2014 ALASBO Conference

GASB UPDATE

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GASB Statements

Recent Pronouncements

68 – Accounting and Financial Reporting for Pensions

(PERS and TRS)

71 – Pension Transition for Contributions Made Subsequent to the Measurement Date

(A TECHNICAL CORRECTION TO GASB 68)

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Statement No. 68 *Accounting and Financial Reporting for Pensions*

Objective:

To enhance the usefulness of information in external financial statements as it relates to government pension plans. Replaces GASB 27 & 50

This is the **PARTICIPATING EMPLOYER** side accounting and reporting!

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Statement No. 68 *Accounting and Financial Reporting for Pensions*

Applicable to:

- Defined Benefit(DB) Plans
  - Single Employer
  - Agent Multiple-Employer
  - Cost sharing (PERS/TRS)
- Defined Contribution (DC) Plans – though minimal changes from current (Tier IV and III)

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Statement No. 68 *Accounting and Financial Reporting for Pensions*

Categories of employers

- Single
  - Employees are provided with a defined benefit plan which is solely for the use of that employer's employees
- Agent multiple-employer
  - Employees are part of a defined benefit plan where the assets are pooled with other entities but are separated employer's investment accounts

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Statement No. 68 *Accounting and Financial Reporting for Pensions*

Categories of employers, continued

- Cost sharing multiple-employer (PERS/TRS)
  - Employees are provided with a defined benefit plan whose assets are pooled with other employer's pension plan assets which can legally be used to pay benefits of any participating employer

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Statement No. 68 *Accounting and Financial Reporting for Pensions*

- Special Funding Situations
  - A non-employer entity is “legally responsible for making contributions directly to the plan” for the benefit of other entities; AND
  - The amount of the non-employer contribution is not dependent on one or more events or circumstances unrelated to the pension

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Statement No. 68 *Accounting and Financial Reporting for Pensions*

- Special Funding Situations
  - PERS and AK Dept. of Law have determined that the on-behalf provisions do NOT constitute a special funding situation.
  - However, AS 39.35.280 and AS 14.25.085 may imply a special funding situation – PERS recommends that each District/School work with their own auditors to determine appropriate reporting
    - GASB Implementation Guide Q. 26

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Statement No. 68 *Accounting and Financial Reporting for Pensions*

- Special Funding Situations
  - Special Funding Situation significantly affects the proportional share liability at transition
- Presuming that the District agrees it is NOT a special funding situation, the District should record the on-behalf portion of the liability and the contributions as “employer portion” for the purposes of the roll-forward and proportional share calculations

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Statement No. 68 *Accounting and Financial Reporting for Pensions*

- If the District does NOT agree, then the on-behalf portion would be attributable back to the state portion.
- State is planning to disclose this information separately.

- It would be great if everyone was treating it the same way, but each District will need to decide.

Statement No. 68 *Accounting and Financial Reporting for Pensions*

Does NOT affect Governmental Fund Financial Statements

- NO SUBSTANTIVE CHANGE at governmental fund level
- In general, should NOT affect budget
  - Report in governmental funds only to the extent the liability is expected to be paid with "expendable & available" financial resources. Pension expenditure recognized = amount paid and any change in short-term liability.

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Statement No. 68 *Accounting and Financial Reporting for Pensions*

Does NOT apply to OPEB

- Applies only to the PENSION portion of PERS
- Does not apply to the Health Care, HRA, or ODD of the PERS plan

Does NOT apply to 457 Plans

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Statement No. 68 *Accounting and Financial Reporting for Pensions*

- Relevant Definitions from GASB 67

  - Fiduciary Net Position

    Assets + Deferred outflows

    less: Liabilities + deferred inflows

    = net position restricted for pensions

This is on the PLAN SIDE.

