

GASB 67 and 68, GASB 74 and 75

Frequently Asked Questions

Updated August 10, 2018

The following FAQs have been compiled from feedback and questions we received over the past several years during the GASB standards implementation and from questions received through our GASB dedicated e-mail address.

We hope you find this information helpful as you use the information provided to comply with the GASB pension and OPEB standards. If you have any additional questions, please contact us at gasboutreach@opers.org.

Thank you – *Jenny Starr, chief financial officer*
Ohio Public Employees Retirement System

How do I know if I prepare my financial statements in accordance with GAAP (Generally Accepted Accounting Principles)?

The GASB defines a GAAP basis of accounting as full accrual. Your entity may report under GAAP if you record journal entries in your financial statements for purchases initiated before your year-end but for which you haven't remitted payment or for receipts due to you at year-end but for which you haven't received payment.

What is cash-basis of accounting?

Entities that record transactions in their financial statement only at the time cash is received or remitted are typically considered cash-basis entities. This contrasts to the other major accounting method, accrual accounting, which requires income to be recognized in a company's books at the time the revenue is earned (but not necessarily received) and records expense when liabilities are incurred (but not necessarily paid for). Currently, the GASB pension and OPEB standards are not applicable to cash-basis entities. We recommend you work with your external auditor and the Ohio Auditor of State's office.

What is an "Other Comprehensive Basis of Accounting" (OCBOA)?

OCBOA is defined as an accounting system other than GAAP. Examples include those entities that report on an income tax basis, a cash basis or using criteria defined in other accounting literature or statute. Currently, the GASB pension and OPEB standards are not applicable to OCBOA entities. We recommend you work with your external auditor and the Ohio Auditor of State's office.

What is an Other Postemployment Benefit (OPEB)?

OPEB is defined as benefits (other than pensions) that state and local governments provide to their retired employees. For OPERS, OPEB is health care coverage provided to eligible retired OPERS members. Also considered OPEB are life insurance, disability, legal, death benefits and other benefits. Those applicable to OPERS are considered part of pension benefits.

What are some of the key changes with the new GASB rules? Why did GASB make these changes?

From the GASB perspective, pensions and OPEB are a component of the compensation package and employment relationship between the employer and employee. Pensions and OPEB are earned over the working life of employees and may or may not be funded. To the extent the pension system is not 100% funded, GASB believes the employers have a liability for the unfunded portion of the pension benefits and OPEB earned by their employees to-date. Therefore, GASB believes the employers should recognize a portion of these unfunded liabilities in their financial statements.

With GASB 68, *Accounting and Financial Reporting for Pensions*, accounting and reporting standards for state and local government employers participating in public pension plans was established. This standard replaces GASB 27 as the reporting standard for employers; and, it requires employers to recognize their proportionate share of the net pension liability (as defined in GASB 67) in their financial statements.

With GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), accounting and financial reporting requirements similar to GASB 67 were established for state and local government employers participating in public pension plans that provide OPEB. This standard replaces GASB 45 as a reporting standard for employers; and it requires employers to recognize their proportionate share of the net OPEB liability (as defined by GASB 74) in their financial statements.

Employers will be required to disclose their proportionate share of pension and OPEB liabilities or assets, deferred outflows or inflows, and pension and OPEB expense or income. Employers will need to provide a description of the pension plans and OPEB program and brief summary of the benefit terms.

Unlike many other states, Ohio's employer contribution rates are set in statute, and Ohio consistently meets its required contributions. Employers are currently paying their share of OPERS net pension liability over time by contributing the required rates. Health care is not statutorily required or guaranteed. As such, health care funding is subordinate to pension funding. Health care is funded through an allocation of the employer contribution rate approved by the Board. Contribution rates and funding requirements are not impacted by GASB 67 and 68 nor GASB 74 and 75. These standards only impact financial reporting and not the amount employers are required to fund under Ohio law.

What is the Plan Fiduciary Net Position?

Previously called Net Assets, this term represents the value of assets net of liabilities available to fund the pension system's obligations. In a corporate environment, this would be called retained earnings or equity.

What is the Total Pension Liability?

The total pension liability represents the projected cost of benefits through the death of all eligible recipients (including surviving spouses or other named beneficiary).

