An Overview of the New Pension Accounting Standards and Their Impact on Pension Plans and Employers

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Presented by
Simpson & Simpson, CPAs
Joe Moussa, CPA - Audit Manager
jmoussa@simpsonandsimpsoncpas.com
www.simpsonandsimpsoncpas.com
Resources for Update of New Pension Standards

- GASB Full Text of Pronouncements
  - [www.gasb.org → Standards & Guidance → Pronouncements](http://www.gasb.org)

- GASB Implementation Guide
  - [www.gasb.org → Standards & Guidance → Implementation Guides](http://www.gasb.org)
GASB 67, Financial Reporting for Pension Plans (Plan)

- Effective for financial statements for fiscal years beginning after June 15, 2013
- Amendment to GASB 25
- Applies to governmental pension plans administered through trusts where:
  - Contributions are irrevocable
  - Plan assets are dedicated to providing pension benefits
  - And assets are legally protected from creditors

- Covers defined benefit (DB) pension plan classified as:
  - Single Employer Plans
  - Agent Multiple-Employer Plans (Ex. CalPERS)
  - Cost Sharing Multiple-Employer Plans (Ex. LACERA)
GASB 67, Financial Reporting for Pension Plans (Plan)

Overall objectives of GASB 67

- Establishes standards of financial reporting for governmental pension plans
- Specifies the required approach to measuring pension liability of employers for benefits provided through the pension plans
- Overall, to improve the usefulness of pension information included in the general purpose external financial reports.
GASB 67, Financial Reporting for Pension Plans (Plan) (continued)

- Highlights of Changes
  - In most respects, the requirements for pension plan(s) financial statements remain unchanged from GASB 25
  - Expanded note disclosures
  - Required supplementary information (RSI)
  - Measurement of net pension liability for note disclosures and RSI
  - Discount rate used in the measurement of total pension liability
GASB 67, Financial Reporting for Pension Plans (Plan) (continued)

Required Financial Statements

<table>
<thead>
<tr>
<th>GASB 25</th>
<th>GASB 67</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement of Plan Assets (GASB 63 Update – Plan Net Position)</td>
<td>Statement of Fiduciary Net Position</td>
</tr>
</tbody>
</table>
GASB 67, Financial Reporting for Pension Plans (Plan) (continued)

- **Required Financial Statements**
  - Statement of Fiduciary Net Position - reports on a pension plan’s financial position as of the end of the fiscal year and contains the following information:
    - Assets, such as cash, receivables from employers and plan members, investments (measured at fair value), and equipment and other assets used in pension plan operations
    - Deferred outflows of resources (GASB 63) – Consumption of net assets that is applicable to a future reporting period.
    - Liabilities, such as benefit payments due to plan members
    - Deferred inflows of resources (GASB 63) – Acquisition of net assets that is applicable to a future reporting period.
    - Fiduciary net position, which equals assets and deferred outflows of resources, net of liabilities and deferred inflows of resources
# Statement of Fiduciary Net Position

**June 30, 20X2 and 20X1**

(Dollar amounts in thousands)

