



**CLARK SCHAEFER HACKETT**  
CPAs & BUSINESS CONSULTANTS

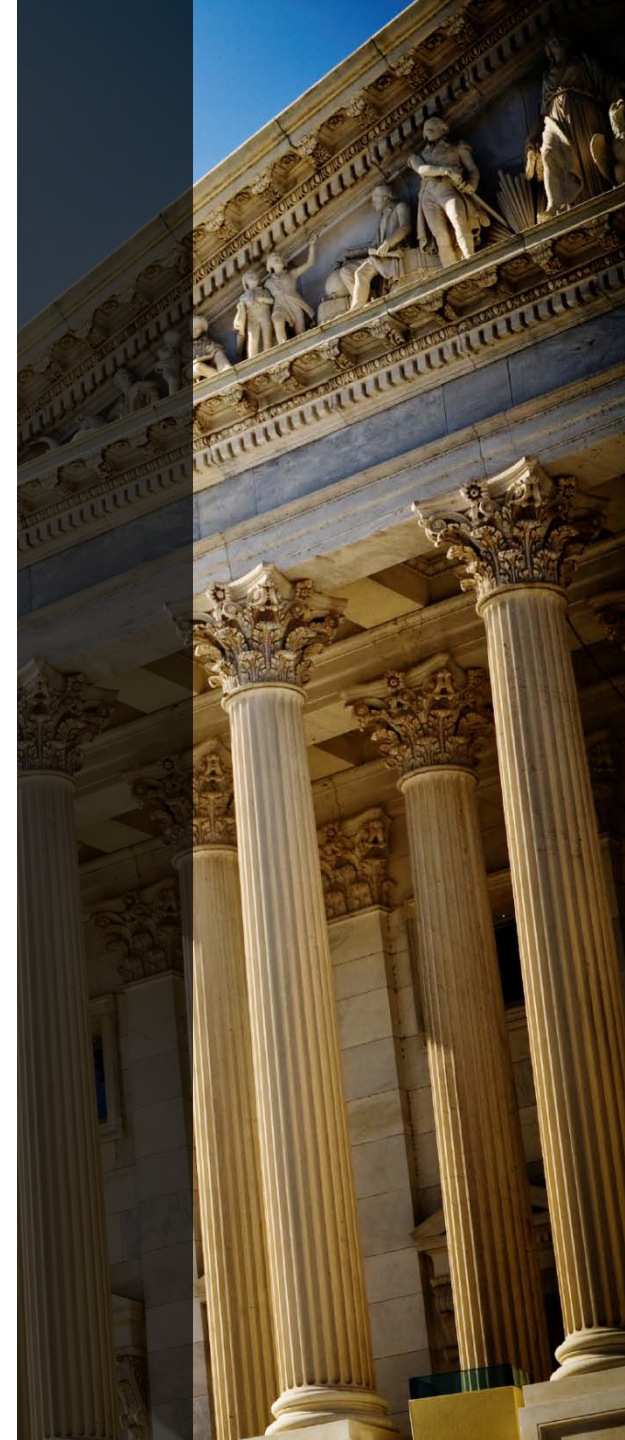
# Big changes to pension plans: Be aware. Be prepared.

Presented by: Daniel Clark & Brian Mosier  
Special Guest: Scott Miller, Financial Services Director  
Ohio Police & Fire Pension Fund



# Agenda

- Why the change?
- What is the financial statement impact?
- How and when will financial information be provided?
- What are the important dates?
- Will this affect bond ratings, etc.?





# Summary of GASB 68

## Government Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions*

- Applicable for fiscal years that begin after June 15, 2014
- Applicable to all state and local government entities that provide their employees with pensions





# Summary of GASB 68

Continued...

- Relates to accounting and financial reporting and how pension costs and obligations are measured
- Relates to deferred benefits in the future
- Required to report the difference when the liability exceeds plan net position

# Summary of GASB 68

Continued...

