



DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
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IN REPLY REFER TO

PAC 730.3.B.01/2007-04

July 26, 2007
07-PAC-021(R)

MEMORANDUM FOR REGIONAL DIRECTORS, DCAA
DIRECTOR, FIELD DETACHMENT, DCAA

SUBJECT: Audit Alert on Contractor Responsibility for Maintaining Pension Data Records

This audit alert emphasizes the contractor's responsibility to maintain certain pension plan information to comply with the CAS 413.50(c) requirements. Where appropriate, FAOs cognizant of pension audits should issue a reminder letter to the contractor regarding its responsibility. For contractors where systemic deficiencies exist in maintaining these records, FAOs should issue a CAS 413 noncompliance report.

CAS 413.50(c)(7) describes the record keeping responsibilities of the contractor whose pension costs are separately calculated for a segment, as follows:

After the initial allocation of assets, the contractor shall maintain a record of the portion of subsequent contributions, permitted unfunded accruals, income, benefit payments, and expenses attributable to the segment and paid from the assets of the pension plan: Income and expenses shall include a portion of any investment gains and losses attributable to the assets of the pension plan.

In the event of a segment closing, pension plan termination, or curtailment of benefits, CAS 413.50(c)(12) provides that "the contractor shall determine the difference between the actuarial accrued liability for the segment and the market value of the assets allocated to the segment." It further provides the formula to determine the Government's share of that difference based on historical ratios of pension costs allocated to Government contracts over the total pension costs for the segment.

These CAS provisions clearly establish the contractor's responsibility to maintain pension plan data necessary to comply with CAS 413.

If FAO personnel have any questions, they should contact regional personnel. Regional personnel with any questions should contact Program Manager, Accounting and Cost Principles Division, at (703) 767-3250.

/Signed/
Kenneth J. Saccoccia
Assistant Director
Policy and Plans

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