<table>
<thead>
<tr>
<th></th>
<th>20X2</th>
<th>20X1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,689,181</td>
<td>$2,457,720</td>
</tr>
<tr>
<td>Receivables and prepaid expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>4,823,032</td>
<td>4,100,010</td>
</tr>
<tr>
<td>Investment income</td>
<td>5,962,998</td>
<td>4,600,130</td>
</tr>
<tr>
<td>Receivables from brokers for unsettled trades</td>
<td>45,061,643</td>
<td>32,800,559</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>4,220,566</td>
<td>3,737,247</td>
</tr>
<tr>
<td><strong>Total receivables</strong></td>
<td>60,068,239</td>
<td>45,237,946</td>
</tr>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income</td>
<td>514,321,374</td>
<td>473,912,253</td>
</tr>
<tr>
<td>Stocks</td>
<td>947,995,471</td>
<td>879,807,424</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>41,452,700</td>
<td>29,752,862</td>
</tr>
<tr>
<td>Real estate</td>
<td>55,875,508</td>
<td>51,117,983</td>
</tr>
<tr>
<td>Alternative investments</td>
<td>50,741,675</td>
<td>45,158,571</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td>1,610,386,728</td>
<td>1,479,749,093</td>
</tr>
<tr>
<td>Invested securities lending cash collateral</td>
<td>222,467,947</td>
<td>206,848,952</td>
</tr>
<tr>
<td>Capital assets, net of accumulated depreciation</td>
<td>50,491</td>
<td>58,029</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>1,894,662,586</td>
<td>1,734,351,740</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued expenses and benefits payable</td>
<td>1,748,446</td>
<td>1,651,123</td>
</tr>
<tr>
<td>Securities lending cash collateral</td>
<td>222,467,947</td>
<td>206,848,952</td>
</tr>
<tr>
<td>Payable to brokers for unsettled trades</td>
<td>80,624,639</td>
<td>61,907,367</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>304,841,032</td>
<td>270,407,442</td>
</tr>
<tr>
<td><strong>Net position restricted for pensions</strong></td>
<td>$1,589,821,554</td>
<td>$1,463,944,298</td>
</tr>
</tbody>
</table>
GASB 67, Financial Reporting for Pension Plans (Plan) (continued)

- **Required Financial Statements**
  - Statement of Changes in Fiduciary Net Position - reports on the inflows and outflows of resources that increased and decreased its net position, respectively, and contains the following information:
    - Additions, such as contributions from employers and plan members, and net investment income
    - Deductions, such as benefit payments and administrative expense
    - Net increase (decrease) in fiduciary net position, which equals the difference between additions and deductions
Statement of Changes in Fiduciary Net Position for the Year Ended June 30, 20X2

(Dollar amounts in thousands)

<table>
<thead>
<tr>
<th>Additions</th>
<th>20X2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member contributions</td>
<td>$ 21,245,485</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>43,461,078</td>
</tr>
<tr>
<td><strong>Total contributions</strong></td>
<td>64,706,563</td>
</tr>
<tr>
<td>Investment income (loss):</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>17,165,677</td>
</tr>
<tr>
<td>Dividends</td>
<td>10,789,874</td>
</tr>
<tr>
<td>Equity fund income, net</td>
<td>6,093,325</td>
</tr>
<tr>
<td>Net increase in fair value of investments</td>
<td>98,157,296</td>
</tr>
<tr>
<td>Securities lending income</td>
<td>7,102,563</td>
</tr>
<tr>
<td><strong>Less investment expenses:</strong></td>
<td></td>
</tr>
<tr>
<td>Direct investment expense</td>
<td>(4,163,655)</td>
</tr>
<tr>
<td>Securities lending management fees</td>
<td>(110,602)</td>
</tr>
<tr>
<td>Securities lending borrower rebates</td>
<td>(6,415,806)</td>
</tr>
<tr>
<td><strong>Net investment income</strong></td>
<td>128,618,672</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td>415</td>
</tr>
<tr>
<td><strong>Total additions</strong></td>
<td>193,325,650</td>
</tr>
</tbody>
</table>

| Deductions                                    |          |
| Service benefits                              | 60,429,421 |
| Disability benefits                           | 903,976   |
| Death benefits                                | 1,973,299 |
| Refunds                                       | 2,569,663 |
| Administrative expenses                       | 1,572,035 |
| **Total deductions**                          | 67,448,394 |
| **Net increase (decrease)**                   | 125,877,256 |

Net position restricted for pensions

| Beginning of year                              | 1,463,944,298 |
| End of year                                    | $ 1,589,821,554 |
GASB 67, Financial Reporting for Pension Plans (Plan) (continued)