- Cost-sharing plans will report a:
  - 1) net pension liability
  - 2) pension expense
  - 3) pension related deferred inflows/outflows of resources
- Additional note disclosures and RSI



# Why the change?

## Objectives of GASB 68:

- Improve accounting and financial reporting by state and local governments for pensions
- Improve information provided by state and local governmental employers about financial support for pensions provided by other entities



# Why the change?

- Not a legal determination of liability
- Pensions arise from an exchange between an employer and employee
- Liability = present obligations to sacrifice resources that the government has little or no discretion to avoid



# What is the financial statement impact?

Statement of Net Position and Activities:

- 1) net pension liability
- 2) pension expense
- 3) pension related deferred inflows/outflows of resources



# What is the financial statement impact?

## Statement of Net Position

	7/1/14	or	1/1/15
Assets	\$\$\$		\$\$\$
Deferred Outflows	\$\$\$		\$\$\$
Liabilities	\$80		\$80
Deferred Inflows	\$\$\$		\$\$\$
Net Position (Deficit)	(\$80)		(\$80)

# What is the financial statement impact?

## Restatement Entry

	Dr.		Cr.
Net Position (Deficit)	\$80		
Net Pension Liability			\$80
	\$80		\$80

# What is the financial statement impact?

## Statement of Net Position

	6/30/15	or	12/31/15
Assets	\$\$\$		\$\$\$
Deferred Outflows	\$20		\$20
Liabilities	\$110		\$110
Deferred Inflows	\$\$\$		\$\$\$
Net Position (Deficit)	(\$90)		(\$90)

# What is the financial statement impact?

Deferred Outflow			
	Dr.		Cr.
Deferred Outflow	\$20		
Contribution Expense			\$20
	\$20		\$20



# What is the financial statement impact?

Change in pension liability			
	Dr.		Cr.
Pension expense	\$30		
Net pension liability			\$30
	\$30		\$30

# What is the financial statement impact?

## Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities

	6/30/15	or	12/31/15
Total fund balances – governmental funds	\$\$\$		\$\$\$
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:			
- Other	\$\$\$		\$\$\$
- Net pension liability	<u>(\$90)</u>		<u>(\$90)</u>
Net position of government activities	<u>(\$90)</u>		<u>(\$90)</u>

# What is the financial statement impact?

## Statement of Activities

6/30/15 or 12/31/15	Expenses	Program Revenue	Total
Governmental activities:			
Contributions	(\$20)		\$20
Pension expense	<u>\$30</u>		<u>(\$30)</u>
	\$10		
Changes in net position			(\$10)
Net position beginning of year, restated			<u>(\$80)</u>
Net position end of year			<u>(\$90)</u>

# What is the financial statement impact?

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

	6/30/15	or	12/31/15
Net change in fund balances – total governmental funds	\$\$\$		\$\$\$
Some expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:			
- Other	\$\$\$		\$\$\$
- Change in net pension liability	<u>(\$10)</u>		<u>(\$10)</u>
Change in net position of governmental activities	<u>(\$10)</u>		<u>(\$10)</u>



# What is the financial statement impact?

## Notes to the financial statements

- 1) total pension liability, 2) the plan's net position and 3) net pension liability
- Ratio of plan net position to total pension liability
- Covered-employee payroll
- Ratio of net pension liability to covered-employee payroll

# What is the financial statement impact?

## Note X – Employees' Retirement Plan

	6/30/15	or	12/31/15
Total pension liability	\$\$\$		\$\$\$
Plan net position (a)	<u>\$\$\$</u>		<u>\$\$\$</u>
Net pension liability (b)	<u>\$\$\$</u>		<u>\$\$\$</u>
Plan net position as a % of total pension liability	(a/b)%		(a/b)%
Covered-employee payroll (c)	\$\$\$		\$\$\$
Proportionate share of net pension liability (d)	\$\$\$		\$\$\$
Proportionate share of net pension liability as a % of covered-employee payroll	(d/c)%		(d/c)%



# What is the financial statement impact?

Required supplemental information\*

- Beginning and ending balances of the total pension liability, plan's net position, net pension liability and their components
- Ratios that assist in assessing the magnitude of the net pension liability

\*for each of the past 10 years

# How and when will information be provided?

Questions for Scott Miller, Director of Financial Services with Ohio Police and Fire Pension Fund:

- How will information be provided from cost sharing plans to employers?
- Will this information be audited?
- What is the anticipated timing of delivery of information?





