


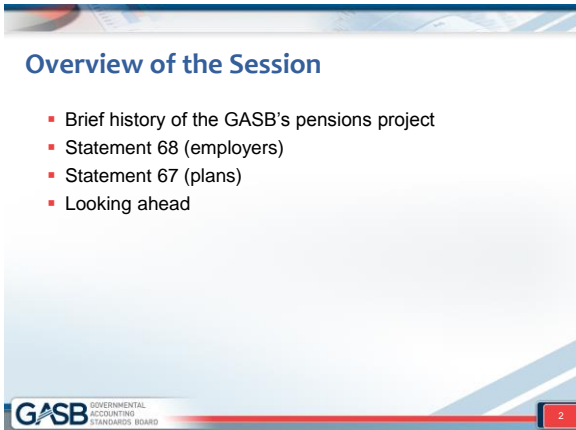
New GASB Pension Statements: Overview

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The views expressed in this presentation are those of Ms. Czerkawski. Official positions of the GASB on accounting matters are determined only after extensive due process and deliberation.




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Overview of the Session

- Brief history of the GASB's pensions project
- Statement 68 (employers)
- Statement 67 (plans)
- Looking ahead



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Brief History of the GASB's Pensions Project





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2006–2013

- Research project (2006–2008)
- Active agenda projects (2008–present)
 - Initiated—2008
 - Invitation to Comment—2009
 - Preliminary Views—2010
 - Exposure Drafts—2011
 - Final Statements—2012
 - Implementation Guides—2013





Statement No. 68, Accounting and Financial Reporting for Pensions
an amendment of GASB Statement No. 27



Highlights

- Scope limited to pensions provided through trusts that meet certain criteria
- Revises recognition, measurement, disclosure requirements for all employers
 - Liability
 - Measured net of pension plan's fiduciary net position
 - Fully recognized in accrual-basis financial statements
 - Changes in the liability
 - Some recognized as expense in the period of the change
 - Others recognized as deferred outflows/inflows of resources with expense recognized over defined future periods
- Effective for FYs beginning after June 15, 2014



Scope & Applicability

- **Defined benefit and defined contribution pensions provided through trusts that meet the following criteria:**
 - Employer/nonemployer contributions irrevocable
 - Plan assets dedicated to providing pensions
 - Plan assets legally protected from creditors
- **Excludes all OPEB**
- **Applies to**
 - Employers
 - Nonemployer contributing entities that have a legal obligation to make contributions directly to a pension plan
 - Special funding situations
 - Other circumstances

Defined Benefit Pensions

- **Two potential liabilities**
 - Liability to the pension plan (payables)
 - Short-term amounts
 - Example—contributions payable at FYE
 - Long-term amounts
 - Example—installment contract for individual past service liability upon joining a cost-sharing plan
 - Formerly referred to as "pension-related debt"

Defined Benefit Pensions

- **Two potential liabilities (cont.)**
 - Liabilities to employees for pensions
 - "Net pension liability" (NPL)
 - Total pension liability (TPL), net of pension plan's fiduciary net position
 - » TPL = actuarial present value of projected benefit payments attributed to past periods
 - » Fiduciary net position as measured by pension plan
 - Single/agent employers recognize 100 percent of NPL
 - Cost-sharing employers recognize proportionate shares of "collective" NPL

NPL: Measurement—Timing

- Potentially 3 different dates
 - FYE
 - Measurement date (of NPL)
 - No earlier than end of prior fiscal year
 - Both components (TPL/plan net position) as of same date
 - Actuarial valuation date (of TPL)
 - If not measurement date, no more than 30 months (+1 day) prior to FYE
 - Actuarial valuations at least every 2 years (more frequent valuations encouraged)
 - Coordination with pension plan

Timing—Example of Application

Employer FYE	Earliest Measurement Date (Prior FYE)	Earliest Actuarial Valuation Date (30 Months Prior to FYE)
June 30, 2015	June 30, 2014	December 31, 2012

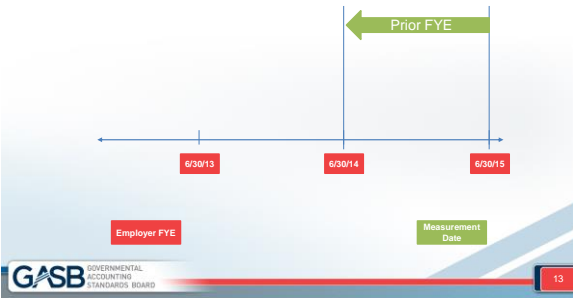
Pension plan requirements are additional considerations:

- Fiduciary net position reported at plan FYE
- NPL: Measurement date = plan FYE (single-employer/cost-sharing plans)
- NPL: Actuarial valuation within 24 months of plan FYE (single-employer/cost-sharing plans)

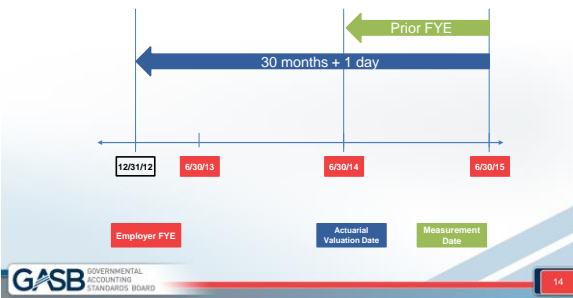
Timing—Example (Employer)



