SEGAL

Disclosure Items in GASB's New Accounting Standards for Public Sector Pension Plans and Sponsoring Employers

This table summarizes the disclosure items in Statement 67, *Financial Reporting for Pension Plans* and Statement 68, *Accounting and Financial Reporting for Pensions by State and Local Governmental Employers*, that must be reported in notes to financial statements.

PLAN DESCRIPTION	
Required by Statement 67 (for Plans) *and* Statement 68 (for Employers)	➤ Name of the pension plan ➤ Identification of the public employee retirement system or other entity that administers the pension plan ➤ Identification of the pension plan as a single-employer, agent or cost-sharing pension plan ➤ Classes of employees covered (*e.g.*, general employees and public safety employees) ➤ The number of employees covered, broken down into the following groups: retirees and/or their beneficiaries currently receiving benefits, inactive employees entitled to but not yet receiving benefits and active employees ➤ Brief description of the benefit terms, including the types of benefits; the key elements of the pension formulas; terms or policies, if any, with respect to automatic postemployment benefit changes (including automatic COLAs) and *ad hoc* postemployment benefit changes (including *ad hoc* COLAs) ➤ The authority under which benefit terms are established or may be amended ➤ Closure to new entrants, if applicable ➤ Brief description of contribution requirements, including the basis for determining contributions if the pension plan or the entity that administers the pension plan has the authority to establish or amend contribution requirements
Required by Statement 67 (for Plans) Only	➤ Disclosure of the number of participating employers (if the pension plan is a multiple-employer pension plan) ➤ Whether the pension plan issues a stand-alone financial report (or it is included in the report of a public employee retirement system or another government) that is available to the public and, if so, how to obtain the report (for example, a link to the report on the public employee retirement system's website). ➤ Disclosure of the number of nonemployer contributing entities, if any ➤ Information about the plan's board and its composition (*e.g.*, the number of trustees)
Required by Statement 68 (for Employers) Only	Whether the pension plan issues a stand-alone financial report (or it is included in the report of a public employee retirement system or another government) that is available to the public and, if so, how to obtain the report (for example, a link to the report on the public employee retirement system's website)

(Continued from previous page.)

PLAN INVESTMENTS

Required by Statement 67 (for Plans) Only

- Investment policies, including procedures and authority for establishing and amending investment policy decisions, policies pertaining to asset allocation and a description of significant investment policy changes during the period
- A brief description of how the fair value of investments is determined, including the methods and significant assumptions used to estimate the fair value of investments if that fair value is based on other than quoted market prices
- Identification of investments (other than those issued or explicitly guaranteed by the U.S. government) in any one organization that represents 5 percent or more of net position
- The annual money-weighted rate of return on plan investments calculated as the internal rate of return on plan investments (net of investment expense) and an explanation that a money-weighted rate of return expresses investment performance (net of investment expense) adjusted for the impact of the changing amounts actually invested. Inputs to the internal rate of return calculation that represent amounts of additions to and deductions from plan investments should be determined using accrual-based measures no less frequently than monthly. The use of daily inputs is encouraged.
- The terms of any long-term contracts for contributions to the pension plan between the employer(s) or nonemployer contributing entity(ies) and the pension plan and the balances outstanding on any such long-term contracts at the end of the plan's reporting period
- Allocated insurance contracts excluded from plan assets: (1) the amount reported in benefit payments in the current period that is attributable to the purchase of allocated insurance contracts; (2) a brief description of the pensions for which allocated insurance contracts were purchased in the current period; and (3) the fact that the obligation for the payment of benefits covered by allocated insurance contracts has been transferred to one or more insurance companies
- In circumstances in which there is a policy of setting aside reserves for such purposes as benefit increases or reduced employer contributions, a portion of the plan's fiduciary net position that otherwise would be available for existing pensions or for plan administration: (1) a description of the policy related to such reserves; (2) the authority under which the policy was established and may be amended; (3) the purposes for and conditions under which the reserves are required or permitted to be used and (4) the balances of the reserves

If a pension plan includes terms that permit a plan participant to be credited for benefit payments into an individual participant account within the pension plan while continuing to provide services to the employer and to be paid a salary: (1) a description of the Deferred retirement option program (DROP) terms and (2) the balance of the amounts held by the pension plan pursuant to the DROP

(Continued on next page.)

(Continued from previous page.)

SIGNIFICANT ASSUMPTIONS USED TO MEASURE THE TOTAL PENSION LIABILITY

Required by Statement 67 (for Plans) *and* Statement 68 (for Employers)

- Salary changes
- Inflation
- *Ad hoc* postemployment benefit changes (including *ad hoc* COLAs), and inputs to the discount rate
- The source of the assumptions about mortality (*e.g.*, the published tables on which the assumption is based or the experience of the covered group). If different rates are assumed for different periods, information should be disclosed about what rates were applied to the different periods of the measurement.

