

GASB 68 SUMMARY

The Governmental Accounting Standards Board (GASB) approved Statement No. 68, Accounting and Financial Reporting for Pensions, in June 2012. This statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, and is effective for participating SBCERA employers for fiscal years beginning after June 15, 2014 and later. The statement applies to government entities that provide pension benefits to their employees and requires those government entities to significantly modify the measurement and reporting of long-term obligations and annual costs associated with provided pension benefits.

GASB Statement No. 68 identifies the methods and assumptions that should be used to:

- a) project benefit payments;
- b) discount projected benefit payments to their actuarial present value; and
- c) attribute such present value to periods of employee service.

More specifically, it **requires each participating employer to report:**

- Their proportionate share of the pension plan's cumulative Net Pension Liability in their own accrual accounting-based financial statements.

Note Disclosures must include, among other things:

- Descriptions of the pension plan and benefits provided.
- Significant assumptions employed in the measurement of the Net Pension Liability.
- Any benefit changes and changes in assumptions.
- Assumptions related to the discount rate.
- Employer's proportionate share of the Net Pension Liability if a discount rate of one percentage point higher or lower had been used.
- Balances of deferred outflows and inflows of resources, presented by source.
- Net amount of deferred inflows and outflows that will be recognized as pension expense and the amount of deferred outflows that will reduce the Net Pension Liability for each of the next five years and in the aggregate thereafter.

- Employer's percentage of the collective Net Pension Liability, how it was determined and any change in the percentage since the previous measurement.

Required Supplementary Information must include:

- Employer's proportionate share of the collective Net Pension Liability, the employer's payroll amount for current employees in the plan, a ratio of the employer's proportionate share of the collective Net Pension Liability divided by the employer's covered-employee payroll and the pension plan's net position as a percentage of the Total Pension Liability for the most recent 10 years.
- Employer's statutorily or contractually required contribution, the employer's actual contributions, the difference between the actual and statutorily or contractually required contributions and a ratio of the actual contributions divided by employer's covered- employee payroll for the most recent 10 years.

According to GASB, reporting the Net Pension Liability on the face of a government's financial statement allows users of the financial statements to better assess:

- The general long-term financial health of a governmental entity.
- How well a governmental entity has supported and maintained the pension promises made to their employees.

SBCERA anticipates providing individual participating employers with information needed to assist in implementing Statement No. 68. However, employers are encouraged to discuss the implications of these changes with their financial statement auditor and governing bodies.

If you have any questions, please email us at:

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