

04/05/12

AM&S POLICY ALERT

No. 12-25

Cost Accounting Standards

REFERENCE: Defense Procurement and Acquisition Policy Memorandum, dated March 27, 2012

EFFECTIVE DATE: February 27, 2012

SUMMARY: The Defense Procurement and Acquisition Policy memorandum (see attached) provides the Cost Accounting Standards (CAS) Board final rule issued on December 27, 2011, regarding the measurement of costs for funded qualified defined benefit pension plans subject to Employee Retirement Income Security Act Minimum Funding Requirements and covered by CAS 412 and 413.

The new CAS 412 and 413 rules on pension costs are effective for costs and indirect rates on contracts awarded on or after February 27, 2012. Contracts awarded:

- Before February 27, 2012, shall use costs and indirect rates consistent with the prior CAS rules, and the cost principle at Federal Acquisition Regulations (FAR) 31.205-6(j) on pension costs shall be construed to reference the old CAS 412 and 413.
- On or after February 27, 2012, the FAR 31.205-6(j) cost principle will be construed to reference the new CAS 412 and 413.

Contracting officers negotiating contract prices based on costs under FAR 15 should request that the contracting officer cognizant of indirect rates for the contractor provide advice on the need for new rates to be used for awards to be made on or after February 27, 2012.

ACTION REQUIRED: Contracting Officers should be aware of this change to the applicability of the CAS.

This Policy Alert is effective on the date indicated above, and remains in effect until incorporated into a policy document(s) or until otherwise rescinded.

You may direct comments/questions on this Policy Alert to the Contract Policy and Pricing Branch at 303-676-3985.

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