- Notes to Financial Statements
  - Plan description, such as:
    - The types of benefits provided
    - The classes of plan members covered
    - Number of participating employers (Agent Multiple-Employer)
    - *And the composition of the pension plan’s board* (*New*)
  - Pension plan investment information, such as:
    - The pension plan’s investment policies
    - How fair value of investments is determined
    - Concentrations of investments with individual organizations equaling or exceeding 5 percent of the pension plan’s fiduciary net position
    - *The annual money-weighted rate of return on pension plan investments* (*New*)
Annual Money-Weighted Rate of Return (Internal Rate of Return)

- Incorporates both the size and timing of cash flows to determine the internal rate of return.
- Expresses the investment performance, net of pension plan investment expense (accrual basis of accounting), adjusted for the changing amounts actually invested.
  - Investments should include cash, investments, and other investment-related balances
    - Receivables for investment income
    - Receivables to/payables from brokers for unsettled trades
    - Assets/liabilities associated with securities lending cash collateral
GASB 67, Financial Reporting for Pension Plans (Plan) (continued)

- **Annual Money-Weighted Rate of Return (Internal Rate of Return)**
  - Inputs to the internal rate of return calculation should be determined at least monthly.
  - Inputs (external cash flows) are determined on a monthly basis and are assumed to occur at the end of each month, with inflows and outflows netting for a net impact.
    - Increase in pension plan investments - Contributions from employers, nonemployer contributing entities, and plan members
    - Decrease in pension plan investments – Benefit payments, administrative expenses.
GASB 67, Financial Reporting for Pension Plans (Plan) (continued)

- **Annual Money-Weighted Rate of Return**
  - Work closely with the Plans Actuaries or Investment Advisors to obtain support for the calculation.
  - **Implementation Guide - Illustration 3:**

<table>
<thead>
<tr>
<th>Plan Investments/Net External Cash Flows</th>
<th>Periods Invested</th>
<th>Period Weight</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>(b)</td>
<td>(c) = (b) ÷ 12</td>
<td>(d) = (a) × (1 + r&lt;sub&gt;mw&lt;/sub&gt;)&lt;sup&gt;(c)&lt;/sup&gt;</td>
</tr>
<tr>
<td>Beginning value—July 1</td>
<td>$18,907,442</td>
<td>12</td>
<td>$18,907,442 × (1 + r&lt;sub&gt;mw&lt;/sub&gt;)&lt;sup&gt;1.00&lt;/sup&gt;</td>
</tr>
<tr>
<td>Monthly net external cash flows:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>July</td>
<td>(25,240)</td>
<td>11</td>
<td>(25,240) × (1 + r&lt;sub&gt;mw&lt;/sub&gt;)&lt;sup&gt;0.92&lt;/sup&gt;</td>
</tr>
<tr>
<td>August</td>
<td>(32,334)</td>
<td>10</td>
<td>(32,334) × (1 + r&lt;sub&gt;mw&lt;/sub&gt;)&lt;sup&gt;0.83&lt;/sup&gt;</td>
</tr>
<tr>
<td>September</td>
<td>(29,969)</td>
<td>9</td>
<td>(29,969) × (1 + r&lt;sub&gt;mw&lt;/sub&gt;)&lt;sup&gt;0.75&lt;/sup&gt;</td>
</tr>
<tr>
<td>October</td>
<td>(27,605)</td>
<td>8</td>
<td>(27,605) × (1 + r&lt;sub&gt;mw&lt;/sub&gt;)&lt;sup&gt;0.67&lt;/sup&gt;</td>
</tr>
<tr>
<td>November</td>
<td>(35,290)</td>
<td>7</td>
<td>(35,290) × (1 + r&lt;sub&gt;mw&lt;/sub&gt;)&lt;sup&gt;0.58&lt;/sup&gt;</td>
</tr>
<tr>
<td>December</td>
<td>(24,649)</td>
<td>6</td>
<td>(24,649) × (1 + r&lt;sub&gt;mw&lt;/sub&gt;)&lt;sup&gt;0.50&lt;/sup&gt;</td>
</tr>
<tr>
<td>January</td>
<td>(30,561)</td>
<td>5</td>
<td>(30,561) × (1 + r&lt;sub&gt;mw&lt;/sub&gt;)&lt;sup&gt;0.42&lt;/sup&gt;</td>
</tr>
<tr>
<td>February</td>
<td>(25,831)</td>
<td>4</td>
<td>(25,831) × (1 + r&lt;sub&gt;mw&lt;/sub&gt;)&lt;sup&gt;0.33&lt;/sup&gt;</td>
</tr>
<tr>
<td>March</td>
<td>(29,378)</td>
<td>3</td>
<td>(29,378) × (1 + r&lt;sub&gt;mw&lt;/sub&gt;)&lt;sup&gt;0.25&lt;/sup&gt;</td>
</tr>
<tr>
<td>April</td>
<td>(32,925)</td>
<td>2</td>
<td>(32,925) × (1 + r&lt;sub&gt;mw&lt;/sub&gt;)&lt;sup&gt;0.17&lt;/sup&gt;</td>
</tr>
<tr>
<td>May</td>
<td>(28,787)</td>
<td>1</td>
<td>(28,787) × (1 + r&lt;sub&gt;mw&lt;/sub&gt;)&lt;sup&gt;0.08&lt;/sup&gt;</td>
</tr>
<tr>
<td>June</td>
<td>(29,969)</td>
<td>0</td>
<td>(29,969) × (1 + r&lt;sub&gt;mw&lt;/sub&gt;)&lt;sup&gt;0.00&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