# What are the important dates?

- Effective Date (GASB)
- Valuation Date (Plan)
- Measurement Date (Employer)



# What are the important dates?

- Effective Date (GASB)
- Fiscal years beginning after June 15, 2014
  - June 30, 2015 FYE



# What are the important dates?

- Valuation Date (Plan)
- Total pension liability is valued by actuary as of a valuation date
- Typically valuation date = measurement date for plan reporting
- Can roll forward valuation up to 30 months through update procedures



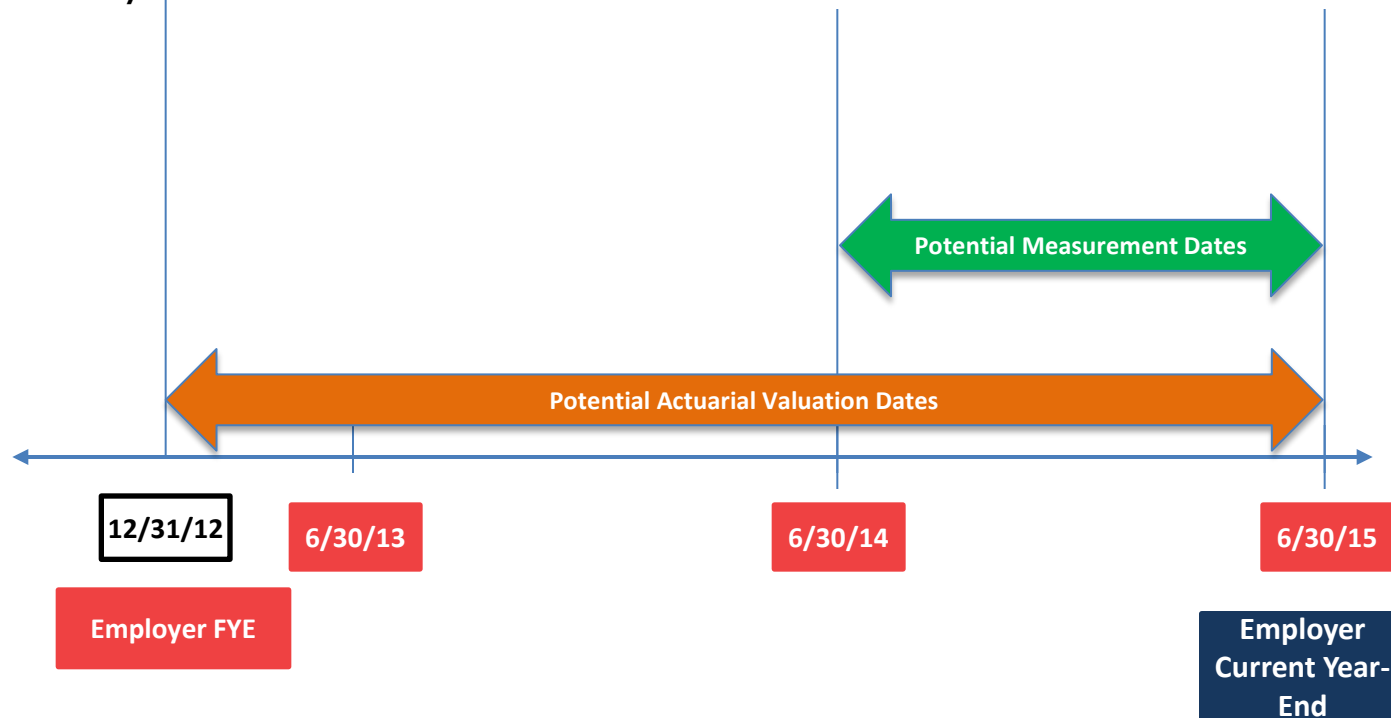
# What are the important dates?