What is the Total OPEB Liability?

The total OPEB liability represents the projected cost of health care through the death of all eligible recipients.

What is the Net Pension Liability?

Net pension liability represents the difference between the Total Pension Liability and the Plan Fiduciary Net Position for pensions administered by OPERS. In other words, it is the portion of the pension liability that is unfunded (unfunded liability). Previously, this was referred to as the unfunded actuarial accrued liability or UAAL.

What is the Net OPEB Liability?

Net OPEB liability represents the difference between the Total OPEB Liability and the Plan Fiduciary Net Position of the OPERS health care trust. In other words, it is the portion of the OPEB liability that is unfunded (unfunded liability). Previously, this was referred to as the unfunded actuarial accrued liability or UAAL.

How do I know if these standards apply to my employer?

All governmental employer units participating in OPERS that report on a GAAP basis of accounting are required to implement GASB 68 and GASB 75. A GAAP basis of accounting is defined by the GASB as accrual based. Governmental employer units preparing their statements on cash or other comprehensive basis of accounting (or OCBOA) are exempt in the pronouncements. We recommend you work with your external auditor and the Ohio Auditor of State's office.

Does this standard apply to Cash-Basis employers?

All governmental employer units participating in OPERS that report on a GAAP basis of accounting are required to implement GASB 68 and GASB 75. A GAAP basis of accounting is defined by the GASB as accrual based. Governmental employer units preparing their statements on cash or other comprehensive basis of accounting (or OCBOA) are exempt in the pronouncements. We recommend you work with your external auditor and the Ohio Auditor of State's office.

Does the GASB apply to entities with budgets of less than \$1 million?

GASB statements number 67, 68, 74 and 75 do not include an exemption from reporting based on financial considerations, such as budget or any other thresholds. Instead, all governmental employer units participating in OPERS that report on a GAAP basis of accounting are required to implement the standards. A GAAP basis of accounting is defined by the GASB as accrual based. Therefore, governmental employers that report on a cash or other comprehensive basis of accounting are exempt in the new pronouncements. We recommend you work with your external auditor and the Ohio Auditor of State's office.

Since my employer does not control any of the retirement funds, are we still required to comply with GASB 68 and GASB 75?

Yes, you still may be required to comply even though you do not control the retirement funds. All governmental employer units participating in OPERS' plans that report on a GAAP basis of accounting are required to implement GASB 68 and GASB 75. A GAAP basis of accounting is defined by the GASB as accrual based. Governmental employer units preparing their statements on cash or other comprehensive basis of accounting (or OCBOA) are exempt in the pronouncements. We recommend you work with your external auditor and the Ohio Auditor of State's office.

OPERS calculation of the proportionate share for the Traditional Pension Plan differs from that suggested by GASB, please explain.

While the GASB identifies the use of employer contributions as the basis for calculating the proportionate share for the net pension liability, OPERS has determined that a more appropriate measure for the Traditional Pension Plan includes both member and employer contributions in order to ensure a more fair and appropriate allocation. Our contribution rates differ by division (state and local, public safety and law enforcement) and the rates are higher in the public safety and law enforcement divisions due to richer benefits for these members. By using both employer and member contributions in the calculation of proportionate share, the difference in pension benefits paid out by division are more fairly reflected in the proportionate share calculation. Based on discussions with GASB and OPERS' external auditors, this is an appropriate decision for us. Law enforcement and public safety members are prohibited from participating in the Combined Plan and Member-Directed Plan. Therefore, the proportionate share for the Combined Plan and Member-Directed Plan is calculated solely on employer contributions.

The Board approves the percentage of employer contributions that will be allocated to fund health care. Member contributions can only be used to fund pension benefits. Therefore, the proportionate share for the net OPEB liability is calculated on total employer contributions, as the amount allocated to health care can frequently change.

What liability would my employer have in the event that the Pension System went into default?

In Ohio, members and employers pre-fund pension benefits (for active employees) through their regular contributions required by Ohio statute, which makes default by OPERS very remote.