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Statement No. 68 *Accounting and Financial Reporting for Pensions*

- Relevant Definitions from GASB 67
  - **Total** pension liability

    Measured as the actuarial present value of projected benefit payment attributed to past service
  - **Net** pension liability

    Measured as total pension liability less the plan's fiduciary net position

    (e.g. Total Pension Liability less the Plan Assets at the measurement date)

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Statement No. 68 *Accounting and Financial Reporting for Pensions*

Focus on PERS/TRS (cost sharing plans)

Implementation:

- Actuarial Valuation Date 6/30/13
- Measurement Date 6/30/14
- Measurement Period 7/1/13 – 6/30/14

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Statement No. 68 *Accounting and Financial Reporting for Pensions*

Focus on PERS/TRS (cost sharing plans)

Implementation Q. 267:

- Employer with June 30 YE first implements on June 30, 2015. Measurement date is June 30, 2014 and measurement period is July 1, 2013 through June 30, 2014.

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Statement No. 68 *Accounting and Financial Reporting for Pensions*

Focus on PERS/TRS (cost sharing plans)

Implementation Q. 267:

- The opening balance adjustment is as of the beginning of the employer fiscal year JUNE 30, 2014

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Statement No. 68 *Accounting and Financial Reporting for Pensions*

Focus on PERS/TRS (cost sharing plans)

- Step 1 - Employer records "proportionate share" of the *net pension liability* as of the measurement date.
  - Full accrual/long term liability
  - Government-wide: YES
  - Enterprise funds: YES (?) MAYBE! (Most Schools don't have to deal with this)

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- Proportionate Share

  "The basis for the employer's proportion should be consistent with the manner in which contributions to the pension plan, excluding those to finance specific liabilities of an individual employer to the pension plan are determined."

- PERS/TRS still tweaking the finer detail, but generally be based on relative employer contributions for SFY14.

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Statement No. 68 *Accounting and Financial Reporting for Pensions*

Cost Sharing Plans

- Step 2 - Report employer proportionate share of collective pension expense & collective deferred outlows/inflows

Statement No. 68 *Accounting and Financial Reporting for Pensions*

Cost Sharing Plans

- If there is a change in employer proportion – the effect of the change should be recognized in pension expense amortized over a closed period
  - e.g. recognition period should = the average expected remaining service life of all employees in the plan.
- The amount not immediately recognized in expense becomes a deferred inflow/outflow

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Cost Sharing Plans

- For contributions during the measurement period – any difference between actual contributions and the proportional required contribution – should be recognized in expense amortized over a closed period.
- The amount not immediately recognized in expense becomes a deferred inflow/outflow

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Statement No. 68 *Accounting and Financial Reporting for Pensions*

Cost Sharing Plans

- Employer contributions AFTER the Measurement Date, but Before the District Fiscal Year End – should be reported as a deferred outflow
  - Measurement Date June 30, 2014
    - 6/30/15 YE – 12 months contributions
  - Measurement Date June 30, 2015
    - 12/31/15 YE – 6 months contributions
    - 6/30/16 YE – 12 months contributions

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Statement No. 68 *Accounting and Financial Reporting for Pensions*

Cost Sharing Plans

- Footnotes
  - Total pension liability, pension asset, deferred outflows/inflows, expense/expenditures for the year.
  - Pension plan description, name, terms, coverage, benefits, contribution requirements, whether issues a stand-alone report
  - Information regarding employer proportionate share – include assumptions inflation, dates of studies, discount rate.

Statement No. 68 *Accounting and Financial Reporting for Pensions*

Cost Sharing Plans

- Footnotes
  - Discount rate – numerous disclosure items about this rate.
  - Fiduciary net position
  - Additional info on proportional share, changes in proportional share, changes in assumptions, measurement date, etc. etc. etc.

