

accidental criticality will be precluded through compliance with the Fort Calhoun Station, Unit No. 1 Technical Specifications Sections 2.8, 2.10.1, 2.10.2, 4.4, and 4.4.1; the geometric spacing of fuel assemblies in the new fuel storage racks and spent fuel storage pool; and administrative controls, USAR Sections 9.5, 11.2.3, and Appendix G, which are imposed on fuel handling procedures.

The proposed exemption would not result in any significant radiological impacts. The proposed exemption would not affect radiological plant effluents nor cause any significant occupational exposures since the Technical Specifications, design controls including geometric spacing of fuel assembly storage spaces, and administrative controls preclude inadvertent criticality. The amount of radioactive waste would not be changed by the proposed exemption.

The proposed exemption does not result in any significant nonradiological environmental impacts. The proposed exemption involves features located entirely within the restricted area as defined in 10 CFR Part 20. It does not affect non-radiological plant effluents and has no other environmental impact. Accordingly, the Commission concludes that there are no significant non-radiological environmental impacts associated with the proposed action.

#### *Alternatives to the Proposed Action*

Since the Commission has concluded that there is no measurable environmental impact associated with the proposed action, any alternatives with equal or greater environmental impact need not be evaluated. As an alternative to the proposed exemption, the staff considered denial of the requested exemption. Denial of the request would result in no change in current environmental impacts. The environmental impacts of the proposed action and the alternative action are similar.

#### *Alternative Use of Resources*

This action does not involve the use of any resources not previously considered in the Final Environmental Statement (FES) for the Fort Calhoun Station, Unit No. 1, dated August 1972.

#### *Agencies and Persons Consulted*

In accordance with its stated policy, on January 29, 1998, the staff consulted with the Nebraska State official, Ms. Cheryl Rodgers of the Department of Health, regarding the environmental impact of the proposed action. The State official had no comments.

#### **Finding of No Significant Impact**

Based upon the environmental assessment, the Commission concludes that the proposed action will not have a significant effect on the quality of the human environment. Accordingly, the Commission has determined not to prepare an environmental impact statement for the proposed action.

For further details with respect to the proposed action, see the licensee's letter dated August 29, 1997, and supplemental letter dated October 23, 1997, which is available for public inspection at the Commission's Public Document Room, which is located at The Gelman 5 Building, 2120 L Street, NW., Washington, D. C., and at the local public document room located at the W. Dale Clark Library, 215 South 15th Street, Omaha, Nebraska 68102.

Dated at Rockville, Maryland, this 29th day of January 1998.

For the Nuclear Regulatory Commission.

**L. Raynard Wharton,**

*Project Manager, Project Directorate IV-2,  
Division of Reactor Projects III/IV, Office of  
Nuclear Reactor Regulation.*

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#### **OFFICE OF MANAGEMENT AND BUDGET**

#### **Interpretation Number 4 Related to Statement of Federal Financial Accounting Standards Number 5**

**AGENCY:** Office of Management and Budget.

**ACTION:** Notice of Interpretation.

**SUMMARY:** This Notice includes an interpretation of Statement of Federal Financial Accounting Standards (SFFAS), adopted by the Office of Management and Budget (OMB). This interpretation was recommended by the Federal Accounting Standards Advisory Board (FASAB) and adopted in its entirety by OMB.

#### **FOR FURTHER INFORMATION CONTACT:**

James Short (telephone: 202-395-3124), Office of Federal Financial Management, Office of Management and Budget.

**SUPPLEMENTARY INFORMATION:** This Notice includes an interpretation of Statement of Federal Financial Accounting Standards (SFFAS) Number 5, adopted by the Office of Management and Budget (OMB). This interpretation was recommended by the Federal Accounting Standards Advisory Board (FASAB) and adopted in its entirety by OMB.

Under a Memorandum of Understanding among the General Accounting Office, the Department of the Treasury, and OMB on Federal Government Accounting Standards, the Comptroller General, the Secretary of the Treasury, and the Director of OMB (the Principals) decide upon standards and concepts after considering the recommendations of FASAB. After agreement to specific standards and concepts, they are published by OMB in the **Federal Register** and distributed throughout the Federal Government.

