

Agenda

- GASB 68 New Pension Standard
 - Highlights
 - Accounting Treatment
 - Note Disclosures
 - Required Supplementary Information
 - Effective Date and Transition
- Questions



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Highlights

Key Changes from GASB 27

- Separates accounting from funding
- Elimination of the Annual Required Contribution concept for recognizing pension expense
- · Introduces the Net Pension Liability
- Significant increase in disclosures and information reported as Required Supplementary Information



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GASB 68 - New Pension Standard: Are You Prepared?

Highlights

The net pension liability (NPL)

- Is the unfunded pension obligation a government (employer) is responsible to pay
- Equals total pension liability less plan net position (primarily investments reported at fair value)
- Replaces the current cumulative difference between the annual pension cost and contributions made (NPO)
- Will be reported on the face of a government's accrual basis financial statements and will substantially increase the liabilities reported for most governments



Highlights

Measuring the Total Pension Liability involves –

- 1. Projecting future benefit payments
- 2. Discounting projected future benefits to present value
- 3. Attributing present value of projected future benefits to periods of employee service

Timing and Frequency

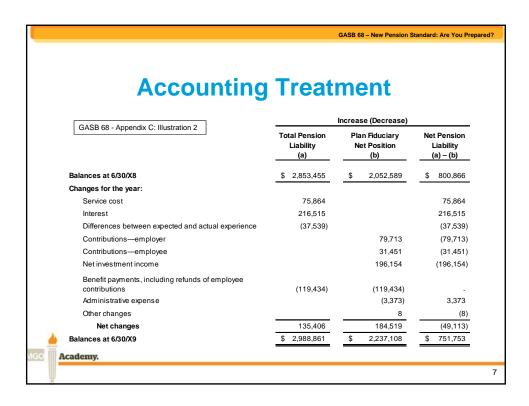
- Measurement Date (within 1 year of government's current fiscal year-end)
- Valuation Date (for update procedures, no more than 30 months + 1 day from government's current fiscal year-end)



Accounting Treatment

- Net pension liability changes annually due to:
 - Employees work and earn more benefits
 - Employee compensation changes
 - Outstanding liability accrues interest
 - Contributions to the plan increase/decrease
 - Actual economic and demographic assumptions are different from actuarial assumptions
 - Changes made to economic and demographic assumptions
 - Changes to plan provisions
 - Value of plan investments change





Accounting Treatment

- Immediate current year expense includes:
 - Benefits that are earned each year
 - Interest cost on the total pension liability
 - Changes in benefit terms
 - Projected earnings on plan investments
 - Changes in the value of plan net position from other than investments



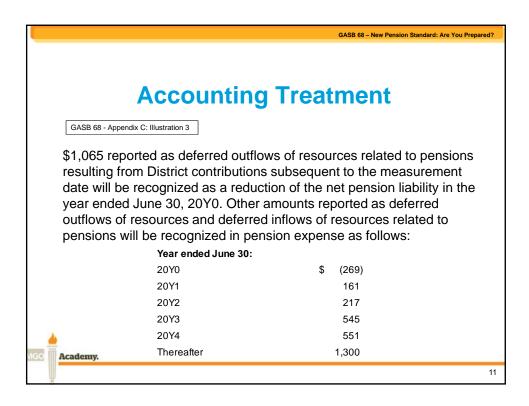
Accounting Treatment

- Deferral of expenses should be amortized over a closed period equal to the average of the remaining services lives of employees, include:
 - The effect of differences between expected economic and demographic assumptions and actual experience
 - The effect of changes in economic and demographic assumptions
- The difference between projected and actual earnings on pension plan investments should be amortized over a closed 5 year period
- Contributions after Measurement Date of NPL

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Accounting Treatment GASB 68 - Appendix C: Illustration 3 **Deferred Inflows Deferred Outflows** of Resources 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 District contributions and proportionate share of contributions 747 153 District contributions subsequent to the measurement date 1.065 Total 6,183 2,613 Academy.



