


## GASB 68 Overview

Presented by  
Amy Willard, WVDE Office of  
School Finance



---

---

---


---

---

---


---

---



## GASB Statement No. 68

### “Accounting and Financial Reporting for Pensions”



---

---

---


---

---


---

---

---



- Objective - To improve accounting and financial reporting by state and local governments for pensions
- Applicability - Applies to all state and local government employers whose employees are provided with pensions through pension plans that are administered through trusts and to nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans.
- Effective - For fiscal years beginning after June 15, 2014. **We must implement for the FY15 financial statements.**



---

---

---


---

---


---

---

---

  
GASB 68 replaces GASB 27 (Accounting for Pensions by State and Local Government Employers) and GASB 50 (Pension Disclosures) as they relate to pensions that are provided through trusts that meet certain criteria.

- For pensions that aren't covered by the scope of GASB 68, GASB 27 and GASB 50 would still apply.
- GASB 68 does apply to our pension plans administered by the WV Consolidated Public Retirement Board



---

---

---


---

---


---

---

---

  
**Actuarial Valuations**

- The statement requires actuarial valuations of the total pension liability to be performed at least every two years, with more frequent valuations encouraged.
- All assumptions underlying the determination of the total pension liability and related measures set forth by the statement are required to be made in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.



---

---

---


---

---

---


---

---

  
**Categories of Employers**

GASB 68 classifies employers into one of the following categories:

- Single employers
- Agent employers
- Cost-sharing employers



---

---

---


---

---


---

---

---

  
**Cost Sharing Employers**

Cost Sharing Employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans (pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan).



---

---

---


---

---


---

---

---

  
**Cost Sharing Employers, Cont'd**

Cost sharing employers that do not have a special funding situation are required to recognize a liability for their proportionate share of the net pension liability (of all employers for benefits provided through the pension plan – the collective net pension liability).



---

---

---


---

---


---

---

---

  
**Cost Sharing Employers, Cont'd**

- The employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined, and consideration should be given to separate rates, if any, related to separate portions of the collective net pension liability.
- The use of the employer's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers as the basis for determining an employers' proportion is encouraged.



---

---

---


---

---


---

---

---

  
**Cost Sharing Employers, Cont'd**

A cost-sharing employer is required to recognize pension expense and reported deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective outflows of resources and deferred inflows of resources related to pensions.



---

---

---


---

---


---

---

---

  
**Cost Sharing Employers, Cont'd**

- The effects of (1) a change in the employer's proportion of the collective net pension liability and (2) differences during the measurement period between the employer's contributions and its proportionate share of the total of contributions from employers included in the collective net pension liability are to be determined.
- These effects are required to be recognized in the employer's pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active and inactive employees).



---

---

---


---

---


---

---

---

  
**Cost Sharing Employers, Cont'd**

- The portions of the effects not recognized in the employer's pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions.
- Employer contributions to the pension plan subsequent to the measurement date of the collective net pension liability also are required to be reported as deferred outflows of resources related to pensions.



---

---

---


---

---


---

---

---

  
**Governmental Fund Reporting**

- In governmental fund financial statements, the cost sharing employer's proportionate share of the collective net pension liability is required to be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources.
- Pension expenditures should be recognized equal to the total of (1) amounts paid by the employer to the pension plan and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.



---

---

---


---

---

---


---

---

  
**Footnote Disclosures**

The footnotes must include the following:

- Descriptive information about the pension plans through which the pensions are provided.
- Discount rate and assumptions made in the measurement of their proportionate share of net pension liabilities.
- Information about how their contributions to the pension plan are determined.



---

---

---


---

---


---

---

---

  
**Required Supplementary Information**

- The statement requires cost-sharing employers to present in required supplementary 10 year schedules containing:
  - (1) the net pension liability and certain related issues
  - (2) if applicable, information about statutorily or contractually required contributions, contributions to the pension plan, and related ratios.



