GASB 67 & 68 Implementation: Frequently Asked Questions

Updated January 11, 2016

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 new GASB 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. We recommend working with your external auditor or the AOS to determine if your reporting method qualifies as OCBOA. Currently, the new GASB standards are not applicable to OCBOA entities. We recommend you work with your external auditor and the Ohio Auditor of State's office.

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

From the GASB perspective, pensions are a component of the compensation package and employment relationship between the employer and employee. Pensions 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 earned by their employees to-date. Therefore, GASB believes the employers should recognize a portion of this unfunded liability in their financial statements.

With GASB 68, *Accounting and Financial Reporting for Pensions*, new 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.

Employers will be required to disclose their proportionate share of pension liabilities or assets, deferred outflows or inflows, and pension expense or income. Employers will need to provide a description of the pension plans 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. Contribution rates and funding requirements are not impacted by GASB 67 and 68. The new 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 Net Pension Liability?

Net pension liability represents the difference between the Total Pension Liability and the Net Plan Position. In other words, it is the portion of the 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. 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 pronouncement. 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. 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 pronouncement. 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 and 68 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?

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. 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 pronouncement. We recommend you work with your external auditor and the Ohio Auditor of State's office.

OPERS calculation of the proportionate share 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, 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 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. Therefore, the proportionate share for the Combined Plan is calculated solely on employer contributions.

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 (current retiree liabilities are 100% funded) 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?

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. Please note that OPERS actuarial results in 2014 have resulted in a net pension asset for the Combined Plan (rather than a pension liability). In these cases, employers would record a reclassification entry debiting pension asset and crediting net position. 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 assets as well?

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

Which rating agencies did you talk with to determine it should not have an impact on 98% of ratings?

This particular 98% reference was in regards to Moody's as this rating agency's Investors Service department published a Cross Sector Rating Methodology paper titled *Adjustments to US State and Local Government Reported Pension Data* on April 17, 2013. In this paper, Moody's describes their approach to adjusting pension assets and liabilities reported by US states and local governments for the purpose of their independent credit analysis. The paper goes on to state that "Application of the adjusted pension data in our ratings of local governments will be made within the context of our methodology, 'General Obligation Bonds Issued by US Local Governments'. We expect that less than 2% of the total population of local general obligation (GO) and equivalent and related ratings will be placed under review for possible downgrade as a result of adopting the adjustments. The affected ratings will be for those local governments whose adjusted pension obligations relative to their resources place them as significant outliers in their ratings categories."

OPERS staff talked with representatives of Moody's, Standard & Poor's (S&P) and Fitch directly to better understand 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 initial discussions, Moody's indicated that from their recent review of 19 Ohio public entities, 12 have been downgraded for a number of reasons, including pension liabilities, but that the pension aspect was not the major driving component.

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. They 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 implementation of GASB 68.

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.

Please remember that these rating agencies, like all of us, are working through the ramifications of the statements and determining the best course to implement the standards. Therefore, these comments should be taken as preliminary and subject to change.

Moody's is increasing pension obligations to 35% of their evaluations and lowering economic factors. Is this because of the GASB changes?

OPERS cannot speak to the rationale or reason for changes in any organization except itself. We recommend reviewing papers published by Moody's that explain their rating considerations. Moody's Investors Service department published a Cross Sector Rating Methodology paper titled *Adjustments to US State and Local Government Reported Pension Data* on April 17, 2013. Moody's Investors Service department also published rating methodology titled *US Local Government General Obligation Debt* on January 15, 2014. In this most recent paper, in Appendix B: Moody's Pension Adjustments, they do state, "As governments begin to report their specific shares of [cost-sharing plan] CSP liabilities, as expected in the next few years under new GASB standards, we will use the disclosed liabilities rather than the calculated proportional share approach [they are currently using as defined in their paper], provided the disclosed liability in each case appears to be reasonable based on our understanding of the government's relationship with the cost-sharing plan."

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 ending in 2015 will be their implementation year. The new standards are 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 are applicable for your fiscal year ending June 30, 2015, September 30, 2015 or December 31, 2015. If you are a fiscal year end of March 31, the standards are applicable for your fiscal year ending 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, 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 pension liability).

What is the measurement date?

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. Employers with a fiscal year-end equal to the retirement plan (December 31 for OPERS) will have 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 December 31, 2014 valuation information was audited and available to employers via ECS in June 2015. Information for December 31, 2015 will be available in June 2016.

If your fiscal year-end is March 31, the initial implementation date for the new GASB standards is the fiscal year ending March 31, 2016. These employers need to use 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 new GASB standards are the fiscal years ended June 30, 2015 and September 30, 2015, respectively. These employers need to use the valuation for the measurement date as of December 31, 2014.

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. Meetings are occurring between all of the retirement systems to coordinate the audit approach and discuss communication efforts to employers on the new standards. Each system, however, will design and communicate the required information based on their operations, accounting methodologies, assumptions and employers as these aspects can differ between all systems.

What are pension expense and deferred inflows and outflows?

Pension expense generally equals the change in net pension 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 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 expense or income not recognized in the employer's financial statements as expense or 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, 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 can't be netted (can't 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 can't 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. 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 expense result in an additional cash outlay or impact my operating budget?

There will be no additional cash outlay.