An Interpretation is a document, originally developed by FASAB, of narrow scope which provides clarification of the meaning of a standard, concept or other related guidance. Once approved by the designated representatives of the Principals, they are published by OMB in the **Federal Register**.

This Notice, including the fourth interpretation of SFFAS, is available on the OMB home page on the Internet which is currently located at <http://www.whitehouse.gov/WH/EOP/omb>, under the caption "Federal Register Submissions."

**G. Edward DeSeve,**  
*Controller.*

#### **Interpretation Number 4 of Statement of Federal Financial Accounting Standards Number 5**

*Accounting for Pension Payments in Excess of Pension Expense: An Interpretation of SFFAS No. 5*

#### **Introduction**

1. The Federal Accounting Standards Advisory Board (FASAB) was asked for guidance regarding accounting at the agency level for employer agencies' payments to the pension trust fund when they exceed pension expense (based on an allocation of the total service [or "normal"] cost<sup>1</sup> by the Office of Personnel Management). This is a situation that was not contemplated in Statement of Federal Financial Accounting Standards (SFFAS) No. 5, "Accounting for Liabilities of the Federal Government."

2. The objective of SFFAS No. 5 (paras. 71-78) is to have employer entities recognize the annual cost of their employees' pensions (pension expense) as measured by the annual normal cost for their employees, less any amounts contributed by the employees (para. 74).

<sup>1</sup> "Service cost" and/or "normal costs," the terms are used synonymously in SFFAS No. 5, are defined in SFFAS No. 5 as that portion of the actuarial present value of pension plan benefits and expenses that is allocated to a valuation year by the actuarial cost method.

3. The employer entity payment rates for the two major civilian pension systems, the Federal Employees Retirement System (FERS) and the Civil Service Retirement System (CSRS), are provided in law and are not the same. For FERS, the payment rate is the employer entity's normal cost less the amount contributed by its employees; for CSRS, the payment rate and the pension expense rate under SFFAS No. 5 theoretically would be the same, since both would be based on the same principle: that pension expense and employer payments to the pension trust fund equal normal cost less the employees' contribution. For most CSRS, employer payments to the pension trust fund are by law set at seven percent of salaries which is substantially less than normal costs and therefore also less than pension expense based on normal cost.

4. SFFAS No. 5 explicitly provides the accounting for a situation in which pension expense is *more than* employer payments to the pension trust fund. The difference between the pension expense and the payment to the plan is to be accounted for by the employer entity as imputed financing.

5. However, due to (1) planning and operational requirements of budgetary administration and (2) recent legislation, the employer entity's FERS pension expense may be *less than* the FERS-related employer payments to the pension trust fund.

6. The pension expense rate used by civilian employer entities to calculate pension expense is supplied by the administrative entity. In the case of FERS and CSRS, the administrative entity is the Office of Personnel Management (OPM). OPM analyzes the demographic and economic assumptions periodically and recalculates normal costs (for both FERS and CSRS).<sup>2</sup> The recalculation was done

during FY 1997 and resulted in a lower normal cost for both FERS and CSRS, and OPM has issued a revised FY 1997 pension expense rate based thereon. However, regarding the rate for employer payments to the pension trust fund, OPM allows time for employer entities to adopt the new rate for budgeting purposes during which the prior, higher payment rate will continue to be used by employer entities.

7. In addition, the Balanced Budget Act of 1997 (BBA) increases FERS employees' withholding rate from 1999 through 2001 without correspondingly decreasing the employer entity's payment rate. For example, if FERS normal costs were \$10,000 and the employees' contribution were raised from \$5,000 (as calculated absent BBA) to \$5,500 by the BBA, then the employer's expense according to SFFAS No. 5 should be \$4,500 (\$10,000—\$5,500). However, the BBA does not allow the employer entity to reduce its payment, and therefore the employer pays what it would have paid without the BBA, \$5,000. The \$500 difference between the \$4,500 SFFAS No. 5 pension expense and the \$5,000 payment to the pension trust fund represents a payment in excess of pension expense.