INFORMATION ABOUT THE DISCOUNT RATE

Required by Statement 67 (for Plans) *and* Statement 68 (for Employers)

- The discount rate applied in the measurement of the total pension liability for benefits provided through the pension plan and the change in the discount rate since the prior measurement date, if any
- Assumptions made about projected cash flows into and out of the pension plan, such as contributions from the employer, nonemployer contributing entity(ies), and employees
- The long-term expected rate of return on pension plan investments and a description of how it was determined, including significant methods and assumptions used for that purpose
- If the discount rate incorporates a municipal bond rate, the municipal bond rate used and the source of that rate
- The periods of projected benefit payments to which the long-term expected rate of return and, if used, the municipal bond rate were applied to determine the discount rate
- The assumed asset allocation of the pension plan's portfolio, the long-term expected real rate of return for each major asset class, and whether the expected rates of return are presented as arithmetic or geometric means, if not otherwise disclosed
- Measures of the net pension liability calculated using (1) a discount rate that is one percentage point higher than and (2) a discount rate that is one percentage point lower than the discount required in the Standard

(Continued on next page.)

(Continued from previous page.)

NET PENSION LIABILITY COMPONENTS

Required by Statement 67 (for Plans) Only

- The total pension liability for benefits provided through the pension plan
- The plan's fiduciary net position
- The net pension liability
- The plan's fiduciary net position as a percentage of the total pension liability
- Information should be measured as of the plan's most recent fiscal year-end.

EMPLOYER'S TOTAL PENSION LIABILITY FOR ALL PLANS

Required by Statement 68 (for Employers) Only

- Net pension assets
- Deferred outflows of resources and deferred inflows of resources related to pensions
- Pension expense/expenditures for the period, if the total amounts are not otherwise presented in the financial statements
- The plan's fiduciary net position unless a financial report that includes disclosure about the elements of the pension plan's basic financial statements is available on the Internet (either as a stand-alone financial report or included as a fiduciary fund in the financial report of another government) and information is provided about how to obtain the report, reference may instead be made to the other report for these disclosures. In this circumstance, it also should be disclosed that the pension plan's fiduciary net position has been determined on the same basis used by the pension plan, and a brief description of the pension plan's basis of accounting, including the policies with respect to benefits paid (including refunds of employee contributions) and the valuation of investments should be included. If significant changes have occurred that indicate that the disclosures included in the pension plan's financial report generally do not reflect the facts and circumstances at the measurement date, information about the substance and magnitude of the changes should be disclosed.

(Continued on next page.)

(Continued from previous page.)

ADDITIONAL INFORMATION TO DISCLOSE	
Required by Statement 67 (for Plans) *and* Statement 68 (for Employers)	➤ The date of the actuarial valuation on which the total pension liability is based ➤ Indication that the amount reported is the result of the use of update procedures to roll forward amounts to the plan's fiscal year-end, if applicable
Required by Statement 68 (for Employers) Only	➤ The measurement date of its net pension liability ➤ If the employer has a special funding situation, its proportion of the net pension liability for benefits provided through the pension plan, the basis on which its proportion was determined, and the change, if any, in its proportion since the prior measurement date ➤ A brief description of changes of assumptions or other inputs that affected measurement of the net pension liability since the prior measurement date ➤ A brief description of changes of benefit terms that affected measurement of the net pension liability since the prior measurement date ➤ The amount of benefit payments in the measurement period attributable to the purchase of allocated insurance contracts, a brief description of the benefits for which allocated insurance contracts were purchased in the measurement period, and the fact that the obligation for the payment of benefits covered by allocated insurance contract has been transferred from the employer to one or more insurance companies ➤ A description of the nature of changes, if any, between the measurement date of the net pension liability and the employer's reporting date that are expected to have a significant effect on the net pension liability and the amount of the expected resultant change in the net pension liability, if known ➤ The amount of pension expense in the reporting period ➤ The balances of deferred outflows of resources and deferred inflows of resources related to pensions as of the fiscal year-end, classified as follows, if applicable: (1) net difference between projected and actual earnings on pension plan investments; (2) differences between expected and actual experience; (3) changes of assumptions; (4) changes in proportion and the effect of certain employer contributions on the employer's net pension liability; and (5) employer contributions made subsequent to the measurement date of its recognized net pension liability ➤ A schedule presenting for each of the subsequent five years, and in the aggregate thereafter, (1) the net amount of deferred outflows of resources and of deferred inflows of resources that will be recognized in pension expense and (2) the amount that will be recognized as a reduction of the net pension liability ➤ The amount of revenue recognized for the support provided by nonemployer contributing entities, if any

(Continued on next page.)

(Continued from previous page.)