The majority of systems in the news that are facing default did not deposit the required contributions over time needed to fund their members' pension benefits. To monitor the health of OPERS funding status, we retain an external actuary to evaluate our position annually. Should OPERS funding levels begin to trend downward, OPERS would work with the General Assembly to pass legislation increasing statutory contributions or decreasing benefits for its members. The pension legislation signed into law in 2012 is an example of the General Assembly and OPERS adjusting the cost of benefits to maintain the funding necessary to meet long-term pension obligations.

Will there be a prior year's restatement of the financials in the initial implementation year?

No, the GASB provides that adjustments to reset the beginning period balance will be recorded

in the current period. For example, to record a beginning liability balance a reclassification entry debiting net position and crediting pension liability will be posted as a current year transaction in year of implementation. In other words, if your entity issues comparative financial statements the prior year will not need to be reissued or restated. We recommend working with your external auditor and/or the AOS to ensure that the activity in the initial year of implementation is appropriately reflected in your financial statements.

Are we required to report pension and OPEB assets as well?

In accordance with GASB 68 and GASB 75, the employer is required to report their proportionate share of the net pension liability and the net OPEB liability in their financial statements, along with associated deferred inflows, deferred outflows and pension and OPEB expense or revenue. Pension and OPEB assets are not reported in the employers' financial statements separately since they are reflected in the net pension and OPEB liabilities (total pension/OPEB liability less pension/OPEB assets equals the net pension/OPEB liability). However, GASB 68 and GASB 75 requires that the employer's aggregate share of all defined benefit pension plan and OPEB liabilities, pension and OPEB assets, deferred outflows, deferred inflows and pension and OPEB expense be included in the **footnotes** to the financial statements, among other new disclosure requirements.

Another footnote disclosure requirement for the employer is to include other information related to the pension system's Plan Fiduciary Net Position, such as the basis for determination, brief descriptions and link to the OPERS' CAFR.

What effect will the GASB pension standards have on employer bond ratings?

OPERS staff talk with representatives of Moody's, Standard & Poor's (S&P) and Fitch regularly to gain a better understanding how they view the state and local government employers proportionate share of the net pension liability associated with GASB 68, how this liability impacts their independent credit analyses and to explain OPERS funding strategies to these agencies.

Moody's representatives indicated they currently use their own unique calculation to arrive at a net pension liability number for the systems that is not in line with how GASB or Ohio's pension funds calculate the liabilities. Rather, their calculation results in a substantially higher liability since they base the calculation on a non-typical discount rate assumption, among other differences in assumptions, compared to what pension funds use in actuarial calculations. In recent conversations, Moody's indicated that some Ohio entities have been downgraded. However, these downgrades were not directly caused by a change in GASB liability, although it is a component of their analysis. They emphasized that most entities are impacted by multiple Ohio pension systems and that the collective GASB liabilities are considered. Therefore, information on the specific impact of OPERS pension liability is not available.

S&P representatives indicated they currently focus on contributions, other post-employment benefits, actuarial valuations and other costs to independently analyze employer share of liabilities. They look at funded status of plans to evaluate if there are any risks in regards to funding and they had a good understanding of Ohio pension fund structure, including statutorily required contributions for funding the plans. In prior discussions, S&P could not recall any downgraded public entities in Ohio as a result of net pension liabilities and acknowledged these

liabilities would only be part of the overall score for credit ratings and not the sole cause for a downgrade. S&P did not feel that our employers would have difficulty having access to debt funding due to the GASB 68 liability.

Fitch representatives indicated they currently focus on the pension data that Ohio pension systems disclose and disclosures included by employers in the bond documents submitted. Their approach seems most similar to S&P. They also could not recall any downgraded public entities in Ohio as a result of net pension liabilities and acknowledged these liabilities would only be part of the overall determination, evaluated alongside other factors present at the employer.

How do rating agencies view the OPEB standards? Should we expect downgrades of public entities with the inclusion of the OPEB liability in our financial statements?

Preliminary discussions with representatives from the rating agencies during the GASB 75 implementation indicated that the OPEB liability should not have a significant impact on bond ratings. OPERS has post-implementation calls scheduled with the rating agencies. This information will be updated after all calls have been concluded.

What is the effective date of the pension standard for employers? Will the impact be the change from one year to the next year or from zero net pension liability?