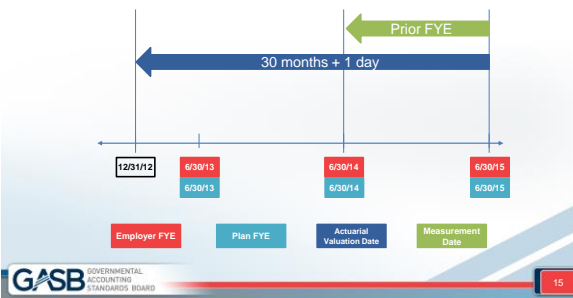
Timing—Example (Employer)



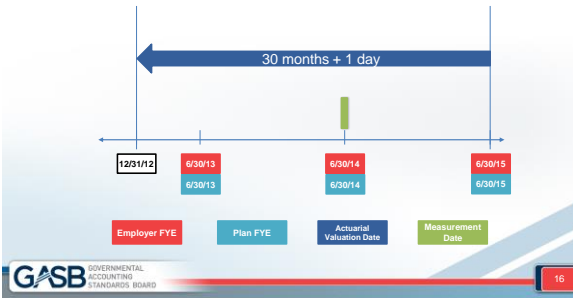
Timing—Example (Employer)



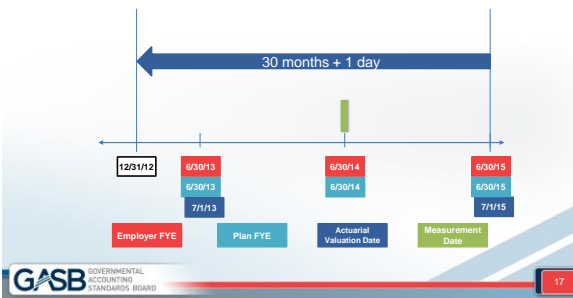
Timing—Example



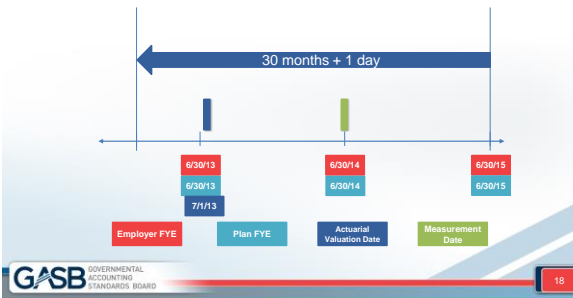
Timing—Example (Employer)



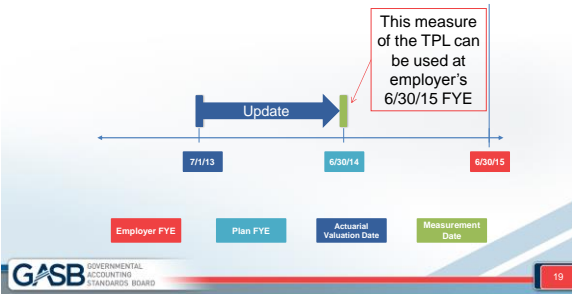
Timing—Example (Employer)



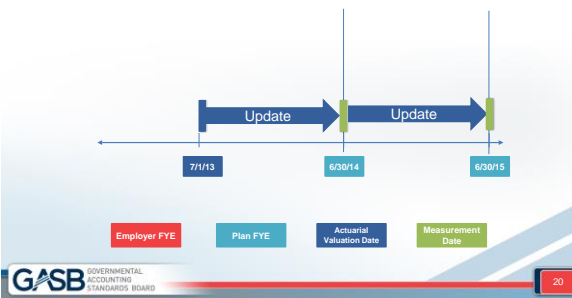
Timing—Example (Employer)



Timing—Example (Employer)



Timing—Example (Plan)



NPL: Measurement—Timing (cont.)

- Caution if valuations are biennial
- Example:
 - Plan and employer with 6/30 fiscal year-ends
 - 7/1/13 valuation updated to 6/30/15 for plan reporting
 - Employer reports NPL as of prior fiscal year-end
 - At 6/30/15, employer can use 6/30/14 NPL reported by plan
 - At 6/30/16, employer cannot use 6/30/15 NPL reported by plan because valuation is 36 months prior to the employer's fiscal year-end

NPL: Measurement—General Approach

- **Three broad steps**
 - Project benefit payments
 - Discount projected benefit payments to actuarial present value
 - Attribute actuarial present value to periods
- **Methods and assumptions**
 - Generally, assumptions in conformity with Actuarial Standards of Practice
 - Fewer alternatives than in Statement 27 for methods and assumptions for GAAP reporting purposes
 - No changes required to actuarial methods and assumptions used to determine funding amounts

NPL: Measurement—Projection

- **Benefit terms/agreements at measurement date**
- **Current active and inactive employees**
- **Incorporate expectations of:**
 - Salary changes
 - Service credits
 - Automatic postemployment benefit changes (including COLAs)
 - Ad hoc postemployment benefit changes if substantively automatic

NPL: Measurement—Discounting

- **Single discount rate**
 - Reflects:
 - LTeRoR on pension plan investments, to extent that:
 - Plan net position projected to be sufficient to pay benefits
 - Plan assets expected to be invested using a strategy to achieve that return
 - Yield or index rate for 20-year, tax-exempt general obligation municipal bond to extent that conditions for LTeRoR not met

