

## **REIS NEWS**

### **November, 2008**

#### ***Highlights:***

- Proposed Fair Value Accounting and Reporting Standards available for public comment.
- Preliminary findings from Debt Valuation Task Force industry interviews presented during REIS Council meeting: existing standard challenged as industry remains divided.
- At request of plan sponsor community, REIS compliance check list to be developed.

#### **Exposure Draft for Chapter 2**

The REIS Board has agreed to expose the revised Fair Value Accounting and Reporting Standards (Chapter 2) for public comment. All are encouraged to respond to the [exposure draft](#) no later than January 20, 2009. Significant changes include: 1) the requirement to record costs of originating and obtaining debt to interest expense and net investment income as incurred; 2) updated guidance within the Fair Value Accounting Policy Manual which address new pronouncements and other authoritative literature approved since the last update; and 3) re-organization of chapter and manual which incorporates the Investment Company Model and Operating Model, the acceptable fair value accounting models within REIS.

#### **Debt Valuation**

The Debt Valuation Task Force has completed its Plan Sponsor and Investment Manager surveys and presented its preliminary conclusions and recommendations to the REIS Council at its November 19<sup>th</sup> meeting. A total of 32 management firms were interviewed including 18 of the top 20 firms (by assets under management per *Pensions and Investments*). The Task Force also completed 24 plan sponsor interviews, representing over \$1.8 trillion in total plan assets. There is agreement that all open-end funds should fair value debt (because of trading) but disagreement about the valuation of debt in closed-end funds and single investor investment accounts. The Task Force has suggested that the requirement for debt valuation for these funds be changed to a recommendation, but that all funds be required to provide enhanced disclosures on debt valuation so Investors receive the fair value information which they desire. The REIS Council has requested that the Task Force assess interviewee sentiment to this proposal. Findings are expected to be reported during the December 17, 2008 REIS Council meeting (open to all interested parties). Plan sponsors and investment managers agree that guidance and education on the complex issues surrounding debt valuation are critical and the REIS Council and Board have begun the process of providing that critical information as expeditiously as possible.

#### **REIS Compliance Checklist**

At the request of the plan sponsor community, the REIS Board has agreed to develop a compliance check list of the REIS Standards which can be used by investors as part of the documentation for investments in funds and separate accounts. This is expected to promote a further understanding and acceptance of the REIS Standards within our industry and facilitate compliance and verifiability. The target for completion of the checklist is the first quarter, 2009.

*REIS News provides a status report of significant developments within REIS and the foundational standards' bodies on which it depends (USPAP, U.S. Fair Value GAAP, and GIPS). More detailed information is available on the [REIS page of the NCREIF web site](#) and the [foundational standards' web sites](#).*