For the majority of OPERS' employers, fiscal years ended in 2015 was their implementation year. The standards were effective for employers' fiscal years beginning after June 15, 2014. For example, if you are a fiscal year end of June 30, September 30 or December 31, the standards were applicable for your fiscal year ended June 30, 2015, September 30, 2015 or December 31, 2015. If you are a fiscal year end of March 31, the standards were applicable for your fiscal year ended March 31, 2016. The standard requires OPERS to provide current information as of the measurement date as well as beginning balances for the key elements added to employers' financial statements. Employers, therefore, only reflected one year of pension activity in their implementation year. The subsequent changes from one year to the next are what is reflected within your financial statements (will not be a change calculated from zero net pension liability).

What is the effective date of the OPEB standard for employers? Will the impact be the change from one year to the next year or from zero net OPEB liability?

For the majority of OPERS' employers, fiscal years ending in 2018 will be their implementation year. The new standards are effective for employers' fiscal years beginning after June 15, 2017. For example, if you are a fiscal year end of June 30, September 30 or December 31, the standards are applicable for your fiscal year ending June 30, 2018, September 30, 2018 or December 31, 2018. If you are a fiscal year end of March 31, the standards are applicable for your fiscal year ending March 31, 2019. The standard requires OPERS to provide current information as of the measurement date as well as beginning balances for the key elements added to employers' financial statements. Employers, therefore, will only reflect one year of pension activity in their implementation year. The subsequent changes from one year to the next will be what is reflected within your financial statements (will not be a change calculated from zero net OPEB liability).

Insert link to GASB 74 Valuation Timing Requirements for Employers – Updated 8/14/18

What is the measurement date and what OPERS report should I be using?

The measurement date, as defined by GASB, equals the fiscal year-end of the pension system. For OPERS, the fiscal year-end date, or measurement date, is December 31. Employers are allowed to elect a measurement date no more than 30 months and a day earlier than the employer's most recent fiscal year-end.

For pension, the total pension liability was determined by an actuarial valuation as of December 31 of the year being reported. Employers with a fiscal year-end equal to the retirement plan (December 31 for OPERS) had the option to use the December 31, 2015 valuation or the December 31, 2014 valuation information reported by OPERS in the employer's initial year of implementation. Once an employer makes the election on the measurement date, the employer cannot change their election. The most recent information is available to employers via ECS in June of the year following the valuation / measurement date.

If your fiscal year-end is March 31, the initial implementation date for the new GASB standards was the fiscal year ended March 31, 2016. These employers used the valuation for the measurement date as of December 31, 2015. If your fiscal year-end is June 30 or September 30, the initial implementation dates for the pension GASB standards were the fiscal years ended June 30, 2015 and September 30, 2015, respectively. These employers used the valuation for the measurement date as of December 31, 2014.

For OPEB, the total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. Employers with a fiscal year-end equal to the retirement plan (December 31 for OPERS) will have the option to use the December 31, 2018 valuation or the December 31, 2017 valuation information reported by OPERS in the employer's initial year of implementation. Once an employer makes the election on the measurement date, the employer cannot change their election. It is likely employers will use the 2017 information in initial implementation since the 2018 information is unavailable until June 2019 and most December 31, 2018 reports are due by June 2019. The December 31, 2016 valuation information, rolled forward to December 31, 2017 was audited and is available to employers via ECS in June 2018. Information for December 31, 2017, rolled forward to December 31, 2018 will be available in June 2019.

If your fiscal year-end is March 31, the initial implementation date for the new GASB standards is the fiscal year ending March 31, 2019. These employers need to use the valuation for the measurement date as of December 31, 2018, rolled forward from December 31, 2017 in order to meet the measurement date requirements described in GASB 75, paragraph 59. If your fiscal year-end is June 30 or September 30, the initial implementation dates for the new GASB standards are the fiscal years ended June 30, 2018 and September 30, 2018, respectively. These employers also need to use the valuation for the measurement date as of December 31, 2018 rolled forward from December 31, 2017.

For a summary of these requirements for timing of OPEB reporting for employers and

consideration of the valuation and measurement dates, please refer to the following: [*Insert link to GASB 74 Valuation Timing Requirements for Employers – Updated 8.14.18 - Word*](#)

Why was the OPEB actuarial valuation information rolled forward? What does rolled forward mean?

