

The State of Montana

Public Employee Retirement Administration (MPERA) Teachers' Retirement System (TRS)



GASB 68 **Implementation Series**



Guidance for Employers



GASB 68: TOPIC 5

FINANCIAL STATEMENTS



Presentations in the GASB 68 *Implementation Series*

1. Background
2. Types of Plans
3. Measurement & Reporting Dates
4. Net Pension Liability
5. Financial Statements



Recommendation



If you are new to the **GASB 68** material
we recommend you view
the **BACKGROUND** presentation first

Disclaimer

- This presentation is intended for information and educational purposes only;
 - *it is not a substitute for professional accounting, legal, or other advice*
- Information is based on materials publicly available from the Governmental Accounting Standards Board (GASB)
- We strongly recommend that you seek the advice of a qualified professional



New Terminology

- Nonemployer contributing entity
 - *An entity that is not a participating employer within a pension plan, but it does provide a payment directly to a pension plan*



New Terminology

- Nonemployer contributing entity
 - *Several of the multi-employer pension plans receive contributions from the State of Montana, as a nonemployer contributing entity*
 - *These contributions are*
 - ◆ intended to assist in funding the plan's Net Pension Liability
 - ◆ classified as either - Special Funding Situations and Nonspecial Funding Situations



New Terminology

- Special Funding Situation
 - *Circumstances when a nonemployer entity is legally required to make payments directly to a plan to provide pension benefits of another employer entity, and*
 - *Either of the conditions on the following slide exist*



New Terminology



- Special Funding Situation



1. *The amount for which the nonemployer entity is legally responsible for is **not** dependent upon one or more events or circumstances unrelated to the pensions; or*
2. *The nonemployer entity is the only entity with a legal obligation to make contributions directly to a pension plan*



New Terminology

- Proportionate Share

- *A measure of the share of each financial element a single employer or nonemployer contributing entity must reflect on its financial records*

- ◆ Primarily applies to multi-employer cost sharing plans
- ◆ The actuary will determine each entity's proportion based on their share of all contributions made to a pension plan



Accountable Item Reflection

- Employers that contribute to a multi-employer cost sharing plan – including nonemployer contributing entities in a special funding situation – are required to record their proportionate share of the Net Pension Liability (NPL), Pension Expense, and other financial elements



Nonemployer Entity Contributions

- Employers that participate in a plan that receives nonemployer contributing entity funding will be required to reflect these amounts as grant revenue based on their proportionate share
- The nonemployer contributing entity will record a grant expenditure