Discount Rate—Determining the Single Rate

- Compare projected benefit payments to plan's projected fiduciary net position in each period
- Apply relevant rate to each period's projected benefit payments
- Total the present values of all projected benefit payments
- Calculate discount rate—single rate that (if applied to all projected benefit payments) results in same present value as use of the two rates



Compare Projected Benefit Payments to Plan's Projected Fiduciary Net Position

Year (t)	Projected Beginning Fiduciary Net Position (b)	Projected Benefit Payments (c)	Projected Benefit Payments		Actuarial Present Values of Projected Benefit Payments			Benefits at the Rate (e)
			"Funded" Portion of Benefit Payments (d)	"Unfunded" Portion of Benefit Payments (e)	Present Value of "Funded" Benefits (f) = (b) + (d) × (1 + r) ^t	Present Value of "Unfunded" Benefits (g) = (c) × (1 + r) ^t	Present Value of Benefits Payments Using the Single Discount Rate (h) = (b) × (1 + r) ^t + (c) × (1 + r) ^t	
1	\$ 1,431,956	\$ 103,951	\$ 103,951	\$ -	\$ -	\$ 102,280	\$ -	\$ 104,427
2	1,500,197	116,500	116,500	-	-	100,811	-	105,088
3	1,585,688	123,749	123,749	-	-	99,819	-	105,019
4	1,628,547	131,690	131,690	-	-	-	-	104,379
5	1,687,890	140,229	140,229	-	-	-	-	103,487
6	1,742,722	148,168	148,168	-	-	-	-	102,468
7	1,792,194	156,466	156,466	-	-	-	-	101,332
8	1,835,463	168,332	168,332	-	-	-	-	100,000
9	1,871,402	178,951	178,951	-	-	-	-	98,500
10	1,898,930	189,069	189,069	-	-	-	-	96,850
26	547,880	322,779	322,779	-	-	49,238	-	84,503
27	316,985	326,326	-	326,326	-	-	113,179	81,140
28	64,800	328,997	-	328,997	-	-	109,713	77,694
29	-	330,078	-	330,078	-	-	106,832	74,168
30	-	331,266	-	331,266	-	-	103,135	70,567
36	-	1	-	1	-	-	-	1
37	-	-	-	-	-	-	-	-
Total						\$ 2,109,333	\$ 1,724,934	\$ 3,833,867

Future benefit payments (column c) and plan fiduciary net position (column b) are both projected.



Compare Projected Benefit Payments to Plan's Projected Fiduciary Net Position (cont.)

Year (t)	Projected Beginning Fiduciary Net Position (b)	Projected Benefit Payments (c)	Projected Benefit Payments		Actuarial Present Values of Projected Benefit Payments			Benefits at the Rate (e)
			"Funded" Portion of Benefit Payments (d)	"Unfunded" Portion of Benefit Payments (e)	Present Value of "Funded" Benefits (f) = (b) + (d) × (1 + r) ^t	Present Value of "Unfunded" Benefits (g) = (c) × (1 + r) ^t	Present Value of Benefits Payments Using the Single Discount Rate (h) = (b) × (1 + r) ^t + (c) × (1 + r) ^t	
1	\$ 1,431,956	\$ 103,951	\$ 103,951	\$ -	\$ -	\$ 102,280	\$ -	\$ 104,427
2	1,500,197	116,500	116,500	-	-	100,811	-	105,088
3	1,585,688	123,749	123,749	-	-	99,819	-	105,019
4	1,628,547	131,690	131,690	-	-	-	-	104,379
5	1,687,890	140,229	140,229	-	-	-	-	103,487
6	1,742,722	148,168	148,168	-	-	-	-	102,468
7	1,792,194	156,466	156,466	-	-	-	-	101,332
8	1,835,463	168,332	168,332	-	-	-	-	100,000
9	1,871,402	178,951	178,951	-	-	-	-	98,500
10	1,898,930	189,069	189,069	-	-	-	-	96,850
26	547,880	322,779	322,779	-	-	49,238	-	84,503
27	316,985	326,326	-	326,326	-	-	113,179	81,140
28	64,800	328,997	-	328,997	-	-	109,713	77,694
29	-	330,078	-	330,078	-	-	106,832	74,168
30	-	331,266	-	331,266	-	-	103,135	70,567
36	-	1	-	1	-	-	-	1
37	-	-	-	-	-	-	-	-
Total						\$ 2,109,333	\$ 1,724,934	\$ 3,833,867

Each year's projected benefit payments (column c) are compared to projected beginning plan fiduciary net position (column b) and are assigned to one of two benefit payment streams (columns d and e) depending upon whether plan fiduciary net position is projected to be sufficient to make the benefit payments.



Compare Projected Benefit Payments to Plan's Projected Fiduciary Net Position (cont.)