When OPERS implemented GASB 67 and 68, the date of the actuarial valuation used for pension activity was brought current to the fiscal year end reported by OPERS. Moving the health care valuation from a year in arrears to current fiscal year end for OPEB reporting was not possible. As a result, the actuarial valuation for health care, or OPEB, remains a year in arrears.

GASB 74 and 75 require the measurement date of the actuarial valuation be equal to the fiscal year end of the retirement system. Therefore, the December 31, 2016 (the most recent health care valuation) was rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year.

Will I get a separate report from OP&F?

Yes, each retirement system reports separately and will be the source for many of the values or data elements required by the employer to implement GASB 68 and GASB 75. When GASB 68 was implemented, meetings occurred between all of the retirement systems to coordinate the audit approach and discuss communication efforts to employers on the new standards. Each system, designed and communicated the required information based on their operations, accounting methodologies, assumptions and employers as these aspects can differ between all systems. For the GASB 75 implementation, the retirement systems coordinated the census data audit approach for OPEB. Communications provided for pension reporting (GASB 68) were adapted for OPEB reporting under GASB 75.

What are pension/OPEB expenses and deferred inflows and outflows?

Pension/OPEB expense generally equals the change in net pension/OPEB liability from the beginning of the year to the end of the year. This is essentially from one measurement date to the next. However, some elements of the Total Pension/OPEB Liability have a longer perspective than a single year and the GASB statements recognize that including these elements in the current year expense would introduce an inappropriate level of volatility into the employer's financial statements. In order to address this, the GASB statements allow selected elements of expense to be amortized by employers over various predetermined closed periods. Therefore, the difference between the actual increase in the liability and the amount amortized in the current year will be included in the employer's financial statements as a deferred inflow or outflow. Any part of pension/OPEB expense or income not recognized in the employer's financial statements as income or expense in the year in which they occur will be recorded as deferred outflows or inflows and amortized over various closed periods. Refer to GASB 68, paragraph 71, and GASB 75, paragraph 86, for additional information.

What are the rules related to netting deferred inflows and outflows?

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, paragraph 7 states that amounts that are required to be

reported as deferred outflows of resources should be reported in a statement of financial position in a separate section following assets. Similarly, amounts that are required to be reported as deferred inflows of resources should be reported in a separate section following liabilities. The total for deferred outflows of resources may be added to the total for assets, and the total for deferred inflows of resources may be added to the total for liabilities to provide subtotals.

Deferred inflows and outflows cannot be netted (cannot net together an asset and a liability). If an activity results in a deferred inflow in one year and then a deferred outflow in the following year, the activity has to be reported separately as an inflow and outflow in each year and cannot be netted together. However, if an activity remains the same as a deferred inflow or outflow in both years, then that activity can be netted together to be reported as a total asset or liability since the same classification in both years.

The exception to this rule is detailed in GASB 68, paragraph 33b, and GASB 75, paragraph 43b. The statements require differences between actual and projected investment earnings, across multiple measurement periods, be reported in a single net deferred inflow of resources or net deferred outflow of resources.

We recommend you work closely with your external auditors or AOS to ensure the appropriate classification of deferred inflows and outflows within your company's financial statements.

Will calculating pension/OPEB expense result in an additional cash outlay or impact my operating budget?

There will be no additional cash outlay.

The financial commitment of each governmental employer to OPERS is limited to the Ohio statutorily determined contributions. Therefore, the changes in calculating the employer's pension and OPEB expenses will have no impact on the cash remitted to OPERS.

The budgeting practices and processes used by an employer may or may not result in the need to increase the entity's operating budget to reflect the change in the calculation method of pension and OPEB expenses. With the implementation of GASB 68 and GASB 75, pension and OPEB expenses will equal the change in net pension/OPEB liability from year to year adjusted by the amortization rules for certain elements impacting the net pension/OPEB liability. Depending on if employers budget for cash outlay or on how pension/OPEB expenses are reported to an employer's governing body will determine if changes in the employer's operating budget are required.

How will OPERS communicate required financial information to employers?