Example GASB 68 Employer Schedule - with a special funding



	Contributions for Fiscal Year Ending June 30, 2014		Net Pension Liability as of June 30, 2013				Net Pension Liability as of June 30, 2014			
	Employer Contribution	State Contribution	Net Pension Liability - ER	Employer proportion	Net Pension Liability - State	State proportion	Net Pension Liability - ER	Employer proportion	Net Pension Liability - State	State proportion
Total	\$ 2,764,350.34	\$ 5,634,210.21	\$ 158,645,300.00	100.000000%	\$ 106,427,876.98		\$ 137,299,675.00	100.000000%	\$ 92,108,073.30	100.000000%
State as Special Funding Entity			\$ 106,427,876.98	67.085427%			\$ 92,108,073.30	67.085427%		
Employers										
City of Employer 1	\$ 132,944.18	\$ 270,962.56	\$ 2,511,260.02	1.582940%	\$ 5,118,369.55	3.22630%	\$ 2,173,371.57	1.582940%	\$ 4,429,696.16	3.226298%
City of Employer 2	\$ 1,387,351.60	\$ 2,827,655.55	\$ 26,206,492.11	16.518921%	\$ 53,413,231.99	33.66834%	\$ 22,680,425.13	16.518921%	\$ 46,226,515.33	33.668336%
City of Employer 3	\$ 584,075.52	\$ 1,190,444.00	\$ 11,032,942.56	6.954472%	\$ 22,486,989.81	14.17438%	\$ 9,548,467.10	6.954472%	\$ 19,461,379.52	14.174381%
City of Employer 4	\$ 382,150.44	\$ 778,886.77	\$ 7,218,662.16	4.550190%	\$ 14,712,845.68	9.27405%	\$ 6,247,395.72	4.550190%	\$ 12,733,241.58	9.274051%
City of Employer 5	\$ 56,035.61	\$ 114,209.99	\$ 1,058,489.26	0.667205%	\$ 2,157,379.00	1.35988%	\$ 916,070.20	0.667205%	\$ 1,867,105.01	1.359876%
City of Employer 6	\$ 38,533.09	\$ 78,536.91	\$ 727,873.97	0.458806%	\$ 1,483,529.42	0.93512%	\$ 629,938.99	0.458806%	\$ 1,283,921.47	0.935123%
City of Employer 7	\$ 47,513.52	\$ 96,840.52	\$ 897,510.54	0.565734%	\$ 1,829,276.96	1.15306%	\$ 776,751.07	0.565734%	\$ 1,583,148.90	1.153061%
City of Employer 8	\$ 30,862.96	\$ 62,903.90	\$ 582,988.42	0.367479%	\$ 1,188,228.39	0.74898%	\$ 504,547.70	0.367479%	\$ 1,028,353.01	0.748984%
City of Employer 9	\$ 104,883.42	\$ 213,770.01	\$ 1,981,203.99	1.248826%	\$ 4,038,026.18	2.54532%	\$ 1,714,634.24	1.248826%	\$ 3,494,712.30	2.545317%

Example GASB 68 Employer Schedule - Continued



Pension Expense for Fiscal Year Ending June 30, 2014		Deferred Outflows * to be inserted by each employer					Deferred Inflows				
Employer Pension Expense (includes Support Revenue)	Support Revenue provided by the State	Actual vs. Expected Experience	Changes of Assumptions	Actual vs. Expected Investment Earnings	Changes in Proportionate Shares	ER contributions subsequent to the measurement date	Actual vs. Expected Experience	Changes of Assumptions	Actual vs. Expected Investment Earnings	Changes in Proportionate Shares	ER contributions subsequent to the measurement date
\$ 5,653,125.00	\$ 3,564,675.00	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ 19,292,128.00	\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ 12,942,206.45	\$ -	
\$ 271,872.22	\$ 171,433.69	\$ -	\$ -	\$ -	\$ -	*	\$ -	\$ -	\$ 305,382.82	\$ -	\$ -
\$ 2,837,148.36	\$ 1,789,012.60	\$ -	\$ -	\$ -	\$ -	*	\$ -	\$ -	\$ 3,186,851.42	\$ -	\$ -
\$ 1,194,440.48	\$ 753,174.94	\$ -	\$ -	\$ -	\$ -	*	\$ -	\$ -	\$ 1,341,665.59	\$ -	\$ -
\$ 781,501.60	\$ 492,789.25	\$ -	\$ -	\$ -	\$ -	*	\$ -	\$ -	\$ 877,828.43	\$ -	\$ -
\$ 114,593.41	\$ 72,258.84	\$ -	\$ -	\$ -	\$ -	*	\$ -	\$ -	\$ 128,718.03	\$ -	\$ -
\$ 78,800.57	\$ 49,689.05	\$ -	\$ -	\$ -	\$ -	*	\$ -	\$ -	\$ 88,513.42	\$ -	\$ -
\$ 97,165.63	\$ 61,269.46	\$ -	\$ -	\$ -	\$ -	*	\$ -	\$ -	\$ 109,142.14	\$ -	\$ -
\$ 63,115.08	\$ 39,798.29	\$ -	\$ -	\$ -	\$ -	*	\$ -	\$ -	\$ 70,894.55	\$ -	\$ -
\$ 214,487.67	\$ 135,248.88	\$ -	\$ -	\$ -	\$ -	*	\$ -	\$ -	\$ 240,925.14	\$ -	\$ -