Ending value—June 30 $20,047,797
GASB 67, Financial Reporting for Pension Plans (Plan) (continued)

- Notes to Financial Statements (continued)
  - Other information, such as:
    - Contributions
    - Reserves
    - Allocated insurance contracts
    - Deferred retirement option program (DROP) (New)
  - Additional information (Not Applicable to Agent Multiple-Employer **)
    - Components of employers’ liability (total pension liability (TPL), pension plan’s fiduciary net position, net pension liability (NPL), and pension plan’s fiduciary net position as a percentage of TPL) (New)
    - Significant assumptions used to measure TPL, such as inflation, salary changes, Ad hoc postemployment benefit changes (including ad hoc COLAs,) discount rate, and mortality. (New)

** - Refer to paragraphs 102 & 103 of the GASB 67 Original Pronouncement for discussion by the Board related to the exclusion of certain Note Disclosures and RSI for Agent plans.
Components of the UAAL

**GASB 25**

Actuarial Accrued Liability (AAL) -

Actuarial Value of Assets =

Unfunded Actuarial Accrued Liability (UAAL)
GASB 67, Financial Reporting for Pension Plans (Plan) (continued)

Components of the Net Pension Liability

**GASB 67**

Total Pension Liability (TPL) –

Fiduciary Net Position =

Net Pension Liability (NPL) *

* Plan Fiduciary Net Position as a % of the Total Pension Liability
NPL Note Disclosure Sample

Net Pension Liability of the County

The components of the net pension liability of the County at June 30, 20X9, were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total pension liability</td>
<td>$2,988,861</td>
</tr>
<tr>
<td>Plan fiduciary net position</td>
<td>(2,237,108)</td>
</tr>
<tr>
<td>County’s net pension liability</td>
<td>$751,753</td>
</tr>
</tbody>
</table>

Plan fiduciary net position as a percentage of the total pension liability 74.85%
GASB 67, Financial Reporting for Pension Plans (Plan) (continued)

- Notes to Financial Statements (continued)

  ✓ Date of experience studies on which significant assumptions are based

  ✓ Date of actuarial valuation on which TPL is based, and if applicable, the fact that update procedures were used to roll forward the TPL to the pension plan’s fiscal year-end (NEW)
    - Plan’s actuary to project the Plan’s TNL
GASB 67, Financial Reporting for Pension Plans (Plan) (continued)

- Roll forward of TPL

- Dec. 2013
- Jan. 2014
- June 2014

- Actuarial Valuation Dec. 31, 2013

- Roll Forward of TPL (Project)