OPERS GASB 68 and GASB 75 information is available on the [electronic employer contribution system](#) (ECS) to enable employer contacts to access information required by employers under the new standards in a secure environment. This system is already being used by the majority of our employers to report contributions and already restricts access to employers only. For the

small group of employers that report manually, we can assist these employers in registering on this system to obtain the needed information.

(insert link to June 2015 Employer Notice titled [GASB 68 Implementation for Accrual Basis Employers](#))

What does the information look like that OPERS provides?

OPERS provides the required proportionate share schedule and the cumulative pension/OPEB total schedules, including the audit opinion that covers these schedules. The proportionate share schedules include detailed information that should assist employers with reconciling contributions to their payroll records. We also provide a template to assist employers in tracking those changes (from the cumulative pension and OPEB total schedules) that result in deferred inflows and outflows of items that cannot be recognized in pension/OPEB expense or income all at once. Please refer to the most recent reports posted on ECS, available to the GASB role within your organization.

When does OPERS provide the information that we need? Is it available now?

The December 31, 2017 information is currently available via the [Electronic Contribution System \(ECS\)](#). OPERS plans to make the audited information available on the December 31 measurement period by or before June 30th of the year following the measurement period end date. For example, the information for the December 31, 2017 measurement period was made available in June 2018.

Will OPERS provide pension and OPEB information for three fiscal years to meet the reporting requirements in the MD&A?

In the year of implementation, GASB 68 and GASB 75 only requires that OPERS provide balances as of the end of its measurement period and beginning balances of the prior year measurement period. The measurement period for OPERS is the same as our fiscal year end, December 31. Employers with a December 31 fiscal year end will have the option to use our most current measurement period information or the prior year measurement period. We anticipate that most employers with this option will choose the prior year measurement period information as that will have already been audited and available to employers. We anticipate we will have audited information available in June of each year for our employers.

Do we need to restate prior years for comparative statements or Management's Discussion and Analysis (MD&A)?

The GASB standards provide that the recognition of the beginning balances of pension and OPEB liability will be accomplished through current year transactions. Therefore, entities will not need to restate comparative financial statements.

Employers should look for guidance from the Auditor of State, external auditors, the GFOA via checklists, and/or other sources to evaluate the impact of GASB 68 and GASB 75 on the MD&A.

How do I access the OPERS Employer GASB Forum?

The employer forum can be accessed via the following link [INSERT LINK TO EMPLOYER FORUM].

What impact does GASB 68 have on the Alternative Retirement Plan (ARP) sponsored by colleges and universities?

GASB 67 and 68 mainly impact plans with defined benefit retirement options; however, the new standards have disclosure requirements that govern both defined benefit and defined contribution plans. The ARP plans administered through section 145 of the Ohio Revised Code do not have a defined benefit payout option. Therefore, defined contribution plan disclosure requirements of GASB 68 should be considered for alternative retirement plans.

What member and employer contributions are included in the proportionate share schedule or Schedule of Employer Allocations?

The proportionate share schedule for pensions for the Traditional Pension Plan will be based on both member and employer contributions. The proportionate share schedules for pension for the Combined Plan and Member-Directed Plan will be based solely on employer contributions.

The proportionate share schedule for OPEB is based on the employer contributions for all three retirement plans (Traditional Pension, Combined and Member-Directed).

The proportionate share schedules include Regular Contributions, ARP Unauthorized Refunds, Reinstated Refunds, Supplemental Contributions, Unauthorized Contributions, Year-End (YE) Contribution Accruals and Prior YE Contribution Accrual Reversals.

Regular Contributions

Member contributions represent the 10% of pensionable wages withheld from members' pay for the State and Local divisions, the 13% withheld for members in the Law Enforcement division and the 12% withheld for the Public Safety division. This number does not include deductions for the purchase of service or ARP contributions.

Employer contributions represent the 14% of pensionable wages submitted by employers on behalf of members in the State and Local divisions and the 18.1% submitted on behalf of members in the Law Enforcement and Public Safety divisions. This number does not include the mitigating rate on ARP contributions, applicable to colleges and universities only, or delinquent contributions (483 billings).