Accounting Treatment

Considerations for Cost-Sharing Plans:

- For those in cost-sharing plans, must report a liability, expense, and deferred outflows/inflows of resources that is equivalent to its proportionate share of the collective amounts for all employers in the cost-sharing plan
- Basis for "proportionate share" are the employer's contributions relative to that of all cost-sharing employers' contributions
- Deferrals of contributions are in order under some circumstances



Note Disclosures

- Requirements for all governments -
 - Descriptions of pension plans
 - Name of plan
 - Identification of PERS or other administrator
 - Type of plan (single employer, agent, cost-sharing)
 - Benefit terms
 - Contribution requirements
 - Availability of financial report and how to obtain it
 - Assumptions and other inputs



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Note Disclosures

- Discount rate
 - Discount rate applied and change since last measurement date
 - Assumptions about projected cash flows
 - Long-term expected rate of return and how derived
 - Municipal bond rate and source (if applicable)
 - Periods of projected benefit payments and related rates
 - Assumed asset allocation of portfolio, long-term expected "real rate of return" by major asset class (and whether presented as arithmetic or geometric means)
 - Measures of NPL using discount rate plus/minus 1%

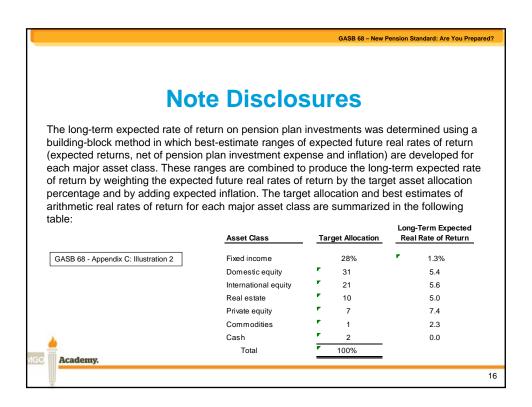


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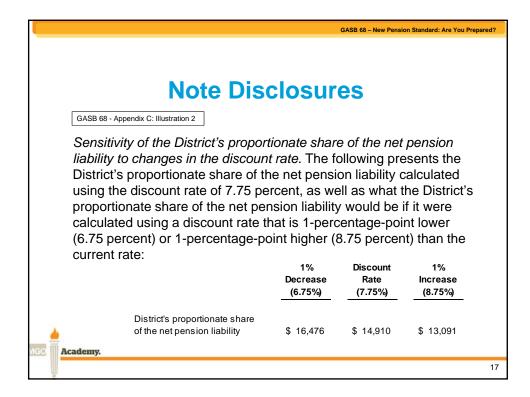
Note Disclosures

[GASB 68 - Appendix C: Illustration 2]

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



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Note Disclosures

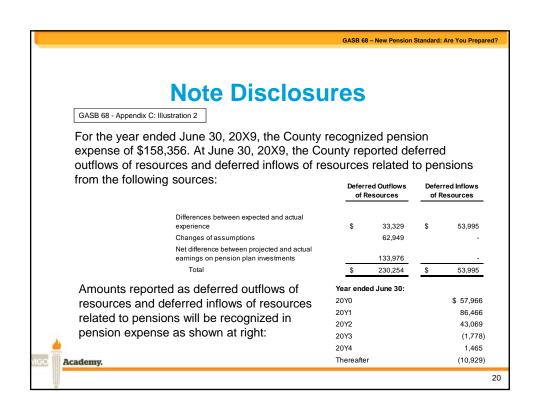
- Requirements for single and agent plans -
 - Change in the total pension liability, plan assets, and net pension liability during the current period
 - Components of the current period pension expense
 - Reconciliation of the beginning and ending balances of deferred outflows and inflows during the current period
- Requirements for cost-sharing plans -
 - Employer's proportion, basis for proportion and change in proportion
 - Employer's proportionate share of NPL

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Further considerations for special funding situation

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Note Disc	closure	es		
GASB 68 - Appendix C: Illustration 2	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	75,864		75,864	
Interest	216,515		216,515	
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 Administrative expense	(119,434)	(119,434) (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	



Note Disclosures

GASB 68 - Appendix C: Illustration 3

At June 30, 20X9, the District reported a liability of \$14,910 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 20X8, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At December 31, 20X8, the District's proportion was 0.20 percent, which was an increase of 0.01 from its proportion measured as of December 31, 20X7.