- Measurement date (Employer)
- Can be no earlier than the end of the employer's prior fiscal year
  - Must be consistently applied from period to period



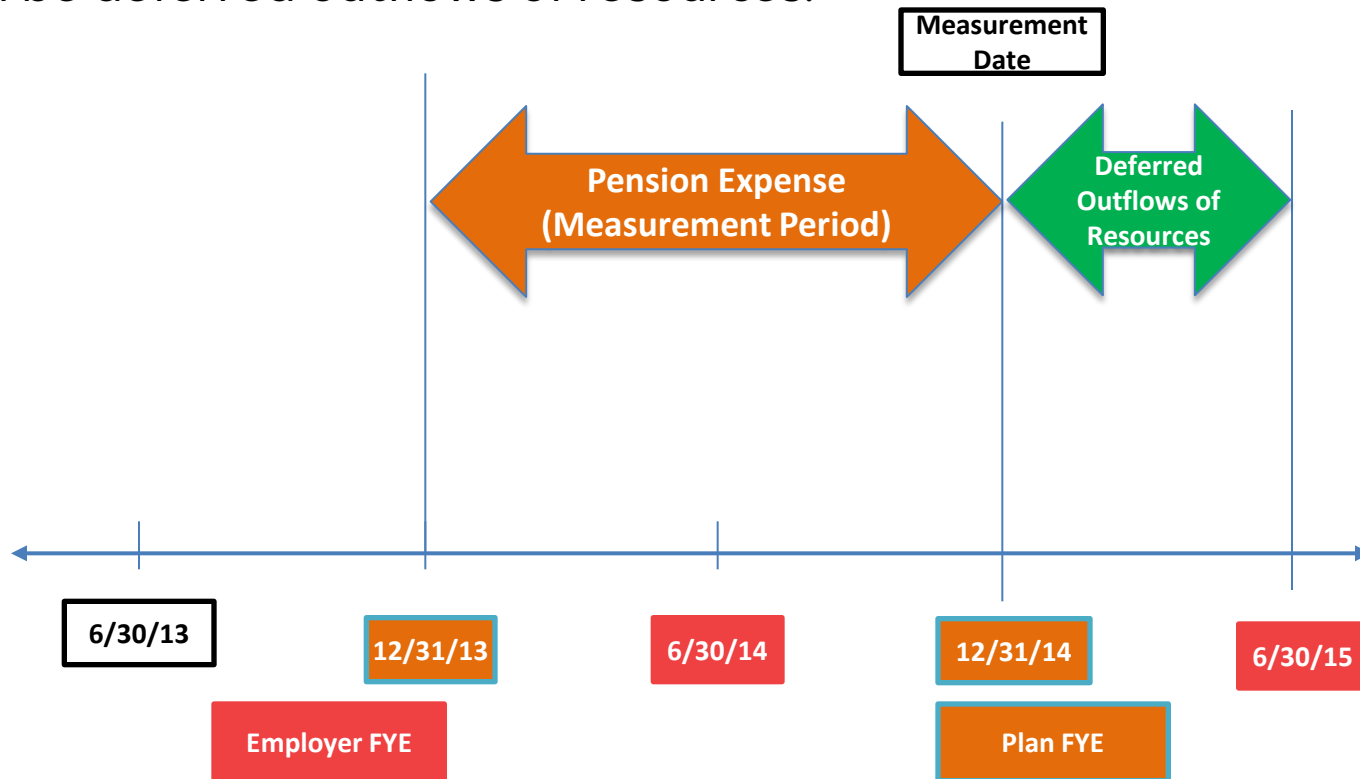
# What are the important dates?