- Pension Plan FYE June 30, 2014
Discount Rate Used for Calculating Total Pension Liability *(New)*

Not Applicable for “Agent Multiple-Employer”

- Discount rate should be *single rate* (blended, as applicable) that reflect:
  - Long-term expected rate of return on investments:
    - to the extent the projected pension plan’s fiduciary net position is sufficient to make projected benefit payments **AND, as applicable**
  - Yield rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/As or higher
    - to the extent the projected pension plan’s fiduciary net position is not sufficient to make projected benefit payments
  - The amount of the pension plan’s projected fiduciary net position and projected benefit payments should be compared and evaluated for each period
GASB 67, Financial Reporting for Pension Plans (Plan) (continued)

Sensitivity Analysis Disclosure

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the school districts calculated using the discount rate of 7.75 percent, as well as what the school districts’ net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

<table>
<thead>
<tr>
<th></th>
<th>1% Decrease (6.75%)</th>
<th>Current Discount Rate (7.75%)</th>
<th>1% Increase (8.75%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>School districts' net pension liability</td>
<td>$ 8,237,802</td>
<td>$ 7,455,024</td>
<td>$ 6,545,511</td>
</tr>
</tbody>
</table>
Required Supplementary Information (RSI)

The schedules should contain information for each of the past 10 years. However, until a full 10-year trend is compiled, present prospectively:

- Schedule of Changes in Net Pension Liability and Related Ratios (New) **
- Schedule of Employer Contributions **
- Schedule of Investment Returns (New)
  - Discloses the Annual money-weighted rate of return, net of investment expense
- Notes to the schedules (New)
  - Valuation date of actuarially determined contribution
  - Methods and assumptions used to determine contribution rates
  - Factors that significantly affect trends in the amounts reported

** - Not applicable for Agent Multiple Employer plans.
GASB 67, Financial Reporting for Pension Plans (Plan) (continued)

- **Measurement of Net Pension Liability for Note Disclosures and RSI**
  - Net pension liability (NPL) equals total pension liability (TPL) net of pension plan’s fiduciary net position
  - TPL is the portion of actuarial present value of projected benefit payments that is attributed to past service
  - TPL should be determined as of the pension plan’s most recent fiscal year-end or use of update procedures to roll forward to the pension plan’s most recent fiscal year-end.
  - Must use *entry age-level* percentage of payroll as the actuarial method for calculating TPL (actuarial cost method)
  - Actuarial valuation of TPL should be performed at least biennially
## Schedule of Changes in NPL and Related Ratios

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total pension liability</td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>$ 72,924</td>
</tr>
<tr>
<td>Interest</td>
<td>219,455</td>
</tr>
<tr>
<td>Changes of benefit terms</td>
<td>-</td>
</tr>
<tr>
<td>Differences between expected and actual experience</td>
<td>(37,539)</td>
</tr>
<tr>
<td>Changes of assumptions</td>
<td>-</td>
</tr>
<tr>
<td>Benefit payments, including refunds of member contributions</td>
<td>(119,434)</td>
</tr>
<tr>
<td><strong>Net change in total pension liability</strong></td>
<td>135,406</td>
</tr>
<tr>
<td><strong>Total pension liability—beginning</strong></td>
<td>2,853,455</td>
</tr>
<tr>
<td><strong>Total pension liability—ending (a)</strong></td>
<td>$ 2,988,861</td>
</tr>
<tr>
<td><strong>Plan fiduciary net position</strong></td>
<td></td>
</tr>
<tr>
<td>Contributions—employer</td>
<td>$ 79,713</td>
</tr>
<tr>
<td>Contributions—member</td>
<td>31,451</td>
</tr>
<tr>
<td>Net investment income</td>
<td>196,154</td>
</tr>
<tr>
<td>Benefit payments, including refunds of member contributions</td>
<td>(119,434)</td>
</tr>
<tr>
<td>Administrative expense</td>
<td>(3,373)</td>
</tr>
<tr>
<td>Other</td>
<td>8</td>
</tr>
<tr>
<td><strong>Net change in plan fiduciary net position</strong></td>
<td>184,519</td>
</tr>
<tr>
<td><strong>Plan fiduciary net position—beginning</strong></td>
<td>2,052,589</td>
</tr>
<tr>
<td><strong>Plan fiduciary net position—ending (b)</strong></td>
<td>$ 2,237,108</td>
</tr>
<tr>
<td><strong>County’s net pension liability—ending (a) – (b)</strong></td>
<td>$ 751,753</td>
</tr>
<tr>
<td><strong>Plan fiduciary net position as a percentage of the total pension liability</strong></td>
<td>74.85%</td>
</tr>
<tr>
<td><strong>Covered-employee payroll</strong></td>
<td>$ 449,293</td>
</tr>
<tr>
<td><strong>County’s net pension liability as a percentage of covered-employee payroll</strong></td>
<td>167.32%</td>
</tr>
</tbody>
</table>
GASB 68, Accounting and Financial Reporting for Pensions (Employer)

