

GASB 67 & 68 GLOSSARY

Actuarial Present Value of Projected Benefit Payments -

The actuarial present value of benefits that are expected to be paid in the future, taking into account the effect of such items as future service, advancement in age and anticipated future compensation.

AICPA - American Institute of Certified Public Accountants is a member association representing the CPA profession. This organization develops standards for the accounting profession as well as promulgates U.S. auditing standards for audits of private companies, nonprofit organizations, federal, state and local governments.

Discount Rate - The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1) above, calculated using the municipal bond rate (a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher [or equivalent quality on another rating scale]).

GASB - Governmental Accounting Standards Board is an independent organization that establishes and improves standards of accounting and financial reporting and is recognized as the official source of generally accepted accounting principles (GAAP) for U.S. state and local governments.

Measurement Date - The date the Total Pension Liability, Fiduciary Net Position and Net Pension Liability are determined. Generally it will be the pension plan's fiscal year end, can be no earlier than the end of the employer's prior fiscal year and must be consistently applied from year to year.

Net Pension Liability (NPL) - The liability of employers to employees for benefits provided through a defined benefit pension plan, calculated as the difference between the Total Pension Liability and the pension plan's Fiduciary Net Position (assets) that are set aside in a qualified pension plan to pay benefits to current employees, retirees and their beneficiaries.

Total Pension Liability (TPL) - The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service determined under the Entry Age Actuarial Cost Method calculated using the Discount Rate.

Pension Expense - The change in Net Pension Liability, recognized in the current reporting period. Includes a provision for deferring certain items such as the differences between expected and actual experience, changes in economic and demographic assumptions and the differences between projected and actual earnings on pension plan investments.

Proportionate Share - An allocation of the collective Net Pension Liability and Pension Expense attributable to a specific employer, based on the employer's proportion.

If you have any questions, please email us at:

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