Employer Journal Based on City of Employer 2 Amounts



			Debit	Credit
		Net Position	26,206,492	
		Pension Expense	2,837,148	
		Deferred Inflow - Exepected vs Actual Investment Return		3,186,851
		Contributions		1,387,352
		Net Pension Liability		22,680,425
		Nonemployer Entity (Grant) Revenue		1,789,013
		Totals	29,043,640	29,043,640

Note Disclosures: *All* Employers

1. Plan Description and Related Information
2. Changes in Net Pension Liability (NPL)
3. Significant Assumptions
4. Discount Rate and Key Discount Rate Assumptions
5. Pension Plan's Fiduciary Net Position



Note Disclosures: *All* Employers

6. Measurement and Actuarial Valuation Date
7. Changes/New Assumptions made related to Benefit Terms
8. Changes made subsequent to Measurement Date
9. Current Period Pension Expense
10. Schedule of Deferred Outflows/Inflows of Resources



Additional Note Disclosures: Employers with a Special Funding

1. Nonemployer contributing entity's share of all accounting elements
2. Brief description of assumptions that affect pension liability (since last measurement date).
3. Amount of expense recognized by nonemployer contributing entity as a result of special funding.
4. Nonemployer contributing entity's balances of deferred positions



RSI Disclosures: *All* Employers

- **10 Year** – Employer’s Proportionate Share (% , Amount) of Collective NPL, Covered Employee Payroll, Net Pension Liability as a % of Employee Covered Payroll, Pension Plans Net Position as % of TPL
- **10 Year** – Schedule of Changes in NPL
- **10 Year** – FNP/TPL/Funded Status/Covered Payroll/NPL as % of Payroll



RSI Disclosures: *All* Employers

- **10 Year** - ADEC to Actual Contributions (If necessary)
- **10 Year** - Statutory/Contractual Contributions to Actual Contributions and Payroll (If necessary)

*10 Year Schedules not required
in year of implementation
other than the ADEC schedule
which is presented in full*



Additional RSI:

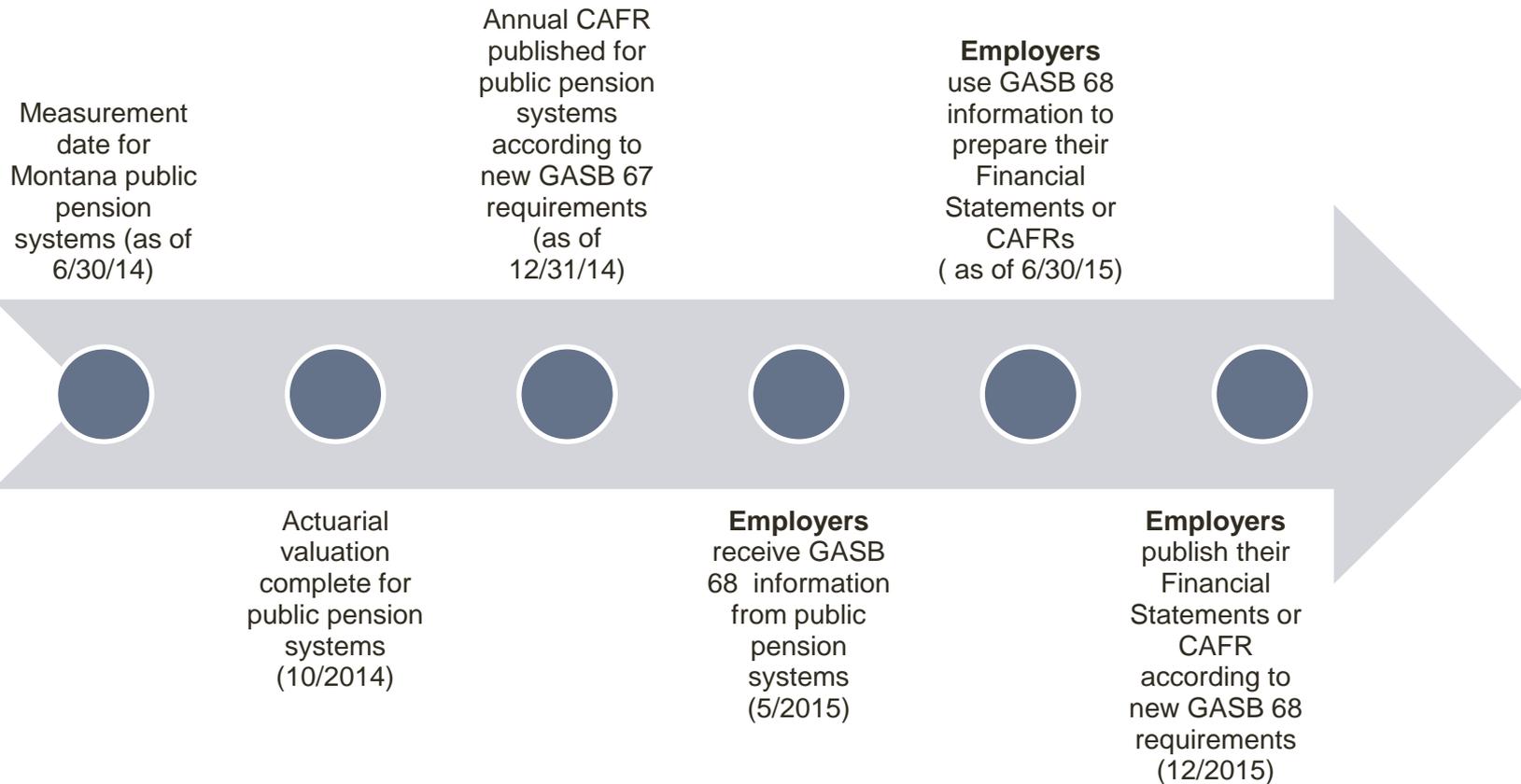
Employers with Special Funding

- **10 Year** - Schedule of Nonemployer Contributing Entity's proportion (% and Amount of Collective NPL; FNP/TPL)
- **10 Year** - Schedule if the Nonemployer is statutorily required to make contributions detailing required contribution, actual contributions (including pension plan receivables) and the difference
- **10 Year** - Schedule of Changes in Net Pension Liability used to determine the proportionate share of the Collective NPL belonging to the Employers versus Nonemployer Contributing Entities

Other Footnotes/RSI may be required



Timeline



Your Next Steps

- Review all the information in the GASB 68 Implementation series
- Take advantage of the resources on the MPERA and TRS websites
- Consult with your financial statement preparer



Our Next Steps

- Prepare appropriate resources for employers
- Release GASB 68 information to employers
 - *Disclosures*
 - *Schedules*
 - *May / June 2015*

MAY							JUNE						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1	2	3	1	2	3	4	5	6	7
4	5	6	7	8	9	10	8	9	10	11	12	13	14
11	12	13	14	15	16	17	15	16	17	18	19	20	21
18	19	20	21	22	23	24	22	23	24	25	26	27	28
25	26	27	28	29	30	31	29	30					



GASB Implementation Series



- MPERA and TRS have prepared a series of presentations for GASB:

- *Recommended Order*

1. Background
2. Types of Plans
3. Measurement Date v Reporting Date
4. Net Pension Liability Calculations
5. Financial Statements



GASB 68
IMPLEMENTATION

Guidance for MPERA and TRS Employers

Additional Resources

- Webpages dedicated to information from the Montana Public Pension systems on GASB
 - [MPERA](#)
 - [TRS](#)

- GASB website including
 - [GASB Statements 67 & 68](#)
 - [Implementation Toolkit](#)
 - [Implementation Guides](#)