- Effective for financial statements for fiscal years beginning after June 15, 2014
- Replaces the requirements of GASB 27 and 50
- Establishes standards of accounting and financial reporting for pensions for employers
- Details the recognition of pension liabilities and expenses and related disclosure requirements
- Applies to governmental pension plans administered through trusts
- Specifies the required methods and assumptions for projecting benefit payments, discounting projected benefit payments, and attributing that present value to periods of employee service
GASB 68, Accounting and Financial Reporting for Pensions (Employer) (continued)

- Highlights of Changes
  - Measurement and recording of net pension liability on the employer’s financial statements (GASB 68) vs. net pension obligation (GASB 27)
  - Pension expense reflects the changes in net pension liability/asset (GASB 67) vs. annual required contribution or funding amount (GASB 27)
  - Deferred Inflows and Outflows of Resources Related to Pension
  - Discount rate used in the measurement of total pension liability
  - Expanded Note disclosures and required supplementary information
GASB 68, Accounting and Financial Reporting for Pensions (Employer) (continued)

GASB 25 / 27 - Measurement of Pension Expense / Liability (Single / Agent)

- Pension Expense
  - Is the “Annual Pension Cost” (APC), consisting largely of the “Annual Required Contribution” (ARC)
  - The ARC consists of the normal cost plus amortization of any unfunded (or overfunded) liability over a period of no more than 30 years

**Pension Liability**

Annual Pension Cost (APC) - Annual Amount Contributed = Net Pension Obligation (Asset) (NPO)
GASB 68, Accounting and Financial Reporting for Pensions (Employer) (continued)

GASB 25 / 27 - Measurement of Pension Expense / Liability (Cost-Sharing)

- Pension Expense
  - Contractually required contribution to the plan.

Pension Liability

Contractually Required Contribution - Annual Amount Contributed =

Net Pension Obligation (Asset) (NPO)
GASB 68 reflects the following concerning the Board’s view:

- An employer has an **obligation** to its employees for pensions by virtue of the employment exchange (employee services for compensation)

- This obligation **is not satisfied** until the defined benefit pensions have been paid to the employees and their beneficiaries when due

- **Primary Responsibility** – Pension Plan – to the extent it has sufficient assets.

- **Employer** – Is **Primarily Responsible** for paying benefits to the extent that plan does **not have assets**.