REQUIRED SUPPLEMENTARY INFORMATION

Required by Statement 67 (for Plans) *and* Statement 68 (for Employers) Only	➤ 10-year schedule of changes in the net pension liability (asset), presenting for each year the beginning and ending balances of the total pension liability, the plan's fiduciary net position, and the net pension liability, and the effects on those items during the year of the following: (1) service cost; (2) interest on the total pension liability; (3) changes of benefit terms; (4) differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability; (5) changes of assumptions about future economic or demographic factors; (6) contributions from the employer(s); (7) contributions from the nonemployer contributing entity(ies); (8) contributions from plan members; (9) net investment income; (10) benefits paid, including refunds of plan member contributions; (11) plan administrative expenses; and (12) other changes, separately identified if individually significant ➤ A 10-year schedule presenting the following for each year: (1) the total pension liability; (2) the plan's fiduciary net position; (3) the net pension liability (asset); (4) the plan's fiduciary net position as a percentage of the total pension liability; (5) the covered-employee payroll; and (6) the net pension liability (asset) as a percentage of covered-employee payroll
Required by Statement 67 (for Plans) Only	➤ Required supplementary information presented by a defined benefit pension plan should include all information required by Statement 67 paragraphs 32-34,* as applicable, when the financial statements are presented (1) in a stand-alone pension plan financial report or (2) solely in the financial report of another government (as a pension trust fund). Statement 68 includes the requirements for required supplementary information to be presented in the financial reports of employers whose employees are provided with pensions and of certain governmental nonemployer contributing entities that are required to contribute to a pension plan on behalf of another government. If (1) a defined benefit pension plan is included in the financial report of a government that applies the requirements of Statement 68 for benefits provided through the pension plan and (2) similar information is required by this Statement and Statement 68, the government should present the information in a manner that avoids unnecessary duplication ➤ Information for each year should be measured as of the plan's most recent fiscal year-end. Information about cost-sharing pension plans should be presented for the pension plan as a whole. The information may be presented in a single schedule

(Continued on next page.)

* Required information includes 10-year schedules for (1) the history of the changes in the NPL showing beginning and ending values as well as a reconciliation of the change; (2) the TPL, net fiduciary position NPL, the net fiduciary position as a percentage of the TPL, the covered employee payroll and the NPL as a percentage of this payroll; (3) the actuarially determined contribution (ADC), the actual contributions recognized each year, the difference between the two, the covered employee payroll, and the difference as a percentage of this payroll; and (4) the annual money-weighted rate of return on pension plan investments.

(Continued from previous page.)

REQUIRED SUPPLEMENTARY INFORMATION (*CONTINUED*)

Required by Statement 68 (for Employers) Only

- If the employer has a special funding situation, it should report the amount of the net pension liability for benefits provided through the pension plan recognized by the nonemployer contributing entity(ies) and the amount of the net pension liability for benefits provided through the pension plan recognized by the employer.
- For each pension plan, a 10-year schedule presenting the following for each year if the employer has a special funding situation: (1) the total pension liability for benefits provided through the pension plan; (2) the pension plan's fiduciary net position; (3) the net pension liability for benefits provided through the pension plan; (4) the nonemployer contributing entity's(ies') net pension liability that is associated with the employer; (5) the employer's net pension liability; (6) the pension plan's fiduciary net position as a percentage of the total pension liability; (6) the covered-employee payroll; and (8) the employer's net pension liability as a percentage of the covered-employee payroll
- The information should be determined as of the measurement date of the employer's net pension liability and may be presented in a single schedule. The information should be determined as of the employer's most recent fiscal year-end. If a primary government and one or more of its component units provide pensions through the same single-employer or agent pension plan, required supplementary information in the reporting entity's financial statements should present information for the reporting entity as a whole.

NOTES TO THE REQUIRED SCHEDULES

Required by Statement 67 (for Plans) *and* Statement 68 (for Employers)

- Significant methods and assumptions used in calculating the actuarially determined contributions, if any, should be presented as notes to the schedule required by the statements. In addition, for each of the schedules required by the statements, the employer should present information about factors that significantly affect trends in the amounts reported (for example, changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions). (The amounts presented for prior years should not be restated for the effects of changes – for example, changes of benefit terms or changes of assumptions – that occurred subsequent to the measurement date of that information.)

This is an online supplement to The Segal Company's December 2012 *Public Sector Letter*, "Gearing Up to Comply with GASB's New Accounting Standards for Public Sector Pension Plans and Sponsoring Employers," which is available on the following page of Segal's website: http://www.segalco.com/publications/publicsectorletters/dec2012.pdf

SEGAL

www.segalco.com

To receive *Public Sector Letters* and other Segal Company publications of publications of interest to state and local government employers as soon as they are available online, register your e-mail address via Segal's website: www.segalco.com/register/

For a list of Segal's offices, visit www.segalco.com/about-us/contact-us-locations/

Copyright © 2012 by The Segal Group, Inc., the parent of The Segal Company. All rights reserved.