It is clear that citizens are demanding greater transparency in accounting for the costs of state and local government. Given the large and growing unfunded liabilities in pension and other post employment benefit plans, it is crucial for state and local governments to meet accounting standards for these plans established by the Government Accounting Standards Board (GASB).

ALEC’s intent is to make citizen access to GASB information as open, transparent, and publicly accessible as possible. Increasing transparency significantly contributes to governmental accountability, public participation, and the understanding of the cost of government services.

Consumers of financial information about state and local governments have found the funding status of pension and Other Post Employment Benefits (OPEB) for public employees to be valuable. The degree to which sufficient resources have been set aside to pay future benefits is of particular importance.

ALEC firmly believes that state and local governments should meet GASB standards for reporting pension and Other Post Employment Benefits (OPEB) costs and obligations in their financial statements.

These standards require the presentation of a schedule of funding progress that shows whether the funded status of these plans is improving or worsening over time. This schedule compares a plan’s actuarially calculated total obligation with the value of assets that have been accumulated to pay benefits. Two ratios are provided to assess progress toward funding and the magnitude of a government’s obligation:

1. Funded Ratio
The funded ratio is the actuarial value of assets divided by the actuarial accrued liability (the total obligation).

2. Covered Ratio
The covered ratio is the unfunded actuarial accrued liability (the difference between the total obligation and the actuarial value of assets) divided by the total payroll of employees covered by the plan.

State budget office should strive to make publicly available an online searchable database that discloses all liabilities in public pension and other post employment benefit systems in the state.

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