The employers' financial commitment to OPERS is limited to the Ohio statutorily determined contributions. Therefore, the changes in calculating the employer's pension expense 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 expenses. After GASB 68 implementation, pension expense will equal the change in net pension liability from year to year adjusted by the amortization rules for certain elements impacting the net pension liability. Depending on if employers budget for cash outlay or on how pension expense is 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 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.

What will the information look like that OPERS will provide?

OPERS will be providing the required proportionate share schedule and the cumulative pension totals schedule, including the audit opinion that will cover these schedules. The proportionate share schedule will also include detailed information that should assist employers with reconciling contributions to their payroll records. We are also providing a template to assist employers in tracking those changes (from the cumulative pension totals schedule) that result in deferred inflows and outflows of items that can't be recognized in pension expense or income all at once. More detail behind the information that OPERS is providing and what it will look like can be found in the Operations Track webinar posted on-line at opers.org via the Finance tab.

When will OPERS provide the information that we need, is it available now?

The December 31, 2014 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, 2015 measurement period will be available in June 2016.

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

In the year of implementation, GASB 67 and 68 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 standard provides that the recognition of the beginning balances of pension 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 on the MD&A.

How do I access the OPERS Employer GASB Forum?

The employer forum can be accessed from the GASB page of OPERS.org.

What impact does GASB 71 have on the information communicated so far?

There has been one amendment to GASB 68 issued already - GASB Statement No. 71.

GASB 68 was written with the understanding that retirement plans would be responsible for providing key informational items to participating employer to include in their financial statements. Among these elements are deferred inflows and outflows of resources.

GASB realized that employers participating in a retirement system may not receive beginning balances for deferred inflows and outflows of resources. Therefore, the statement provided that in the year of implementation, employers participating in a retirement system may forgo reporting beginning balances for deferred inflows and outflows of resources. Statement number 68 states, however, that the employers cannot pick and choose which beginning balances they wish to record…in other words they can't decide to record only those beginning balances that improve the net position on their financial statement.

GASB realized, however, that deferred pension contributions (a deferred outflow) are contained in the records of the employer. Therefore, GASB issued Statement No. 71, which is an amendment to Statement No. 68, to say that employers may forgo recording beginning balances for deferred inflows and outflows **with the exception of deferred pension**

contributions.

The full text to GASB 71 can be found on www.gasb.org or via our link on www.opers.org.

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, 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 for the Traditional Pension Plan will be based on both member and employer contributions. The proportionate share for the Combined Plan will be based solely on employer contributions.

The proportionate share schedule includes 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 schedule, or Schedule 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 (2014) that related to pay period end dates in the previous year (2013) were recognized in the financial statements of the previous year (2013). The YE contribution accrual reversals eliminate the contribution reports processed in 2014 but recognized in the 2013 combining financial statements.

You will also see transactions processed in 2015 for pay periods ending in 2014 with a transaction type of regular contributions. These transactions represent the YE contribution accruals included in the 2014 combining financial statements.

What are the negative contributions included in the proportionate share schedule, or Schedule 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 schedule, or Schedule of Employer Allocations, as negative amounts and the transaction type abbreviated to Unauthorized.

What are the contributions added at the bottom of the Schedule 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 expense, staff time to administer benefit payments, creating financial documents, etc.) impact the system net pension assets, or Plan Fiduciary Net Position. Net Pension Liability (NPL) is the Total Pension Liability less Plan Fiduciary Net Position. OPERS is also considered a contributing employer. If a NPL, pension expense and deferred inflows/outflows are assigned to the pension system, then the base net pension assets used to calculate the initial NPL change – thus, causing a circular issue of the numbers changing that are used to calculate NPL, pension expense and deferred inflows/outflows.

OPERS identified this circular logic during our mock implementation using 2012 year-end information. 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 schedule, or Schedule 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 schedule 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 schedule, or Schedule 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.

Since 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. <u>However, aggregated pension assets and aggregated pension liabilities should be separately displayed</u>.

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

OPERS released the audited Schedule of Collective Pension Amounts and Schedule 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). Refer to access information included on our website on the Finance home page.

Employers' proportionate share percentages are included by employer code within the Schedule of Employer Allocations. If an employer has employees that participate in both the Traditional Pension Plan and Combined Plan, they will have two proportionate share percentages on this 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 Schedule of Employer Allocations should then be applied to the totals found on the Schedule of Collective Pension Amounts for the Traditional Pension Plan and Combined Plan, as applicable. The Schedule of Collective Pension Amounts includes the collective totals of the beginning and ending Net Pension Liability for the Traditional Pension Plan and the beginning and ending Net Pension Asset for the Combined Plan. The schedule also includes the Deferred Outflows and Inflows of Resources applicable to each plan, as well as Pension Expense. Employer proportionate share percentages should also be applied to these other collective totals included on the schedule in order for employers to calculate all numbers they will need for financial reporting to comply with GASB 68.

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 the implementation of GASB 68.

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 the implementation of GASB 68.

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

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

What if I have additional questions regarding GASB 67 and 68, who do I contact at OPERS?

If employers or other stakeholders have any additional questions on the new GASB standards and the information being provided by OPERS to employers, please through the GASBOutreach e-mail address available at OPERS.org.