ARP Unauthorized Refunds and Unauthorized Refunds

These transactions represent refund transactions for contributions received before members elect to participate in an ARP, applicable to colleges and universities only, or the refund of a contribution remitted to OPERS in error.

Reinstated Refunds

These transactions represent the payment received from a member to restore service previously refunded. These transactions represent the only "purchase of service" included in the proportionate share schedule, or Schedule of Employer Allocations.

Supplemental Contributions

These transactions represent reports submitted by employers to remit contributions incorrectly omitted from their regular monthly reporting. These contributions are segregated from regular contributions to assist employers in their reconciliation process.

Year-End (YE) Contribution Accruals and Prior YE Contribution Accrual Reversals

The contributions included in the proportionate share schedules, or Schedules of Employer Allocations, agree to the member and employer contributions included in the combining financial statements of the System's Comprehensive Annual Financial Report (CAFR). OPERS reports on an accrual basis of accounting. Therefore, transactions processed at the beginning of one year (2018) that related to pay period end dates in the previous year (2017) were recognized in the financial statements of the previous year (2017). The YE contribution accrual reversals eliminate the contribution reports processed in 2017 but recognized in the 2016 combining financial statements.

You will also see transactions processed in 2017 for pay periods ending in 2016 with a transaction type of regular contributions. These transactions represent the YE contribution accruals included in the 2016 combining financial statements.

What are the negative contributions included in the proportionate share schedules, or Schedules of Employer Allocations, labeled "Unauthorized"?

Unauthorized contributions are contributions remitted by employers to OPERS in error. There are a number of reasons contributions may be deemed unauthorized. OPERS contributions withheld from an employee that is not an OPERS member, such as an exempted student, is one example.

Employers can request a refund of such contributions on an OPERS Form F-103 or OPERS staff may discover the unauthorized contributions in the course of its processes and procedures and alert the employers. Contributions that have been assigned an unauthorized status are returned to employers via an unauthorized refund check.

OPERS includes unauthorized refund checks in its records as a correction to the amount of current year's contributions remitted by employers. These transactions are included in the proportionate share schedules, or Schedules of Employer Allocations, as negative amounts and the transaction type abbreviated to Unauthorized.

What are the contributions added at the bottom of the Schedules of Employer Allocations for employer code 690300? Why are they excluded from the proportionate share calculation?

For pension systems, the operating expenses of the System (i.e. pension and OPEB expense, staff time to administer benefit payments, creating financial documents, etc.) impact the system net pension and OPEB assets, or Plan Fiduciary Net Position. Net Pension Liability (NPL) and Net OPEB Liability (NOL) are the Total Pension/OPEB Liability less pension/OPEB Plan Fiduciary Net Position. OPERS is also considered a contributing employer. If a NPL or NOL, pension and OPEB expenses and deferred inflows/outflows are assigned to the pension system, then the base net

pension and OPEB assets used to calculate the initial NPL or NOL change – thus, causing a circular issue of the numbers changing that are used to calculate NPL or NOL, pension and OPEB expenses and deferred inflows/outflows.

OPERS identified this circular logic during our mock implementation of the pension standard. Discussions with GASB and our external auditors determined that the correct course of action was to exclude OPERS from the population of contributing employers included in the proportionate share calculations.

Employer code 690300 is the employer code assigned to OPERS. As the proportionate share schedules, or Schedules of Employer Allocations, indicates, we have removed our contributions from the calculation of employer proportionate share to be consistent with our discussions with GASB and our external auditors. We have, however, included our contributions on the schedule as a reconciling item at the bottom so that the total member and employer contributions in the schedules will agree to the audited combining financial statements found in our Comprehensive Annual Financial Report (CAFR).

What does “transaction date” reference in the proportionate share schedules, or Schedules of Employer Allocations?

Transaction date, found in the detail tab included in the Excel file supporting the schedule, represents the date that the payroll or unauthorized transaction was posted to OPERS internal system. This date will provide no value to the employers when reconciling the contributions reported to the employers’ internal payroll systems or reports submitted to OPERS. The date is included in the file as a tool for OPERS staff in reconciling the total contribution values by plan to the combining financial statements presented in the Comprehensive Annual Financial Report (CAFR).