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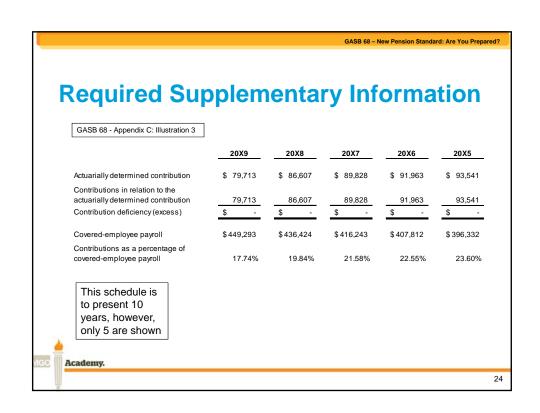
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Required Supplementary Information

- 10-year RSI schedules containing information about -
 - Changes in NPL by source
 - TPL, pension plan fiduciary net position, NPL, covered payroll and certain ratios
 - Information regarding actuarially determined employer contributions, statutory contributions, or contractual contributions (if applicable)
 - Notes to the schedules (i.e., methods and assumptions)
 - Cost-sharing plans report information about proportionate share of NPL, rather than first two bullets above



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Requir	ed Suppleme	ntar	y in	TOR	nati	on
-	 1	20X9	20X8	20X7	20X6	20X5
GASB 68 - Appendix C:						
Illustration 3	Total pension liability					
	Service cost	\$ 75,864	\$ 74,276	\$ 71,157	\$ 69,344	\$ 66,875
	Interest	216,515	205,038	188,845	174,694	162,509
	Changes of benefit terms	-	-	-	-	
	Differences between expected and actual experience	(37,539)	(15,211)	(3,562)	38,438	19,927
	Changes of assumptions	-	-	61,011	-	
	Benefit payments, including refunds of employee	(119,434)	(112,603)	(104,403)	(95,376)	(88,790)
	Net change in total pension liability	135,406	151,500	213,048	187,100	160,521
	Total pension liability—beginning	2,853,455	2,701,955	2,488,907	2,301,807	2,141,286
	Total pension liability—ending (a)	\$2,988,861	\$2,853,455	\$2,701,955	\$2,488,907	\$2,301,807
	Plan fiduciary net position					
	Contributions—employer	\$ 79,713	\$ 86,607	\$ 89,828	\$ 91,963	\$ 93,541
	Contributions—employee	31,451	30,550	29,137	28,547	27,743
	Net investment income	196.154	(44.099)	(16.138)	298.260	166.826
	Benefit payments, including refunds of employee	(119,434)	(112,603)	(104,403)	(95,376)	(88,790
	Administrative expense	(3.373)	(3,287)	(2,774)	(2,582)	(2.086)
	Other	8	(83)	173	(175)	9
	Net change in plan fiduciary net position	184,519	(42,915)	(4,177)	320,637	197,243
This schedule is	Plan fiduciary net position—beginning	2,052,589	2,095,504	2,099,681	1,779,044	1,581,801
	Plan fiduciary net position—ending (b)	\$2,237,108	\$2.052.589	\$2.095.504	\$2.099.681	\$1,779,044
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ears, however,	County's net pension liability—ending (a) – (b)	\$ 751,753	\$ 800,866	\$ 606,451	\$ 389,226	\$ 522,763
	Die fide in the control of the control					
only 5 are shown	Plan fiduciary net position as a percentage of the total pension liability	74.85%	71.93%	77.56%	84.36%	77.29%
		74.0376	71.93%	77.56%	04.30%	11.29%
A	Covered-employee payroll	\$ 449,293	\$ 436,424	\$ 416,243	\$ 407,812	\$ 396,332
1111	County's net pension liability as a percentage of covered-					
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Effective Date and Transition

- Effective for fiscal years beginning after June 15, 2014 (i.e., FY 2014/15 for most)
- Employers would be required to restate prior financial statements under the new rules if practical
 - If restating beginning deferred inflows and outflows is not practical, start with a zero beginning balance
 - If restatement of all prior periods is not practical, cumulative effect of applying GASB 68 to beginning balances
- For 10 year trend information in RSI ... all 10 years may not be readily available. During the transition period, present as many years as are available

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Now For Questions.

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