Employer with the current year end of June 30, 2015 can use a valuation date as early as December 31, 2012 and a measurement date as early as June 30, 2014.



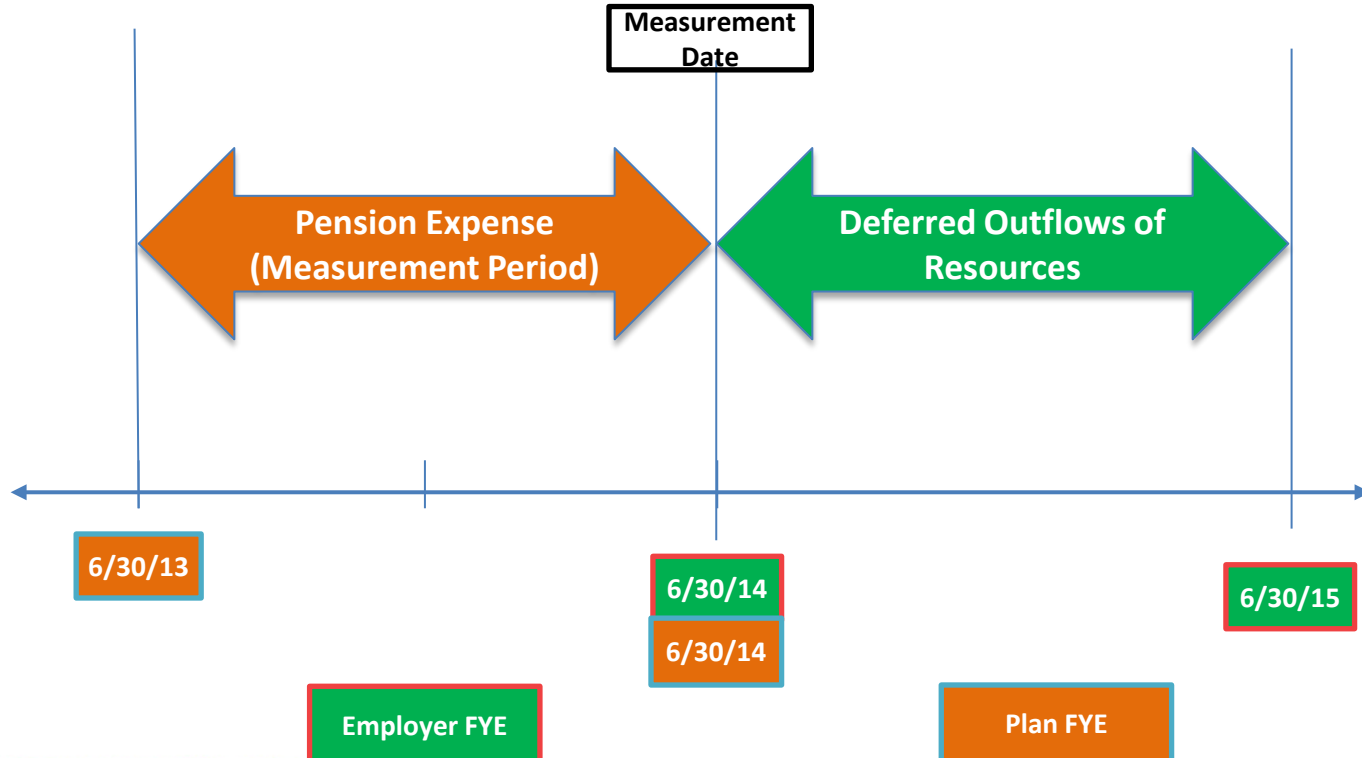
# What are the important dates?

Measurement date will most likely = plan FYE date. Contributions made by employer between Net Pension Liability measurement and employer FYE will be deferred outflows of resources.