- **GASB 68** – Requires an employer recognize its obligation for pensions net of the amount of the pension plan’s fiduciary net position that is available to satisfy that obligation.
Pension Liability

Total Pension Liability (TPL) –

Fiduciary Net Position =

Net Pension Liability (NPL)

GASB 68, Accounting and Financial Reporting for Pensions (Employer) (continued)

GASB 68 - Measurement and recording of Net Pension Liability (NPL) (Single / Agent)

- Pension Expense
  - Pension expense is recognized during each fiscal year and reflects the changes in NPL
  - Pension expense is no longer the annual required contribution or funding amount

Pension Liability

Total Pension Liability (TPL) –

Fiduciary Net Position =

Net Pension Liability (NPL)
GASB 68, Accounting and Financial Reporting for Pensions (Employer) (continued)

Pension Expense – Items Immediately Recognized vs. Deferred

**Immediately Recognized**
- Service cost
- Interest on TPL
- Projected investment earnings
- Actual member contributions
- Actual administrative costs
- Changes in TPL due to changes in benefits

**Deferred Outflows / Inflows of Resources**
- Changes in fiduciary net position due to differences between projected and actual investment earnings (5-Year Period)
- Changes in TPL due to (1) changes in assumptions or (2) differences between assumed and actual actuarial experience (Avg. remaining service life of members)
GASB 68, Accounting and Financial Reporting for Pensions (Employer) (continued)

GASB 68 - Measurement and recording of Net Pension Liability (NPL) (Cost-Sharing)

- **Pension Expense**
  - Proportionate share of the plan’s collective pension expense.
  - Deferral and recognition of:
    - Annual changes in the employer’s proportionate share
    - Annual differences between the employer’s actual contributions and its proportionate share of contributions
      - Avg. expected remaining life of members

- **Net Pension Liability**
  - Proportionate share of plan’s collective net pension liability
Measurement and Recording of Net Pension Liability (Single / Agent)

- Employers should report in their financial statements a net pension liability (NPL) determined as of a measurement date no earlier than the end of the employer’s prior fiscal year.
- Measurement date should be consistently applied from period to period.
- Must use entry age-level percentage of payroll as the actuarial method for calculating projected benefit payments.

Discount Rate Used In the Measurement of Total Pension Liability

- Refer to GASB 67.
GASB 68, Accounting and Financial Reporting for Pensions (Employer) (continued)

- Expanded Note Disclosures and Required Supplementary Information (Single / Agent)
  - Pension Plan Description
  - Information about NPL, including assumptions and other inputs used to measure TPL
  - Sensitivity analysis of the impact on NPL of one percentage point increase and decrease in the discount rate
  - Development of long-term earnings assumption
  - Changes in the net pension liability for the past 10 years
  - Actuarially determined contribution for the past 10 years
  - Policy in determining contributions and description of methods and assumptions used in calculating the actuarially determined contribution
Expanded Note Disclosures and Required Supplementary Information (Cost-Sharing)

- Pension Plan Description
- Proportionate share of the collective NPL for the employer.
- The basis on which the proportion was determined and the change in the proportion since the prior period
- The cost-sharing plan’s FNP as a percentage of payroll
- 10-year Schedule of Employer’s Proportionate Share of the NPL
- 10-Year Schedule of Statutorily or Contractually Established Employer Contributions
What are we going to do with GASB 25 / 27?
Simpson and Simpson CPAs
Pension Audit Team

- Melba Simpson, Senior Partner
  - MSimpson@simpsonandsimpsoncpas.com

- Grace Yuen, Senior Partner
  - GYuen@simpsonandsimpsoncpas.com

- Frank Liu, Senior Manager
  - Fliu@simpsonandsimpsoncpas.com

- Etta Hur, Manager
  - Ehur@simpsonandsimpsoncpas.com

- Joe Moussa, Manager
  - Jmoussa@simpsonandsimpsoncpas.com

📞 S&S CPAs Phone Contact – (213) 736.6664
Questions & Answers

S&P
Certified Public Accountants & Financial Advisors

JOSEPH MOUSSA, CPA
AUDIT MANAGER

SIMPSON & SIMPSON, LLP
U.S. BANK TOWER
633 WEST FIFTH ST.
SUITE 3320
LOS ANGELES, CA 90071

OFFICE: 213.736.6664
FAX: 213.736.6692

EMAIL: JMOUSSA@SIMPSONANDSIMPSONCPAS.COM
WEB: WWW.SIMPSONANDSIMPSONCPAS.COM