

## GASB 67/68 Overview

Municipal Association of South Carolina's  
2015 Hometown Legislative Action Day  
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## Governmental Accounting Standards Board

### Two "New" GASB Pension Accounting Standards

- GASB 67, *Financial Reporting for Pension Plans*
  - ✓ Affected Retirement Systems financial statements issued by PEBA
  - ✓ Implemented in June 30, 2014 financial statements for the pension trust funds
- GASB 68, *Accounting and Financial Reporting for Pensions*
  - ✓ Replaces GASB 27 and 50
  - ✓ Affects reporting by employers participating in the Retirement Systems
  - ✓ Effective for fiscal periods beginning after June 15, 2014

## Intent of the New Standards

- According to GASB, the new standards are intended to:
  - Improve the way state and local governments report pension liabilities and expenses providing a more realistic representation of the complete impact of pension obligations.
  - Improve the decision-usefulness of the reported information and increase the transparency, consistency, and comparability of pension information across state and local governments.
- GASB believes pension benefits are part of overall compensation package, and certain pension-related costs should be included in employer's financial statements.

## What Will the New Standards Change?

- Change the way public pension plans, and the employers that participate in the plans, calculate and report the costs and obligations of the plans.
- Completely disconnect the accounting for and reporting of pensions from the funding of pensions.

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### What Will the New Standards NOT Change?

- The new standards do NOT change plan benefits.
  - ✓ A retiree receiving a \$1,000 monthly benefit under the current standards will continue to receive a \$1,000 monthly benefit under the new standards.
- The new standards do NOT change how contribution rates are determined.
  - ✓ Rates are either set in statute or calculated as part of the annual actuarial valuation and voted on by the PEBA Board and the Budget & Control Board.
- The new standards should NOT change the way employers establish their budgeted contributions.

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### What Does this Mean for Participating Employers?

- Participating employers will have to record a liability for their proportionate share of the plans' collective Net Pension Liability (NPL) on the face of their Statement of Net Position

Total Pension Liability  
(Plan Fiduciary Net Position\*)

Net Pension Liability

\* The market value of plan assets as of the measurement date.

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### Concerns for Participating Employers

- New liability reflected in the financial statements
  - Likely to appear insolvent as a result
- Complexity associated with new requirements
- Questions regarding impact on bond ratings
- Potential increase in external audit fees

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### What is PEBA Doing to Help?


- Created a special GASB Resource Center on our website, which is updated as new information becomes available



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### What is PEBA Doing to Help?


- Surveyed employers to obtain information about their audit & financial statements and to ensure we have the appropriate contact person listed for their entity for GASB-related correspondence



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### What is PEBA Doing to Help?

- Posted FY2014 unaudited schedules containing GASB 68 information to PEBA's website



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### What is PEBA Doing to Help?

- Audit Engagement
  - PEBA worked with the State Auditor to engage CliftonLarsonAllen to audit the underlying employer census data and actuarial schedules in order to provide a separate audit opinion which can be relied upon by participating employers' external audit firms
  - Engagement began in January 2015
  - Auditing payroll/census data of 44 employers who were notified by letter January 30, 2015 (sample size based on AICPA State and Local Government Expert Panel Pension Whitepaper guidance)
  - Audit opinion will be issued by May 29, 2015

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### What is PEBA Doing to Help?

- Employer educational series will be posted to PEBA's GASB Resource Center
  - Will take the subject of GASB 67 & 68 and break it into manageable sessions
  - Will include more technical accounting/reporting information
  - Will allow employers or other interested parties to watch at their leisure and as many times as needed

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## GASB 67 & 68 Apply to Pensions Only

- New standards impact accounting and financial reporting for pension plans and employers participating in the plans only
- Other Post Employment Benefits (OPEB) liabilities remain separate, and reporting related to such is not impacted by GASB 67 and 68; however, exposure drafts were issued in May 2014 related to proposed changes to accounting and financial reporting for OPEB

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## Need More Information?

- Contact PEBA Retirement Benefits Staff with Questions  
[PensionGASB@peba.sc.gov](mailto:PensionGASB@peba.sc.gov)
- Visit PEBA Retirement Benefits GASB Resource Center  
[www.retirement.sc.gov/gasb/resourcecenter.htm](http://www.retirement.sc.gov/gasb/resourcecenter.htm)
- Sign up for PEBA Retirement Benefits Employer RSS feed  
<http://www.retirement.sc.gov/employers/default.htm>

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# Questions?

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Employers covered by the South Carolina Public Employee Benefit Authority are not agents of the South Carolina Public Employee Benefit Authority.