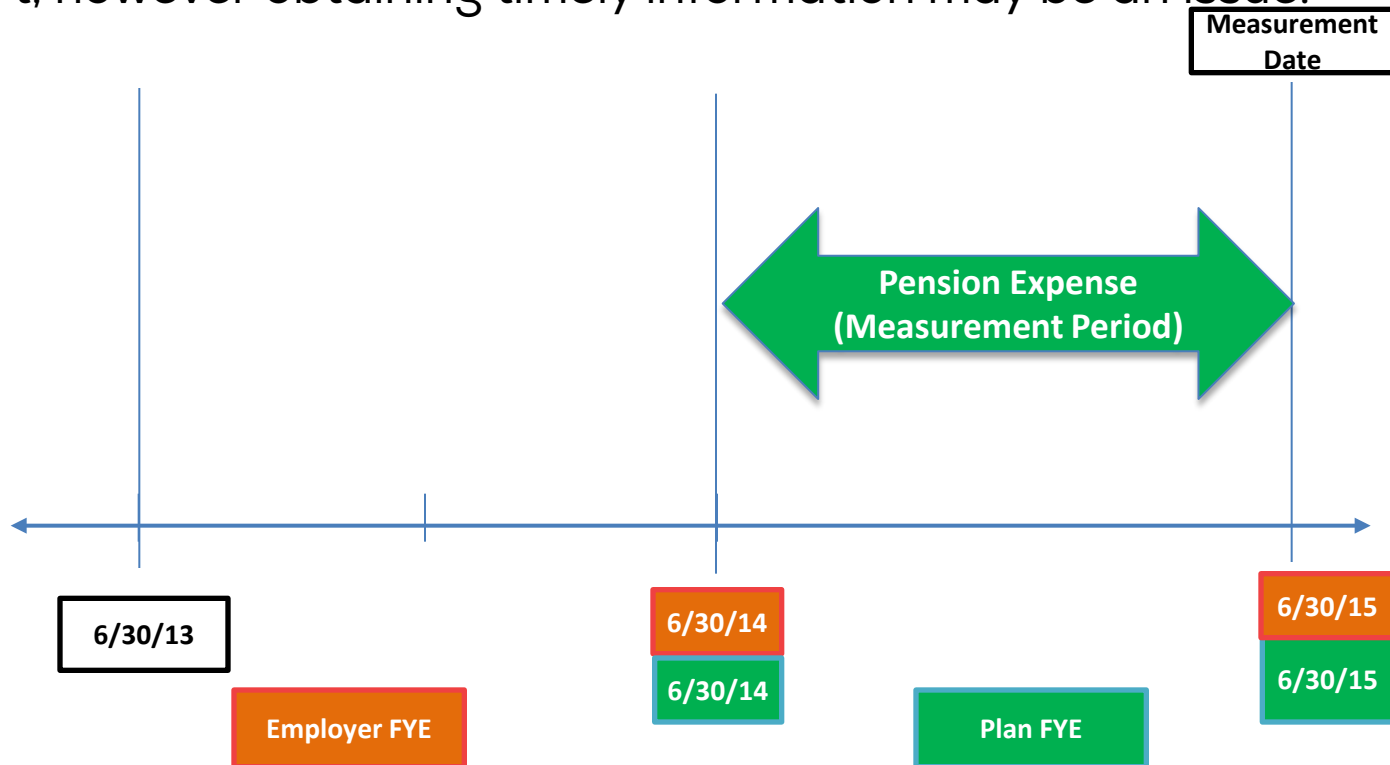
# What are the important dates?

If Plan FYE = Employer FYE, the employer can choose the current year or prior year as measurement date. If prior year, must recognize deferred outflows of resources for a full year of contributions.



# What are the important dates?

If Plan FYE = Employer FYE, the employer can choose the current year or prior year as measurement date. If current year, no deferred outflows to report, however obtaining timely information may be an issue.





# **Will GASB 68 affect bond ratings, etc.?**

Moody's estimates that 98% of government entities will see virtually no impact on their ratings

Ohio Auditor of State's office has also said that they will not use this figure when determining fiscal caution, watch or emergency



# Questions?



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