Statement No. 68 *Accounting and Financial Reporting for Pensions*

Cost Sharing Plans

- Required Supplementary Information (RSI) as of the *MEASUREMENT DATE*.
  - 10 year schedule of information to include
    - Employer proportion of NPL as a %
    - Employer share of NPL as a $
    - On-behalf contributions proportion of NPL
    - Employer covered payroll
    - Employer NPL as a % of covered payroll
    - Plan's fiduciary net position as % of Total Pension Liability

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Statement No. 68 *Accounting and Financial Reporting for Pensions*

Cost Sharing Plans

- Required Supplementary Information (RSI) as of the *EMPLOYER YEAR END*.
  - 10 year schedule of *contributions*
    - Statutory or contractually required contribution
    - % of contributions recognized by the plan relative to the statutory or contractual rate
    - Difference between contributions recognized and the statutory or contractual rate
    - Employer's Covered payroll
    - Contributions recognized by the plan as a % of covered payroll

Statement No. 68 *Accounting and Financial Reporting for Pensions*

Cost Sharing Plans

- Notes to RSI
  - Information about factors that affect trends in the amounts reported (eg change in benefit terms, or covered payroll)
  - *Do not restate prior years for these changes*
    - Statutory or contractually required contribution
    - % of contributions recognized by the plan relative to the statutory or contractual rate

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Statement No. 68 *Accounting and Financial Reporting for Pensions*

Cost Sharing Plans

- Information about the on-behalf
  - Proportionate share of NPL
  - Pension expense and deferred inflow/outflow proportionate share
  - Change in proportion
  - Contributions during the measurement period

Statement No. 68 *Accounting and Financial Reporting for Pensions*

Defined Contribution Plan (PERS Tier IV &TRS Tier III) – full accrual

- Pension expense = employer amount paid in less any forfeiture allocations
- Pension liability equal to the difference between amounts recognized as expense and amounts paid in

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Statement No. 68 *Accounting and Financial Reporting for Pensions*

Defined Contribution Plan (PERS Tier IV &TRS Tier III) – modified accrual

- Pension expenditure = total amount paid by the employer and the change between the beginning and ending balance of amounts normally expected to be paid with available resources, to the extent they are due and payable

Statement No. 68 *Accounting and Financial Reporting for Pensions*

Defined Contribution Plan – footnotes

- Plan information (name, who administers, and that it is a DC plan)
- Benefit terms
- Contribution rates ($ or % of salary) for employee, employer, nonemployer contributions
- Amount of pension expense
- Outstanding liability, if any

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Effective Date of Statement No. 68

- Periods beginning after June 15, 2014
  - Year end June 30, 2015
  - Year end December 31, 2015
- To the extent practical
  - Restate all periods presented
  - If beginning deferred inflow/outflow are not known, do not report at transition date
  - 10 year RSI schedules may be presented prospectively – do NOT present 10 year schedules not measured in accordance with the statement

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Statement No. 71 *Pension Transition for Contributions Made After the Measurement Date*

Objective:

To address an issue in Statement 68 regarding transition provisions related to contributions made after the measurement date, but before implementation of the statement.

Statement No. 71 *Pension Transition for Contributions Made After the Measurement Date*

At implementation of Statement 68, it may not be practical to determine the amount of all applicable deferred inflows/outflows related to pensions.

Statement No. 71 *Pension Transition for Contributions Made After the Measurement Date*

Government should recognize a beginning deferred outflow only for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability but before the start of the government fiscal year.

In this case, no beginning balance of deferred outflow should be recognized.

Effective Date of Statement No. 71

- Simultaneous with Statement 68
- Periods beginning after June 15, 2014
  - Year end June 30, 2015
  - Year end December 31, 2015

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http://www.ecfr.gov

Title 2 Grants and Agreements

Part 200 OMB, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

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Effective Date of SUPER CIRCULAR

- Grant awards issued after December 26, 2014
- Audit Provisions effective years beginning on/after December 26, 2014
  - Year end December 31, 2015
  - Year end June 30, 2016

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SUPER CIRCULAR webinars

- Council on Financial Assistance Reform (COFAR) YouTube WebEx opportunities
  - Training/Introduction
  - Administrative requirements
  - Cost principles
  - Audit provisions
    - https://cfo.gov/cofar/

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QUESTIONS?

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