The dates that should be used for reconciliation purposes by the employers should be either reporting date (as included in the pivot table tab of the Excel file) or pay period ending date.

If the OPERS Traditional Pension Plan has a Net Pension Liability and OPERS Combined Plan has a Net Pension Asset, can these amounts be netted together for reporting?

Question #43 in the GASB 68 Implementation Guide may answer this question (it is included below). It indicates in the answer that assets should be disclosed separately from liabilities in the financial statements. This guide was issued by GASB and is available on their website, www.gasb.org.

We strongly recommend you discuss questions with your external auditors or your Auditor of State contact, as they should review your implementation decisions since they issue an opinion on your financial statements. They will be able to assist you as you work through the journal entries associated with the implementation of GASB 68.

From GASB 68 Implementation Guide:

43. Q - Should a net pension liability (or aggregation of net pension liabilities) be displayed on a separate line on the face of the financial statements?

A - The net pension liability is not required to be displayed separately on the face of the financial statements. However, for some governments, it will be a significant balance, which may be displayed separately on the face of the financial statements. Liabilities for net pension liabilities associated with different pension plans may be aggregated for display, and pension assets for net pension assets associated with different plans may be aggregated for display. However, aggregated pension assets and aggregated pension liabilities should be separately displayed.

How do I calculate my employer share of the Net Pension/OPEB Liability?

OPERS released the audited Schedule of Collective Pension Amounts, Schedule of Collective OPEB Amounts and Schedules of Employer Allocations at the end of June. These audited schedules are available to employers, specifically contacts with a GASB role, via the Electronic Contribution System (ECS).

Employers' proportionate share percentages are included by employer code within the Schedules of Employer Allocations. If an employer has employees that participate in the Traditional Pension Plan, Combined Plan, and Member-Directed Plan, they will have three proportionate share percentages on the pension schedule. All employers will have one proportionate share percentage on the OPEB schedule. If an employer has more than one employer code, they will need the proportionate share percentages for each employer code to aggregate the information as needed for employer financial reporting.

The employer proportionate share percentages found in the Schedules of Employer Allocations should then be applied to the totals found on the Schedule of Collective Pension Amounts and Schedule of Collective OPEB Amounts for the Traditional Pension Plan, Combined Plan, Member-Directed Plan and OPEB, as applicable. In one report (GASB 68), the Schedule of Collective Pension Amounts includes the collective totals of the beginning and ending Net Pension Liability for the Traditional Pension Plan, Combined Plan, and Member-Directed Plan. The schedules also include the Deferred Outflows and Inflows of Resources applicable to each plan, as well as Pension Expense. In a second report (GASB 75), the Schedule of Collective OPEB Amounts includes collective totals of the beginning and ending Net OPEB Liability. The schedule also includes the Deferred Outflows and Inflows of Resources applicable to OPEB, as well as OPEB Expense. Employer proportionate share percentages should also be applied to these other collective totals included on the schedules in order for employers to calculate all numbers they will need for financial reporting to comply with GASB 68 and GASB 75.

We strongly recommend discussing detail questions with your external auditors or your Auditor of State contact as they should review your implementation decisions since they issue an opinion on your financial statements. They will be able to assist you as you work through the calculations and journal entries associated with GASB 68 and the implementation of GASB 75.

Has OPERS prepared any example calculations and journal entries for employers?

We strongly recommend discussing detail questions with your external auditors or your Auditor of State contact as they should review your implementation decisions since they issue an opinion on your financial statements. They will be able to assist you as you work through the calculations and journal entries associated with GASB 68 and the implementation of GASB 75.

OPERS has compiled the following example calculations and journal entries for a 1% proportionate share employer in the Traditional Pension Plan, including OPEB (if an employer has employees that pay into the Combined Plan and Member-Directed Plan also, these procedures would need repeated for that information).

Insert link - Example: Access Example from Frequently Asked Questions on GASB page of OPERS.org.

What if I have additional questions regarding the pension and OPEB standards, who do I contact at OPERS?

If employers or other stakeholders have any additional questions on the GASB standards and the information being provided by OPERS to employers, please submit the question to gasboutreach@opers.org or by using the following link <https://www.opers.org/employers/gasb/index.shtml#inquiry>.