---

---

---


---

---


---

---

---

 **Special Funding Situations**

- Special Funding Situations are circumstances in which a nonemployer entity is legally responsible for making contributions **directly to** a pension plan that is used to provide pensions to the employees of another entity or entities **and either** of the following conditions exist:
  - The amount of contributions for which the nonemployer entity legally is responsible is not dependent upon one or more events or circumstances unrelated to the pensions.
  - The nonemployer entity is the only entity with a legal obligation to make contributions directly to a pension plan.



---

---

---


---

---

---


---

---

 **Special Funding Situations**

Examples of conditions that meet the first criterion:

- A circumstance in which the nonemployer entity is required by statute to contribute a defined percentage of an employer's covered employee payroll directly to the pension plan.
- A circumstance in which the nonemployer entity is required by the terms of a pension plan to contribute directly to the pension plan a statutorily defined proportion of the employer's required contributions to the pension plan.



---

---

---


---

---

---


---

---

 **Special Funding Situations**

Examples of conditions that DO NOT meet the first criterion:

- A circumstance in which the nonemployer entity is required to make contributions to the pension plan based on a specified percentage of a given revenue source.
- A circumstance in which the nonemployer entity is required to make contributions to the pension plan equal to the amount by which the nonemployer entity's ending fund balance exceeds a defined threshold amount.



---

---

---

---

---

---

---

---

West Virginia Department of  
**EDUCATION**

### Special Funding Situations

Special funding situations do not include circumstances in which resources are provided to the employer, regardless of the purpose for which those resources are provided.

EducateWV

---

---

---

---

---

---

---

---

West Virginia Department of  
**EDUCATION**

### Special Funding Situations

- For cost sharing employers that have a special funding situation, their proportionate share of the net pension liability is calculated by including the nonemployer contributing entity in the calculation.
- For an example, if the nonemployer entity is legally required to contribute 25% of the employers' actuarially determined contribution, each employer's proportion should be based on 75% of its total individual actuarially determined contribution.

EducateWV

---

---

---

---

---

---

---

---

West Virginia Department of  
**EDUCATION**

### Defined Contribution Pensions

- An employer whose employees are provided with defined contribution pensions is required to recognize pension expense for the amount of contributions to employee's accounts that are defined by the benefit terms as attributable to employee's services in the period, net of forfeited amounts that are removed from employees' accounts.

EducateWV

---

---

---


---

---


---

---

---

  
**Defined Contribution Pensions**

A change in the pension liability is required to be recognized for the difference between amounts recognized in expense and amounts paid by the employer to a defined contribution pension plan.



---

---

---


---

---


---

---

---

  
**Defined Contribution Pensions**

- In governmental fund financial statements, pension expenditures should be recognized equal to the total of:
  - (1) Amounts paid by the employer to a pension plan
  - (2) The change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.
- A pension liability should be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources.



---

---

---


---

---


---

---

---

  
**Defined Contribution Pensions**

Notes to the financial statements should include descriptive information about the pension plan and benefit terms, contribution rates and how they are determined, and amounts attributed to employee service and forfeitures in the current period.



---

---

---

---

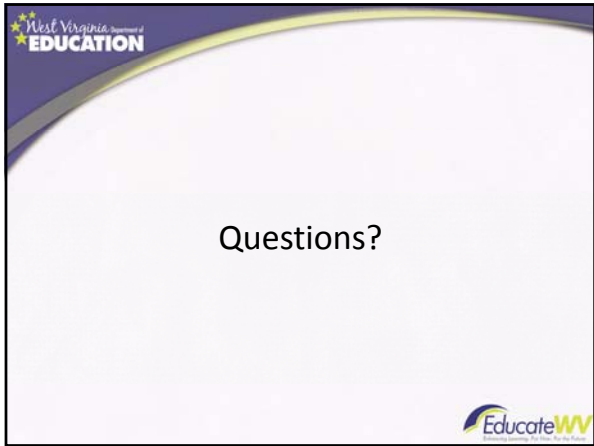
---

---

---

---





---

---

---

---

---

---

---

---