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OFFICE OF MANAGEMENT AND BUDGET

Office of Federal Procurement Policy

48 CFR Part 9904

Cost Accounting Standards: Cost Accounting Standards 412 and 413 - Cost Accounting Standards Pension Harmonization Rule

AGENCY: Office of Management and Budget, Office of Federal Procurement Policy, Cost Accounting Standards Board

ACTION: Technical correcting amendments

SUMMARY: The Office of Federal Procurement Policy (OFPP), Cost Accounting Standards Board (Board), is publishing technical corrections to the final rule that revised Cost Accounting Standard (CAS) 412, “Composition and Measurement of Pension Cost,” and CAS 413, “Adjustment and Allocation of Pension Cost” for the CAS Pension Harmonization Rule, published on December 27, 2011. Some illustrations in that document are not consistent with their corresponding Table or text, or the text used in the two effective date provisions is not consistent with each other in the amendment language. This document corrects the final regulations by revising the applicable sections accordingly.

DATES: Effective [insert **30 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER**].

FOR FURTHER INFORMATION CONTACT: Eric Shipley, Project Director, Cost Accounting Standards Board (telephone: 410-786-6381).

SUPPLEMENTARY INFORMATION:

These are the technical corrections to the final rule that revised Cost Accounting Standard (CAS) 412, “Composition and Measurement of Pension Cost,” and CAS 413, “Adjustment and Allocation of Pension Cost” for the CAS Pension Harmonization Rule. The final rule was published at 76 FR 81296 on December 27, 2011. Generally, the technical corrections make the following adjustment: (1) revise the text of the illustrations to make them consistent with the contents in the corresponding Tables, (2) revise the text of the effective date provisions at 9904.412-63 and 9904.413-63 to make them consistent with each other and internally consistent for the CAS Pension Harmonization Rule, and (3) revise an illustration so that it is consistent with the rule. A brief description of each technical correction is as follows:

1. In 9904.412-60.1, in paragraph (b)(2)(i) (CAS Pension Harmonization Rule, Measurement of Pension Costs, Liabilities and Normal Costs), in Table 3 – Actuarial Accrued Liabilities and Normal Costs as of January 1, 2017, delete a duplicate reference to Note 2 in the “Notes” column for “Expense Load on Normal Costs;” and in paragraph (c)(3)(ii) (CAS Pension Harmonization Rule, Assignment of Pension Costs, Measurement of Tax-Deductible Limitation on Assignable Pension Cost), after Note 6 to Table 10, correct the amounts of the 9904.412-50(c)(2)(iii) limitation in the text of the illustration so that they are consistent with the corresponding amounts in Table 10 – CAS 412-50(c)(2)(iii) Tax-Deductible Limitation as of January 1, 2017.

2. In 9904.412-63(b) Effective date in the first sentence, replace “receipt” with “award” as that is the more common terminology for a contract award, and make the CAS 412 text consistent with the corresponding text at 9904.413-63(b) for a uniform Effective Date for the CAS Pension Harmonization Rule (which is comprised of changes to both CAS 412 and 413).
3. In 9904.412-64.1(c)(1)(i)(B) (Transition Method for the CAS Pension Harmonization Rule, Transition Illustration), correct the text of the illustration so that it is consistent with corresponding amounts in Table 1 – Development of Transitional Minimum Actuarial Liability for Fourth Transition Period; and in 9904.412-64.1(c)(1)(i)(C), in Table 1 – Development of Transitional Minimum Actuarial Liability for Fourth Transition Period, add a new label “Actuarial Accrued Liability” beneath the label “Minimum Actuarial Liability.”
4. In 9904.413-60(b)(3) (Illustrations, Valuation of the assets of a pension plan) after the first sentence, correct the text of the illustration so that it is consistent with the rule.
5. In 9904.413-63(b) Effective date in the first sentence, replace “receipt” with “award” as that is the more common terminology for a contract award, and make the CAS 413 text consistent with the corresponding text at 9904.412-63(b) for a uniform Effective Date for the CAS Pension Harmonization Rule (which is comprised of changes to both CAS 412 and 413).

List of Subjects in 48 CFR Part 9904

Government Procurement, Cost Accounting Standards.

Accordingly, Chapter 99 of Title 48 of the Code of Federal Regulations is corrected by making the following correcting amendments:

PART 9904--COST ACCOUNTING STANDARDS

1. The authority citation for Part 9904 continues to read as follows:

Authority: Pub. L. 111-350, 124 Stat. 3677, 41 U.S.C. 1502 [formerly Pub. L. 100-679, 102 Stat 4056, 41 U.S.C. 422].

9904.412-60.1 [Amended]

2. Amend 9904.412-60.1 as follows:

a. In paragraph (b)(2)(i), Table 3, in the column labeled “Notes,” under the entry “Expense Load on Normal Cost,” remove the first “2”.

b. In paragraph (c)(3)(ii), in the first sentence, remove “\$2,716,649” and add “\$2,741,313” in its place; and in the second sentence, remove “\$12,958,048” and add “\$12,933,384 in its place.

3. In 9904.412.63(b), revise the first sentence to read as follows:

9904.412-63 Effective Date.

* * * * *

(b) Following the award of a contract or subcontract subject to this Standard on or after the Effective Date, contractors shall follow this Standard, as amended, beginning with its next

cost accounting period beginning after the later of the Implementation Date or the award date of a contract or subcontract to which this Standard is applicable. * * *

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9904.412-64.1 [Amended]

4. Amend 9904.412-64.1 as follows:

- a. In paragraph (c)(1)(i)(B), in the second sentence, remove “\$14,115,200 (\$14,087,750 + [75% x (\$183,000)])” and add “\$14,087,750 (\$14,225,000 + [75% x (\$183,000)])” in its place; and
- b. In paragraph (c)(1)(i)(C), in Table 1, – Development of Transitional Minimum Actuarial Liability for Fourth Transition Period, add a new label “Actuarial Accrued Liability” beneath the label “Minimum Actuarial Liability” in the same format as the other labels, and on the same line as the entries “(2,100,000)” and “(14,225,000)” under the headings “Segment1” and “Segments 2 through 7,” respectively.

5. In 9904.413.60(b)(3), revise the second, third, and fourth sentences to read as follows:

9904.413-60 Illustrations.

* * * * *

(b) * * *

(3) * * * Based on the contractor’s assumed interest rate of 8% which complies with 9904.412-40(b)(2) and 9904.412.-50(b)(5), the contribution is discounted for the six-month period from January 1, 2017 to July 1, 2017. For contract cost accounting purposes, the contractor measures \$96,225 as the present value (PV) of the \$100,000 contribution on January 1, 2017 (discounted at 8% per annum for one half year using compound interest, i.e., $\text{Net PV} = \$100,000/1.08^{0.5}$), and

therefore recognizes \$10,096,225 as the market value of assets as required by 9904.413-50(b)(6)(ii). The actuarial value of assets on January 1, 2017, must also reflect \$96,225 as the present value of the July 1, 2017, contribution of \$100,000.

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6. In 9904.413.63(b), revise the first sentence to read as follows:

9904.413-63 Effective Date.

* * * * *

(b) Following the award of a contract or subcontract subject to this Standard on or after the Effective Date, contractors shall follow this Standard, as amended, beginning with its next cost accounting period beginning after the later of the Implementation Date or the award date of a contract or subcontract to which this Standard is applicable. * * *

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Joseph G. Jordan
Chair, Cost Accounting Standards Board