Contribution," to such benefits, as appropriate. The requirements that are applied should be based on the specific type of benefits that are provided through the Section 457 plan, for example, defined contribution pensions. [GASBS 97, ¶9]

*   *   *

INVESTMENTS **SECTION I50**

Sources: [Delete GASBS 32.]

.101 [In the sources, remove GASBS 32, ¶5 from the amending sources of GASBS 31, ¶2.]

.108 [In the sources, remove GASBS 32, ¶3 from the amending sources of GASBS 31, ¶4, and delete GASBS 32, ¶5.]

*   *   *

PENSION ACTIVITIES—REPORTING FOR BENEFITS PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED BENEFIT **SECTION P20**

See also: [Add Section D25, "Deferred Compensation Plans (IRC Section 457)."]

[Delete Question .701-5; renumber subsequent questions.]

*   *   *

PENSION ACTIVITIES—REPORTING FOR BENEFITS PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED CONTRIBUTION **SECTION P21**

See also: [Add Section D25, "Deferred Compensation Plans (IRC Section 457)."]

* * *

PENSION ACTIVITIES—REPORTING FOR BENEFITS NOT PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED BENEFIT **SECTION P22**

See also: [Add Section D25, "Deferred Compensation Plans (IRC Section 457)."]

* * *

PENSION ACTIVITIES—REPORTING FOR BENEFITS NOT PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED CONTRIBUTION **SECTION P24**

See also: [Add Section D25, "Deferred Compensation Plans (IRC Section 457)."]

* * *

CABLE TELEVISION SYSTEMS **SECTION Ca5**

Sources: [Add the following:] GASBS 97

.110 [In the fifth sentence, replace *(See Section 2100, paragraphs .120–.142.)* with *(See paragraphs .120–.143 of Section 2100.)*.] [GASBS 14, ¶66, as amended by GASBS 61, ¶4; GASBS 84, ¶7, as amended by GASBS 97, ¶5; GASBS 97, ¶4]

* * *

COLLEGES AND UNIVERSITIES **SECTION Co5**

Sources: [Add the following:] GASBS 97

.109 [In the fifth sentence, replace *(See Section 2100, paragraphs .120–.142.)* with *(See paragraphs .120–.143 of Section 2100.)*.] [GASBS 14, ¶66, as amended by GASBS 61, ¶4; GASBS 84, ¶7, as amended by GASBS 97, ¶5; GASBS 97, ¶4]

* * *

HOSPITALS AND OTHER HEALTHCARE PROVIDERS **SECTION Ho5**

Sources: [Add the following:] GASBS 97

.110 [In the fifth sentence, replace *(See Section 2100, paragraphs .120–.142.)* with *(See paragraphs .120–.143 of Section 2100.)*.] [GASBS 14, ¶66, as amended by GASBS 61, ¶4; GASBS 84, ¶7, as amended by GASBS 97, ¶5; GASBS 97, ¶4]

* * *

INSURANCE ENTITIES—OTHER THAN PUBLIC ENTITY RISK POOLS **SECTION In3**

Sources: [Add the following:] GASBS 97

.110 [In the fifth sentence, replace *(See Section 2100, paragraphs .120–.142.)* with *(See paragraphs .120–.143 of Section 2100.)*.] [GASBS 14, ¶66, as amended by GASBS 61, ¶4; GASBS 84, ¶7, as amended by GASBS 97, ¶5; GASBS 97, ¶4]

* * *

PENSION PLANS ADMINISTERED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED BENEFIT **SECTION Pe5**

See also: [Add Section D25, "Deferred Compensation Plans (IRC Section 457)."]

* * *

PENSION PLANS ADMINISTERED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED CONTRIBUTION **SECTION Pe6**

See also: [Add Section D25, "Deferred Compensation Plans (IRC Section 457)."]

* * *

SPECIAL-PURPOSE GOVERNMENTS **SECTION Sp20**

Sources: [Add the following:] GASBS 97

.121 [In the fifth sentence, replace *(See Section 2100, paragraphs .120–.142.)* with *(See paragraphs .120–.143 of Section 2100.)*.] [GASBS 14, ¶66, as amended by GASBS 61, ¶4; GASBS 84, ¶7, as amended by GASBS 97, ¶5; GASBS 97, ¶4]

* * *

UTILITIES **SECTION Ut5**

Sources: [Add the following:] GASBS 97

.110 [In the fifth sentence, replace *(See Section 2100, paragraphs .120–.142.)* with *(See paragraphs .120–.143 of Section 2100.)*.] [GASBS 14, ¶66, as amended by GASBS 61, ¶4; GASBS 84, ¶7, as amended by GASBS 97, ¶5; GASBS 97, ¶4]

* * *

Comprehensive Implementation Guide—June 2020 Update

C3. The instructions that follow update the December 31, 2019 *Comprehensive Implementation Guide* and paragraph C5 of Implementation Guide 2020-1 for the provisions of this Statement that are effective immediately.