Year (t)	Projected Beginning Fiduciary Net Position (B)	Projected Benefit Payments		Present Value of "Funded" Benefits Payments (D)	Present Value of "Unfunded" Benefits Payments (E)	Present Value of Benefits Payments Using the Single Discount Rate (B) - (C) + (D) - (E)
		Projected Benefit Payments (C)	"Funded" Portion of Benefit Payments (A)			
1	\$ 1,431,956	\$ 109,951	\$ 109,951	\$ -	\$ -	104,427
2	1,500,197	116,500	116,500	-	-	105,088
3	1,565,686	123,749	123,749	-	-	106,019
4	1,628,547	131,600	131,600	-	-	107,154
5	1,687,890	140,229	140,229	-	-	108,370
6	1,742,722	149,168	149,168	-	-	109,487
7	1,792,194	158,466	158,466	-	-	110,468
8	1,835,463	168,332	168,332	-	-	111,460
9	1,871,402	178,591	178,591	-	-	112,302
10	1,898,930	189,069	189,069	-	-	112,918
26	547,880	322,779	322,779	-	-	84,503
27	316,985	326,326	-	326,326	-	81,140
28	64,800	328,997	-	328,997	-	77,694
29	-	330,678	-	330,678	-	74,168
30	-	331,266	-	331,266	-	70,967
96	-	1	-	1	-	-
97	-	-	-	-	-	-
Total	-	-	-	\$ 2,109,333	\$ 1,294,534	\$ 3,633,867

In this example, projected beginning plan fiduciary net position is greater than projected benefit payments through year 26. Therefore, those projected benefit payments are assigned to the "funded" benefit payment stream in column d.

Compare Projected Benefit Payments to Plan's Projected Fiduciary Net Position (cont.)

Year (t)	Projected Beginning Fiduciary Net Position (B)	Projected Benefit Payments		Present Value of "Funded" Benefits Payments (D)	Present Value of "Unfunded" Benefits Payments (E)	Present Value of Benefits Payments Using the Single Discount Rate (B) - (C) + (D) - (E)
		Projected Benefit Payments (C)	"Funded" Portion of Benefit Payments (A)			
1	\$ 1,431,956	\$ 109,951	\$ 109,951	\$ -	\$ -	104,427
2	1,500,197	116,500	116,500	-	-	105,088
3	1,565,686	123,749	123,749	-	-	106,019
4	1,628,547	131,600	131,600	-	-	107,154
5	1,687,890	140,229	140,229	-	-	108,370
6	1,742,722	149,168	149,168	-	-	109,487
7	1,792,194	158,466	158,466	-	-	110,468
8	1,835,463	168,332	168,332	-	-	111,460
9	1,871,402	178,591	178,591	-	-	112,302
10	1,898,930	189,069	189,069	-	-	112,918
26	547,880	322,779	322,779	-	-	84,503
27	316,985	326,326	-	326,326	-	81,140
28	64,800	328,997	-	328,997	-	77,694
29	-	330,678	-	330,678	-	74,168
30	-	331,266	-	331,266	-	70,967
96	-	1	-	1	-	-
97	-	-	-	-	-	-
Total	-	-	-	\$ 2,109,333	\$ 1,294,534	\$ 3,633,867

In year 27, the total of projected benefit payments exceeds projected beginning plan fiduciary net position. Beginning in that year, projected benefit payments are assigned to the "unfunded" benefit payment stream in column e.

Apply Relevant Rate to Each Period's Projected Benefit Payments

Year (t)	Projected Beginning Fiduciary Net Position (B)	Projected Benefit Payments		Present Value of "Funded" Benefits Payments (D)	Present Value of "Unfunded" Benefits Payments (E)	Present Value of Benefits Payments Using the Single Discount Rate (B) - (C) + (D) - (E)
		Projected Benefit Payments (C)	"Funded" Portion of Benefit Payments (A)			
1	\$ 1,431,956	\$ 109,951	\$ 109,951	\$ -	\$ -	104,427
2	1,500,197	116,500	116,500	-	-	105,088
3	1,565,686	123,749	123,749	-	-	106,019
4	1,628,547	131,600	131,600	-	-	107,154
5	1,687,890	140,229	140,229	-	-	108,370
6	1,742,722	149,168	149,168	-	-	109,487
7	1,792,194	158,466	158,466	-	-	110,468
8	1,835,463	168,332	168,332	-	-	111,460
9	1,871,402	178,591	178,591	-	-	112,302
10	1,898,930	189,069	189,069	-	-	112,918
26	547,880	322,779	322,779	-	-	84,503
27	316,985	326,326	-	326,326	-	81,140
28	64,800	328,997	-	328,997	-	77,694
29	-	330,678	-	330,678	-	74,168
30	-	331,266	-	331,266	-	70,967
96	-	1	-	1	-	-
97	-	-	-	-	-	-
Total	-	-	-	\$ 2,109,333	\$ 1,294,534	\$ 3,633,867

The present values of projected benefit payments in the "funded" payment stream are calculated using the LTeROR.

Apply Relevant Rate to Each Period's Projected Benefit Payments (cont.)

Year (t)	Projected Benefit Payments			Actual Present Values of Projected Benefit Payments		
	Projected Beginning Fiduciary Net Position (B)	Projected Portion of "Funded" Benefit Payments (F)	"Unfunded" Portion of Benefit Payments (G)	Present Value of "Funded" Benefit Payments (f) = (F) ÷ (1 + 7.25%) ^t	Present Value of "Unfunded" Benefit Payments (g) = (G) ÷ (1 + 5.29%) ^t	Present Value of Benefits Payments Using the Single Discount Rate (h) = (f) + (g) = 5.29%
1	\$ 1,431,956	\$ 103,951	\$ -	\$ 102,280	\$ -	\$ 104,427
2	1,500,197	116,500	-	103,811	-	105,088
3	1,565,688	123,749	-	99,813	-	106,019
4	1,628,547	131,650	-	96,810	-	107,154
5	1,687,890	140,229	-	97,678	-	108,370
6	1,742,722	149,168	-	96,655	-	109,487
7	1,792,194	158,466	-	95,516	-	110,468
8	1,835,463	168,332	-	94,384	-	111,450
9	1,871,402	178,591	-	93,150	-	112,302
10	1,898,930	189,089	-	-	-	112,918
26	547,880	322,779	322,779	49,238	-	84,503
27	316,985	326,326	-	-	113,175	81,140
28	64,800	328,997	-	-	109,719	77,694
29	-	330,678	-	-	106,052	74,168
30	-	331,266	-	-	102,135	70,567
96	-	1	-	-	-	-
97	-	-	-	-	-	-
Total	-	-	-	\$ 2,109,333	\$ 1,294,534	\$ 3,633,867

The present values of projected benefit payments in the "unfunded" payment stream are calculated using the municipal bond rate.

