Facts about the implementation of Governmental Accounting Standards Board (GASB) statements 67 & 68

Please check back for updates to this GASB information.

The Governmental Accounting Standards Board (GASB) in August 2012 issued two standards for revised accounting and financial reporting related to public pension plans:

> Financial Reporting for Pension Plans (amending GASB Statement No. 25), details proposed standards for the financial statements of plans that administer the benefits such as MPERA.
>
> Accounting and Financial Reporting for Pensions (amending GASB Statement No. 27), details proposed standards that would apply to state and local governments that provide pension benefits through plans such as those administered by MPERA. This proposed standard will significantly change the financial reporting requirements of the employers participating in the MPERA plans.

1. The Montana Code Annotated (MCA) requires MPERA to have an actuary perform annual valuations on the plans administered by MPERA. The valuations for the past year can be found on the MPERA web site at http://mpera.mt.gov/actuarialvaluations.shtml

2. The GASB website is located at http://www.gasb.org

3. Which GASB pronouncements are applicable and to who?
   GASB Statement 67 is reporting for the pension plans
   GASB Statement 68 is reporting for employers

4. The implementation guides are now available
   a. Implementation guide for GASB Statement 67
   b. Implementation guide for GASB Statement 68

5. What is the timeline for GASB statements 67 and 68?
   GASB statement 67 addresses requirements for the pension plans and is effective (fiscal year) FY2014 (July 1, 2013 to June 30, 2014)
   GASB statement 68 addresses requirements for the employers and is effective (fiscal year) FY2015 (July 1, 2014 to June 30, 2015)

6. What will be the biggest changes with pension reporting for administrators and employers?
   a. The new standards require the net pension liability (NPL) to be recorded on the employer's balance sheet. NPL is defined as the total pension liability minus the market value of assets.

b. The new standards decouple the expense from the funding. Previously, actuaries would calculate the Annual Required Contribution (ARC) as a means of communicating the funding necessary for the retirement plans. Unfortunately, the necessary funding did not always equal the required funding in law causing a shortage in required contributions. Even though the ARC may be used as a policy de facto funding standard, the ARC will be non-existent in the calculation of the pension liability. The new standards will require faster recognition of the changes that impact the net pension liability.
c. The new standards require proportionate reporting for the cost sharing plans (see the table below for plan types). Currently, the pension expense is the contractually required contribution and the net pension obligation is the difference between contractually required contribution and the actual contribution. The new standards require the cost sharing employers to recognize their "proportionate share" of the liability and expense on their balance sheet.
d. The new standards will require an expansion of disclosure information, including both notes and Required Supplementary Information.

If you have questions about this information or comments about additional information you would like us to present, please call our office toll free at 1-877-275-7372 or at 406-444-3154 and ask for Barbara (ext 5457) or Diann (ext 3193).