8. For FY 1997, OPM has indicated that employer entities are unlikely to report total payments to the trust fund in excess of total pension expense (based on normal cost) at the *entity-wide level*, although it is possible, because the amount of the CSRS contribution deficiency is more than the excess FERS payment. However, OPM believes that it is probable that total payments will exceed total pension expense (based on normal cost less employee contributions) in future years.

## Interpretation

9. *Change in Estimate*—Changes in normal costs due to re-estimates of demographic and economic assumptions should be accounted for by the administrative entity as a change in accounting estimate. The effect of the change should be recognized in current and future years.

10. *Payments in Excess of Pension Expense*—When the employer entity's total payment for FERS and CSRS exceeds the related total pension expense as defined in SFFAS No. 5, the entity should account for the excess payment as a transfer-out. The entity should include the transfer-out when determining results of operations on its statement of changes in net position.

11. Any FERS-related payment that exceeds the FERS-related pension expense should be offset against any imputed financing resulting from a CSRS-related payment being less than CSRS-related pension expense in calculating the amount of the transfer out. Only when the total pension payment exceeds total pension expense would a transfer-out be recognized.

### 12. Example #1:

i. if an employer entity calculates total pension expense as \$635,000 reflecting a FERS-related pension expense of \$535,000 and a CSRS-related pension expense of \$100,000,<sup>3</sup> and

ii. it makes a total pension payment to the trust fund, excluding its employees' contribution, of \$630,000 reflecting \$570,000 for its FERS employees and \$60,000 for its CSRS employees,

iii. then it would off-set the \$35,000 FERS-related excess payment (\$570,000—\$535,000) against the \$40,000 CSRS-related under payment (\$100,000—\$60,000) and recognize the net \$5,000 underpayment as an imputed financing as follows:

DR. Pension Expense .....	635,000
(FERS \$535,000 + CSRS \$100,000)	
CR. Funds with Treasury .....	630,000
(FERS \$570,000 + CSRS \$60,000)	
CR. Imputed Financing .....	5,000
(\$40,000—\$35,000)	

13. Example #2: Assuming the same facts as in the paragraph immediately above except that the employer entity makes a payment of \$640,000 (\$580,000 FERS-related and \$60,000 CSRS-related) instead of \$630,000, then the entity would recognize a net transfer-out of the amount that the FERS-related excess payment (\$580,000—\$535,000 = \$45,000) exceeded the CSRS-related under payment (\$100,000—\$60,000 = \$40,000) as follows:

DR. Pension Expense .....	635,000
(FERS \$535,000 + CSRS \$100,000)	
DR. Transfer-out .....	5,000
(\$45,000—\$40,000)	
CR. Funds with Treasury .....	640,000
(FERS \$580,000 + CSRS \$60,000)	

<sup>2</sup> This is separate from OPM's annual recalculation of the actuarial liability which can

result in actuarial gains and losses the accounting for which is provided in SFFAS No. 5.

<sup>3</sup> The amounts used for CSRS are from the example in SFFAS No. 5, paragraph No. 78.

14. *Administrative Entity Intra-governmental Entries*—The administrative entity should account for funds received from employer entities in excess of the normal cost of pension expense as a transfer-in. The administrative entity should include the transfer-in when determining results of operations on its statement of changes in net position.

15. *Adjusting Entries*—Employer entities that recorded total FERS payments as pension expense during FY 1997 will need to adjust their accounts. The following examples use the amounts from paragraphs 12 and 13 above.

a. Example #3—if the entity had originally recorded the following pension expense based on an earlier provided normal cost rate:

DR. Pension Expense .....	670,000	
(FERS \$570,000 + CSRS \$100,000)		
CR. Funds with Treasury .....		630,000
(FERS \$570,000 + CSRS \$60,000)		
CR. Imputed Financing (CSRS) .....		40,000

then, when the revised estimate is provided, the entry would recalculate pension expense as \$635,000 (FERS-related \$535,000 + CSRS-related \$100,000) and adjust the accounts accordingly by means of the following two simultaneous entries:

(1) to reduce pension expense from \$670,000 to \$635,000 (FERS \$535,000 + CSRS \$100,000):

DR. Transfer-out .....	35,000	
CR. Pension Expense .....		35,000

(2) to off-set the transfer-out against imputed financing:

DR. Imputed Financing .....	35,000	
CR. Transfer-out .....		35,000

These entries adjust the accounts to the amounts that would have been entered had the original entry reflected the revised normal cost as shown in paragraph 12 above.

b. Example #4—Also, if the entity's accounting resulted in a net transfer-out, an adjustment may be necessary. For example, using the illustration in paragraph 13 above, the entity may have originally recorded pension expense based on an earlier provided normal cost rate as follows:

DR. Pension Expense .....	680,000	
(FERS \$580,000 + CSRS \$100,000)		
CR. Imputed Financing (CSRS) .....		40,000
CR. Funds with Treasury .....		640,000
(FERS \$580,000 + CSRS \$60,000)		

then the adjustments would be the following two simultaneous entries:

(1) to reduce pension expense from \$680,000 to \$635,000 (FERS \$535,000 + CSRS \$100,000):

DR. Transfer-out .....	45,000	
(FERS \$580,000 - \$535,000 = \$45,000)		
CR. Pension Expense .....		45,000

(2) to off-set the transfer-out against imputed financing:

DR. Imputed Financing (CSRS) .....	40,000	
CR. Transfer-out .....		40,000

These entries adjust the accounts to the amounts that would have been entered had the original entry reflected the revised normal cost as shown in paragraph 13 above.

#### Scope of Interpretation

16. This interpretation applies to employer entity pension (and, if applicable, to retirement health care) expense, and to administrative entity's receipt of funds from employer entities, accounted for in accordance with SFFAS No. 5.

#### Effective Date

17. This interpretation should be applied for reporting periods that end on or after September 30, 1997. The

FASAB has reviewed and agreed with this interpretation. After this interpretation is signed by the FASAB members who represent the Department of the Treasury, the Office of Management and Budget, and the General Accounting Office, it will be published by OMB and will be effective.

#### Basis for Conclusions

18. Regarding changes in normal cost estimates, the prospective treatment called for in this interpretation reflects current practice, including APB Opinion No. 20, "Accounting for Changes in Accounting Estimate," which provides that a change in accounting estimate should be accounted for in the period of change,

if the change affects that period only, or in the period of change and future periods if the change affects both.

19. Regarding employer payments to the pension trust fund in excess of pension expense, such payments are not an employer entity expense or an administrative entity revenue. Such payments do not meet the definition of employer pension expense in SFFAS No. 5,<sup>4</sup> as discussed above, nor do they meet the general definition of expense.<sup>5</sup>

<sup>4</sup> SFFAS No. 5, para. 74.

<sup>5</sup> See Statements of Federal Financial Accounting Concepts and Standards, Vol. I, Original Statements, Appendix E, Consolidate Glossary, p. 690, wherein expenses are defined as:

Outflows or other using up of assets or incurrences of liabilities (or a combination of both)

The entity receiving the transfer, in this case an employer payment in excess of pension expense, does not sacrifice anything of value to obtain the payment, and the transferring entity does not acquire anything of value beyond what it would have gotten had it contributed an amount equalling normal cost less the employees' contribution. Thus, such payments meet the description of "transfer-out" provided in SFFAS No. 7.<sup>6</sup>

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39584; International Series Release No. 1112; File No. SR-CBOE-97-64]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by Chicago Board Options Exchange, Incorporated, Relating to Listing and Trading of Warrants on the Asia Tiger 100 Index

January 27, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 5, 1997, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by CBOE. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The CBOE proposes to list and trade warrants on the CBOE Asia Tiger 100 Index ("Asia 100" or "Index"), a broad-based index comprised of the 100 highest capitalized stocks from eight major Asian markets.<sup>3</sup> The text of the

during a period from providing goods, rendering services, or carrying out other activities related to an entity's programs and missions, the benefits from which do not extend beyond the present operating period.