Total the Present Values of All Projected Benefit Payments

Year (t)	Projected Benefit Payments			Actual Present Values of Projected Benefit Payments		
	Projected Beginning Fiduciary Net Position (B)	Projected Portion of "Funded" Benefit Payments (F)	"Unfunded" Portion of Benefit Payments (G)	Present Value of "Funded" Benefit Payments (f) = (F) ÷ (1 + 7.25%) ^t	Present Value of "Unfunded" Benefit Payments (g) = (G) ÷ (1 + 4%) ^t	Present Value of Benefits Payments Using the Single Discount Rate (h) = (f) + (g) = 5.29%
1	\$ 1,431,956	\$ 103,951	\$ -	\$ 102,280	\$ -	\$ 104,427
2	1,500,197	116,500	-	103,811	-	105,088
3	1,565,688	123,749	-	99,813	-	106,019
4	1,628,547	131,650	-	96,810	-	107,154
5	1,687,890	140,229	-	97,678	-	108,370
6	1,742,722	149,168	-	96,655	-	109,487
7	1,792,194	158,466	-	95,516	-	110,468
8	1,835,463	168,332	-	94,384	-	111,450
9	1,871,402	178,591	-	93,150	-	112,302
10	1,898,930	189,089	-	-	-	112,918
26	547,880	322,779	322,779	49,238	-	84,503
27	316,985	326,326	-	-	113,175	81,140
28	64,800	328,997	-	-	109,719	77,694
29	-	330,678	-	-	106,052	74,168
30	-	331,266	-	-	102,135	70,567
96	-	1	-	-	-	-
97	-	-	-	-	-	-
Total	-	-	-	\$ 2,109,333	\$ 1,294,534	\$ 3,633,867

The sum of the present values of the two benefit payment streams is calculated.

Calculate Discount Rate

Year (t)	Projected Benefit Payments			Actual Present Values of Projected Benefit Payments		
	Projected Beginning Fiduciary Net Position (B)	Projected Portion of "Funded" Benefit Payments (F)	"Unfunded" Portion of Benefit Payments (G)	Present Value of "Funded" Benefit Payments (f) = (F) ÷ (1 + 7.25%) ^t	Present Value of "Unfunded" Benefit Payments (g) = (G) ÷ (1 + 5.29%) ^t	Present Value of Benefits Payments Using the Single Discount Rate (h) = (f) + (g) = 5.29%
1	\$ 1,431,956	\$ 103,951	\$ -	\$ 102,280	\$ -	\$ 104,427
2	1,500,197	116,500	-	103,811	-	105,088
3	1,565,688	123,749	-	99,813	-	106,019
4	1,628,547	131,650	-	96,810	-	107,154
5	1,687,890	140,229	-	97,678	-	108,370
6	1,742,722	149,168	-	96,655	-	109,487
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8	1,835,463	168,332	-	94,384	-	111,450
9	1,871,402	178,591	-	93,150	-	112,302
10	1,898,930	189,089	-	-	-	112,918
26	547,880	322,779	322,779	49,238	-	84,503
27	316,985	326,326	-	-	113,175	81,140
28	64,800	328,997	-	-	109,719	77,694
29	-	330,678	-	-	106,052	74,168
30	-	331,266	-	-	102,135	70,567
96	-	1	-	-	-	-
97	-	-	-	-	-	-
Total	-	-	-	\$ 2,109,333	\$ 1,294,534	\$ 3,633,867

Through a process of interpolation, the single discount rate is determined such that, when applied to the projected benefit payments in column c, the result is the same present value as the sum of columns f and g.

In this example, that rate is 5.29%.

NPL: Measurement—Attribution

- Single method
 - Entry age actuarial cost method
 - Level percentage of pay
- Individually applied
- Beginning = 1st period of benefit accrual
- Ending = Expected retirement
 - DROPs—entry date into DROP = retirement date
- Same benefit terms to determine service cost as to determine actuarial present value of projected benefit payments

Changes in NPL

- Calculated from measurement date to measurement date (“measurement period”)

NPL recognized in current reporting period
(NPL recognized in prior reporting period)
Change in NPL for current reporting period

- Recognize most changes as expense in full in reporting period of change
 - Examples: service cost, interest on TPL, effects of benefit changes, projected earnings on pension plan investments

Changes in NPL—Immediate Expense Exceptions

- Differences between expected and actual experience (TPL)
- Changes of assumptions (TPL)
- Difference between projected and actual earnings on pension plan investments
- Employer contributions

Changes in NPL—TPL Exceptions

- Expense recognized in current and future periods
 - Systematic and rational method
 - Closed period
 - Average of expected remaining service lives of all employees (active and inactive, including retirees)
- Portion not recognized in expense = deferred outflow of resources/deferred inflow of resources related to pensions