* * *

[Update cross-references throughout.]

* * *

[Do not incorporate the effects of Implementation Guide 2020-1 described in paragraph C5 of Implementation Guide 2020-1.]

4.9.6. [In the parenthetical in the last sentence, replace *Questions 11.5.4–11.5.7* with *Questions 11.5.4, 11.5.5, and 11.5.7*.] [GASBIG 2015-1, Q4.9.6, as amended by GASBS 97, ¶4 and ¶5 and GASBIG 2019-2, Q4.4, Q4.5, and Q4.7]

4.22.1. [In the second bullet of the answer, replace *.* with *, or*, and add a third bullet as follows:] The primary government is legally obligated or has otherwise assumed the obligation to make contributions to an organization that is a defined benefit pension plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 67 or a defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 74. [GASBIG 2015-1, Q4.22.1, as amended by GASBS 84, ¶7 and GASBS 97, ¶5]

11.5.3. [Delete the last two sentences of the answer and switch the order of the remaining two sentences of the answer.] [GASBIG 2019-2, Q4.3, as amended by GASBS 97, ¶5]

[Revise Question 11.5.5 as follows:]

11.5.5. Q—A defined benefit pension plan or defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, as applicable, does not have a governing board. Instead, another government (for example, a sponsoring government) performs the duties that a governing board typically would perform (for example, the government determines or amends the structure of the plan [vesting requirements and required contributions]). If that other government (for example, a sponsoring government) is legally obligated to make contributions to the defined benefit pension plan or defined benefit OPEB plan, should the plan be included as a fiduciary component unit of that other government?

A—Yes. In accordance with paragraph 21a of Statement 14, as amended, a government is financially accountable for a legally separate organization if it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the government. For purposes of applying that paragraph to defined benefit pension plans or defined benefit OPEB plans, a government (for example, a sponsoring government) that performs the duties of a governing board in the absence of one should be treated the same as a government that appoints a voting majority of a governing board. Furthermore, in accordance with paragraph 7 of Statement 84, as amended, a government is considered to have a financial burden if it is legally obligated or has otherwise assumed the obligation to make contributions to the defined benefit pension plan or defined benefit OPEB plan. As a result, the plan should be included as a fiduciary component unit of the other government (for example, a sponsoring government).

[GASBIG 2019-2, Q4.5, as amended by GASBS 97, ¶4 and ¶5]

[Replace the text of Question 11.5.6 with *[Question number not used]*.]

11.5.7. [In the second sentence of the answer, insert *to a defined benefit pension plan* between *contributions* and *constitutes*; delete the fifth sentence of the question and the third sentence of the answer.] [GASBIG 2019-2, Q4.7, as amended by GASBS 97, ¶5]

* * *

Comprehensive Implementation Guide—June 2021 Update

C4. The instructions that follow update the December 31, 2019 *Comprehensive Implementation Guide* for the provisions of this Statement that are effective for fiscal years or reporting periods beginning after June 15, 2021.

* * *

[Update cross-references throughout.]

* * *

[Do not incorporate the effects of Implementation Guide 2020-1 for Questions 4.6.1 and 4.9.6 described in paragraph C6 of Implementation Guide 2020-1.]

4.18.1. [Insert the following at the end of the answer:] Furthermore, paragraph 4 of Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,* provides that, for purposes of determining whether a primary government is financially accountable, except for defined contribution pension plans, defined contribution other postemployment benefit plans, and certain other employee benefit plans, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board. [GASBIG 2015-1, Q4.18.1, as amended by GASBS 97, ¶4]

4.18.8. [Insert the following sentence at the beginning of the question:] A legally separate authority has a governing board. [GASBIG 2015-1, Q4.18.8, as amended by GASBS 97, ¶4]

[Replace the text of Question 5.116.5 with *[Question number not used]*.]

[Delete heading Z.32, the associated cross-reference, and Question Z.32.1.]