<sup>6</sup>For a description of transfers-in/out, see paragraphs 74 and 344 of SFFAS No. 7, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting."

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup>The eight Asian markets included in the Index are: Hong Kong; Indonesia; Malaysia; the Philippines; Singapore; South Korea; Taiwan; and Thailand.

proposed rule change is available at the Office of the Secretary, CBOE and at the Commission.<sup>4</sup>

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the CBOE included statements concerning the purpose of and basis for the proposed rule change and represented that it did not receive any comments on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The CBOE has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

##### A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

The purpose of the proposed rule change is to permit the CBOE to list and trade warrants on the Index. The Exchange is permitted to list and trade index warrants under CBOE Rule 31.5(E). The listing and trading of index warrants on the Asia 100 Index will comply in all aspects with CBOE Rule 31.5(E), except that the percentage of foreign country securities that are not subject to an effective comprehensive surveillance sharing agreement ("CSSA"), as defined below, will be greater than the 20% prescribed by Rule 31.5(E)(7).

Rule 31.5(E) requires, among other things, that: (1) the issuer has a tangible net worth in excess of \$250,000,000 and otherwise substantially exceeds earnings requirements in Rule 31.5(A) or meet the alternate guideline in paragraph (4) of Rule 31.5(E); (2) the term of the warrants shall be for a period ranging from one to five years from date of issuance; (3) the minimum public distribution of such issues shall be 1,000,000 warrants, together with a minimum of 400 public holders, and have an aggregate market value of \$4,000,000; and (4) foreign country securities or American Depositary Receipts ("ADRs") that are not subject to an effective CSSA and have less than 50% of their global trading volume in dollar value in the United States, shall not, in the aggregate, represent more

<sup>4</sup>The text of the proposed rule change contains a list of the component securities including the countries they represent, the individual component security weights, the country Index weights, average daily trading value for each security and country and market capitalization for each security and country.

than 20% of the weight of an index, unless such index is otherwise approved for warrant or option trading.

*Index design.* The Index was designed, and will be maintained, by the Exchange. The CBOE represents that the Index is a broad based index currently composed of the 100 highest capitalized stocks from Hong Kong, Indonesia, Malaysia, the Philippines, Singapore, South Korea, Taiwan and Thailand. These stocks were selected for their market capitalization and liquidity. The CBOE believes that they are representative of the composition of the broader equity markets in each of the eight countries. The component securities represent several industry groups including: airlines; financial institutions; high technology; real estate; telecommunications; and utilities.

The total capitalization of the component securities in the Index on November 17, 1997 was \$517 billion.<sup>5</sup> The average capitalization on that date was \$5.17 billion. The individual market capitalization of these component securities ranged from \$598 million to \$41.76 billion on November 17, 1997. The components in the Index had average U.S. dollar volume of \$20.56 million per day and ranged from \$600,000 to \$227.6 million per day during 1997 through October 31. As of November 17, 1997, the highest weighted component security (HSBC Holdings, PLC of Hong Kong) comprised approximately 4.98% of the index weight while the lowest weighted component security (Hang Lung Development, Co. of Hong Kong) comprised approximately 0.22% of the Index weight. The five highest weighted securities comprised approximately 19.82% of the index weight.

The Asia 100 is a modified capitalization-weighted index. Each of the stocks from a particular country will be adjusted annually to reflect its relative market value compared to the other stocks from that country. In addition, each country is weighted based on the relative size of its stock market in relation to that of other Asia 100 countries. The CBOE believes this design gives the Index significant coverage of the countries' largest and most liquid stocks and a proxy for the stock portfolios held by foreign investors in these countries. The CBOE also believes that warrants on the Index will provide investors with a low-cost means of participating in the performance of the Asian economy and hedging against the risk of investing in those economies.

<sup>5</sup>All values are expressed in U.S. dollars at the prevailing rates on November 17, 1997.