

Clarification for calculating the additional minimum pension liability when an actuarial valuation as of a date prior to the financial statement date is utilized and subsequent contributions are made to the plan.

Existing Guidance:

SSAP No. 89—Accounting for Pensions, A Replacement of SSAP No. 8 (SSAP No. 89), paragraph 16f states the following:

A reporting entity that utilizes an actuarial valuation as of a date prior to the financial statement date to measure plan assets and obligations, and determines that an additional minimum liability is required to be established in accordance with paragraph 37 of FAS 87, and if the reporting entity contributes amounts to the plan to fund that additional minimum liability prior to the financial statement date, such amount funded may be used to reduce the additional minimum liability recognized in the reporting entity's financial statements;

Question:

If a reporting entity contributes amounts to the plan to fund the additional minimum liability subsequent to the actuarial valuation date/measurement date (for the purposes of this question, September 30) but prior to the financial statement date (December 31), how is the additional funding utilized as it relates to the additional minimum liability?

Answer from Ad Hoc Subgroup of Emerging Accounting Issues (E) Working Group:

When a reporting entity utilizes an actuarial valuation as of a date prior to the financial statement date to measure plan assets and obligations, a determination shall be made if an additional minimum liability exists in accordance with SSAP No. 89, paragraph 4. The determination should be based on the funded status of the plan as of September 30, the actuarial valuation date and the measurement date, compared with the accrued or prepaid pension cost recognized by the employer as of the reporting date (December 31) excluding amounts contributed to the plan during the period after the measurement date and prior to the reporting date. The accrued or prepaid pension cost is not adjusted to exclude the effect of the net periodic pension cost recognized by the employer during the period from the measurement date (September 30) to reporting date (December 31) because that amount is reflected in the funded status as of September 30. If an additional minimum liability exists, the additional minimum liability is recognized in the reporting entity's financial statement. Subsequent funding to the plan after the measurement date and prior to the financial statement date shall be used to reduce the additional minimum liability recognized in the reporting entity's financial statements.

Illustration:

An actuarial valuation as of September 30, is used to measure plan assets and obligations for a December 31, financial statement reporting date.

Accumulated Benefit Obligation	\$100
Fair Value of Plan Assets	\$75
Prepaid Pension Asset at 12/31	
excluding 4Q contributions	<u>\$20</u>
Additional minimum liability (recognized)	\$45

If the reporting entity contributes \$30 subsequent to the actuarial valuation date but prior to the financial statement date, the \$45 recognized additional minimum liability is reduced by the subsequent \$30 funding.