Changes in NPL—Investment Earnings Exception

- Expense recognized in current and future periods
 - Systematic and rational method
 - Closed, 5-year period
- Portion not recognized in expense = deferred outflow of resources/deferred inflow of resources related to pensions
- Report net deferred outflow of resources/ deferred inflow of resources from this source

Changes in NPL: Employer Contributions

- During the measurement period
 - Directly reduce NPL (no expense impact)
- Subsequent to measurement date
 - Deferred outflow of resources related to pensions
 - Directly reduce NPL in next reporting period (no expense impact)

NPL: Cost-Sharing Employers

- Recognize proportionate shares of collective measures:
 - NPL
 - Pension expense
 - Deferred outflows of resources/deferred inflows of resources
- Determination of proportion (%)
 - Relationship of the employer to the total of all contributing entities
 - Basis required to be consistent with assessed contributions
 - Use of relative long-term projected contribution effort encouraged
 - Use of other bases permitted
 - Contribution related
 - Reflective of relationship at measurement date

NPL: Cost-Sharing Employers (cont.)

- Calculation of the employer's proportionate shares
 - Collective measure x proportion

	Collective Measure	Employer's Proportion	Employer's Proportionate Share
Net Pension Liability	\$7,455,024	2%	\$149,100
Deferred Outflows of Resources	\$2,185,968	2%	\$43,719
Deferred Inflows of Resources	\$1,229,826	2%	\$24,597
Pension Expense	\$1,162,654	2%	\$23,253

NPL: Cost-Sharing Employers—Additional Considerations

- Potentially three items
 - Change in proportion
 - Difference between:
 - Employer's proportionate share of all employer contributions included in collective plan net position
 - Contributions recognized by the employer in the measurement period
 - Employer's contributions subsequent to measurement date

NPL: Cost-Sharing Employers—Additional Considerations (cont.)

- Calculation of the change in proportion

	NPL	Deferred Outflows of Resources	Deferred Inflows of Resources
Beginning balance collective measure	\$7,455,024	\$2,185,968	\$1,229,826
Employer's proportionate share (current year) @ 2.5%	\$186,376	\$54,649	\$30,746
Employer's proportionate share (prior year) @ 2%	\$149,100	\$43,719	\$24,597
Increase in beginning balance	-\$37,276	-\$10,930	-\$6,149
Net effect		\$32,495	

NPL: Cost-Sharing Employers—Additional Considerations (cont.)

- Difference between proportionate share of collective contributions and employer's actual contributions

Total employer contributions (as recognized by plan)	\$1,004,730
Employer's proportionate share of total employer contributions (@ 2.5%)	\$25,118
Employer's actual contributions	22,018
Difference	\$ 3,100

NPL: Cost-Sharing Employers—Additional Considerations (cont.)

- Expense impact of changes in proportion and contribution-related differences
 - In current and future periods
 - Systematic/rational method
 - Closed period = average of expected remaining service lives (actives and retirees)
- Employer contributions subsequent to measurement date
 - Deferred outflow of resources in current period
 - Reduction of collective NPL in next period

NPL: Note Disclosures—All Employers

- **Descriptive information**
 - Type of plan, identification of administrator
 - Benefit terms—types of benefits, key elements of benefit formula, classes of employees covered, legal authority
 - Contributions—basis, authority, rates (\$ or % of pay), contributions in reporting period
 - Availability of plan report

NPL: Note Disclosures—All Employers (cont.)

- **Significant assumptions/other inputs in TPL**
 - Inflation, salary changes, postemployment benefit changes, mortality assumptions, dates of experience studies
 - Discount rate, plus
 - LTeRoR and how determined
 - If applicable, municipal bond rate, assumptions re: cash flows & periods to which each rate applied
 - Assumed asset allocation/expected real rates of return
 - NPL at discount rate +/- 1%

NPL: Note Disclosures—All Employers (cont.)

- Information about pension plan's fiduciary net position or reference to plan report
- Measurement date, actuarial valuation date
- Changes of assumptions/other inputs and changes of benefit terms
- Changes subsequent to measurement date

NPL: Note Disclosures—All Employers (cont.)

- Pension expense in current reporting period
- Deferred outflows/deferred inflows of resources
 - Balances by source
 - Net impact on pension expense in each of the next 5 years and thereafter in the aggregate
 - Amount that will be reduction of NPL

Expense and Deferred Outflows/Inflows of Resources Disclosures—Example

For the year ended December 31, 20X9, the City recognized pension expense of \$2,395. At June 30, 20X9, the City reported deferred outflows of resources and deferred inflows of resource related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,657	\$ 142
Changes of assumptions	1,714	130
Net difference between projected and actual earnings on pension plan investments	—	2,188
Changes in proportion and differences between City contributions and proportionate share of contributions	747	153
City contributions subsequent to the measurement date	1,065	—
Total	\$ 6,183	\$ 2,813

\$1,065 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 20Y0. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown at right:

Year ended June 30:	\$
20Y0	(269)
20Y1	161
20Y2	217
20Y3	545
20Y4	551
Thereafter	1,300

NPL: Note Disclosures—Single/Agent Employers

- Number of employees covered—inactive receiving benefits, inactive not receiving benefits, active
- Allocated insurance contracts
- Schedule of changes in NPL by source for current period
 - Service cost, interest, benefit changes, contributions by source, plan investment income, etc.

Changes in NPL by Source—Example

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances—at 6/30/X8	\$ 2,853,455	\$ 2,052,589	\$ 800,866
Changes for the year:			
Service cost	72,924		72,924
Interest	219,455		219,455
Differences between expected and actual experience	(37,539)		(37,539)
Contributions—employer		79,713	(79,713)
Contributions—employee		31,451	(31,451)
Net investment income		196,154	(196,154)
Benefit payments, including refunds of employee contributions	(119,434)	(119,434)	—
Administrative expense		(3,373)	3,373
Other changes		8	(8)
Net changes	135,406	184,519	(49,113)
Balances—at 6/30/X9	\$ 2,988,861	\$ 2,237,108	\$ 751,753

NPL: RSI—Single/Agent Employers

- 10-year schedules
 - Changes in NPL by source
 - Components of NPL and related ratios (may be presented with changes in NPL by source)
 - TPL
 - Pension plan fiduciary net position
 - NPL
 - Plan net position as % of TPL
 - Covered-employee payroll
 - NPL as % of covered-employee payroll

Combined Presentation—Example (Only 5 of 10 Required Years Illustrated)

	2003	2004	2007	2008	2003
Total pension liability					
Service cost	\$ 72,924	\$ 71,368	\$ 68,400	\$ 66,837	\$ 64,284
Interest	219,455	207,916	191,602	177,381	165,100
Change of benefit terms	—	—	—	—	—
Differences between expected and actual experience	(37,539)	(15,211)	(3,582)	36,438	19,927
Change of assumptions			91,841		
Benefit payments, including refunds of member contributions	(119,434)	(112,023)	(104,403)	(95,376)	(88,700)
Net change in total pension liability	135,406	151,050	213,048	187,100	160,521
Total pension liability—beginning	2,853,455	2,707,905	2,489,907	2,307,857	2,149,336
Total pension liability—ending (a)	\$ 2,988,861	\$ 2,858,955	\$ 2,702,955	\$ 2,494,957	\$ 2,309,857
Plan fiduciary net position					
Contributions—employer	\$ 79,713	\$ 86,027	\$ 89,828	\$ 91,963	\$ 93,541
Contributions—member	31,451	30,000	29,337	28,547	27,742
Net investment income	196,154	(44,009)	(16,138)	236,360	156,826
Benefit payments, including refunds of member contributions	(119,434)	(112,023)	(104,403)	(95,376)	(88,700)
Administrative expense	(3,373)	(3,287)	(2,774)	(2,582)	(2,066)
Other	8	(8)	(77)	(173)	—
Net change in plan fiduciary net position	184,519	142,616	177,771	204,837	197,241
Plan fiduciary net position—beginning	2,052,589	2,095,524	2,089,881	1,779,244	1,581,801
Plan fiduciary net position—ending (b)	\$ 2,237,108	\$ 2,238,140	\$ 2,267,652	\$ 2,004,081	\$ 1,779,042
County's net pension liability—ending (a) – (b)	\$ 751,753	\$ 620,815	\$ 435,303	\$ 490,876	\$ 530,815
Plan fiduciary net position as a percentage of the total pension liability	74.85%	71.50%	77.56%	84.36%	77.29%
Covered-employee payroll	\$ 449,283	\$ 438,424	\$ 416,243	\$ 407,812	\$ 396,332
County's net pension liability as a percentage of covered-employee payroll	167.32%	143.91%	140.70%	95.44%	131.80%

NPL: RSI—Single/Agent Employers (cont.)

- 10-year schedules (cont.)
 - If actuarially determined employer contribution (ADEC)
 - Example (only 5 of 10 required years illustrated)

	20X9	20X8	20X7	20X6	20X5
Actuarially determined contribution	\$ 79,713	\$ 86,607	\$ 89,828	\$ 91,963	\$ 93,541
Contributions in relation to the actuarially determined contribution	79,713	86,607	89,828	91,963	93,541
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 449,293	\$ 436,424	\$ 416,243	\$ 407,812	\$ 396,332
Contributions as a percentage of covered-employee payroll	17.74%	19.84%	21.58%	22.55%	23.60%

- If no ADEC, but statutory or contractual contribution requirements, schedule similar to ADEC schedule

NPL: Note Disclosures—Cost-Sharing Employers

- Employer's proportion, basis for proportion, change in proportion
- Employer's proportionate share (amount) of collective NPL

NPL: RSI—Cost-Sharing Employers

- 10-year schedules
 - Employer's proportion (%), proportionate share (amount) of collective NPL, covered-employee payroll, proportionate share as % of covered-employee payroll, pension plan's net position as % of TPL
 - Example (only 5 of 10 required years illustrated)

	20X9	20X8	20X7	20X6	20X5
District's proportion of the net pension liability (asset)	0.20%	0.19%	0.19%	0.19%	0.20%
District's proportionate share of the net pension liability (asset)	\$ 14,910	\$ 11,738	\$ 12,972	\$ 13,495	\$ 14,892
District's covered-employee payroll	\$ 11,512	\$ 10,412	\$ 9,715	\$ 9,553	\$ 9,522
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	129.52%	112.74%	133.53%	141.26%	156.40%
Plan fiduciary net position as a percentage of the total pension liability	81.38%	83.20%	80.41%	78.53%	76.75%

NPL: RSI—Cost-Sharing Employers (cont.)

- 10-year schedules (cont.)
 - If statutory or contractual contribution requirements
 - Required contribution, contributions in relation to required, difference, covered-employee payroll, contributions as % of covered-employee payroll
 - Example (only 5 of 10 required years illustrated)

	2009	2008	2007	2006	2005
Contractually required contribution	\$ 2,095	\$ 2,057	\$ 1,969	\$ 1,649	\$ 1,176
Contributions in relation to the contractually required contribution	(2,095)	(2,057)	(1,969)	(1,649)	(1,176)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 12,097	\$ 10,962	\$ 10,063	\$ 9,834	\$ 9,538
Contributions as a percentage of covered-employee payroll	17.32%	18.76%	19.57%	17.11%	12.33%

NPL: Involvement of Nonemployer Contributing Entities

- Statement addresses those with legal requirement to contribute *directly* to the pension plan
 - Special funding situations
 - Nonemployer entity legally required to make contributions directly to pension plan
 - Either:
 - Required contribution amounts are not dependent on event/circumstances unrelated to pension
 - Nonemployer is only entity required to make contributions

NPL: Involvement of Nonemployer Contributing Entities (cont.)

- Implications
 - If SFS:
 - Nonemployer entity accounting similar to a cost-sharing employer
 - Employer:
 - Liability reduced by amounts recognized by nonemployer entity
 - Recognize revenue/expense equal to amount of the nonemployer entity's proportionate share of collective expense

Effect of Special Funding Situation—Example (Single Employer)

	Collective Measure	Employer's Proportionate Share (20%)	Nonemployer Contributing Entity's Proportionate Share (80%)
Net pension liability	\$1,000,000	\$200,000	\$800,000
Deferred outflows of resources	27,000	5,400	21,600
Deferred inflows of resources	19,000	3,800	15,200
Pension expense	45,000	9,000	36,000

- **Employer recognizes:**
 - Its proportionate shares of collective NPL and collective deferred outflows/inflows of resources
 - Pension expense of \$45,000
 - Revenue of \$36,000
 - Individual adjustments, as applicable (same as cost-sharing)

NPL: Involvement of Nonemployer Contributing Entities (cont.)

- **Implications**
 - If not SFS:
 - Nonemployer entity accounts for "grant"—classifies expense for contributions in same manner as similar grants to other entities
 - Employer reports full liability, recognizes revenue for change in NPL from contributions from nonemployer contributing entities

NPL: Note Disclosures/RSI—Nonemployer Contributing Entities in SFS

- **Required information depends on how much of the NPL is recognized by the nonemployer entity**
 - If substantial proportion, disclosures similar to cost-sharing employer
 - If less-than-substantial proportion, reduced information
 - Notes
 - Type of pension plan, identification of administrator
 - Contribution basis, authority, amount in reporting period
 - Proportionate share (amount) of collective NPL, proportion (%), basis for proportion, change in proportion, expense, and deferred outflows/deferred inflows of resources
 - RSI (10 years)—entity's proportionate share (amount) of collective NPL, amount of contributions

Defined Contribution Pensions

- Pension expense for amounts defined by benefit terms as attributable to the reporting period
 - Net of forfeited amounts removed from employee accounts
- Liability for difference between pension expense and contributions
- Note disclosures
 - Descriptive information about plan, benefit terms, contribution rates, amount of expense, amount of forfeitures, amount of liability
- Nonemployer contributing entities with legal requirements to contribute directly to pension plan also addressed

Effective Date and Transition

- Fiscal years beginning after June 15, 2014
- Beginning deferred outflows/deferred inflows of resources balances
 - Deferred outflow of resources for contributions between measurement date of beginning NPL and beginning of initial implementation period
 - Others all or nothing at initial implementation
- Adjusting entries to:
 - Remove beginning (Statement 27) NPO/NPA
 - Recognize beginning NPL
 - Recognize beginning deferred outflows/inflows of resources
 - Remainder = adjustment to employer's beginning net position
- RSI schedules prospective if information not initially available

Statement No. 67, Financial Reporting for Pension Plans
 an amendment of GASB Statement No. 25

Highlights

- Scope limited to defined benefit and defined contribution pension plans administered through trusts that meet certain criteria (same as criteria in Statement 68)
- Few changes from Statement 25 for financial statement recognition

Highlights (cont.)

- Notable changes in note disclosures/RSI
 - Annual money-weighted rate of return (1 year in notes; 10 years in RSI)
 - RSI for single-employer and cost-sharing pension plans (10 years):
 - Schedule of changes in NPL by source
 - Components of NPL/related ratios
 - Schedule of actuarially determined contributions
 - Aggregated employer-related information not required for agent pension plans
- Effective for FYs beginning after June 15, 2013
- RSI schedules prospective (except for contribution schedule, if presented), if information not initially available

GASB Resources and a Look Ahead

GASB Resources

- Pension Implementation Guides
 - Statement 67 guide—issued May 2013
 - Available for free download from GASB website
 - 99 questions and answers
 - Statement 68 guide—available soon
 - More than 270 questions and answers
- www.GASB.org
 - Technical inquiry system
 - Podcast series
 - Plain-language overviews
 - Copies of many GASB pronouncements
 - Governmental Accounting Research System (GARS)
 - And more . . .

A Look Ahead

- Phase 2 of postemployment benefits project
 - Pensions not within scope of Statements 67/68
 - OPEB
 - Exposure Draft planned for Q2 2014
