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## Short Takes on Pensions and OPEB

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## Pension Statements Issued

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- Statement No. 67-Financial Reporting for Pension Plans
- Statement No. 68-Accounting and Financial Reporting for Pensions

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## Pensions

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- Statements issued June 2012
- GASB 68 impacts all cities and towns participating in pension plans
- Applicable for fiscal years beginning after June 15, 2014

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## Purpose of New Standards

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- Pensions are considered a form of compensation employees earn during each service period
- GASB has determined that the pension obligation meets the definition of a liability
- An employer's net pension liability and pension expense will need to be recognized in financial statements

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## Purpose of New Standards

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- Per GASB “they will improve the way state and local governments report pension liabilities and expense, providing a more realistic representation of the complete impact of pension obligations”
- GASB also states “changes will improve the decision usefulness and increase transparency, consistency and comparability of pension information across state and local governments”

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## Overview of Changes

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- Disconnects the accounting for and reporting of pensions from funding of pensions
- Requires calculation of the net pension liability
  - Total Pension Liability less Plan Net Position Held in Trust for Pension Benefits

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## Pensions

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- Requires additional financial statement disclosures for both pension funds and participating employers
- Applies to participants in cost-sharing programs such as SCRS/PORS
  - Currently participating employers recognize contractually required contributions

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## What does this mean to cities and towns?

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- Net position may be negative after recording the Net Pension Liability in the annual financial statements
- Audit costs may increase
- Will need to be prepared to explain the liability to governing boards, stakeholders, and taxpayers

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## What does this mean to cities and towns?

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- If a city or town participates in SCRS/PORS, cannot pay down liability
- A city or town can only pay the annual required contributions using rates determined by the Budget and Control Board

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## Example-Before & After

City of Anywhere, South Carolina  
Statement of Net Position  
June 30, 2015

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	PRI-GASB 68	POST-GASB 68
<b>ASSETS</b>		
Cash and Investments	\$ 904,966	\$ 904,966
Restricted Cash and Investments	1,412,330	1,412,330
Taxes Receivable (Net of Allowance)	127,160	127,160
Accounts Receivable	23,781	23,781
Due from Other Governments	63,944	63,944
Other Assets	4,499	4,499
<b>Capital Assets:</b>		
Non-Depreciable	1,505,150	1,505,150
Depreciable, Net	6,358,788	6,358,788
<b>Total Assets</b>	<b>10,238,618</b>	<b>10,238,618</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
City contributions subsequent to the measurement date	-	168,491
<b>LIABILITIES</b>		
Accounts Payable	125,623	125,623
Accrued Expenses	160,726	160,726
Net Pension Liability	-	7,808,986
<b>Noncurrent Liabilities:</b>		
Due Within One Year	456,109	456,109
Due in More Than One Year	1,860,486	1,860,486
<b>Total Liabilities</b>	<b>2,602,944</b>	<b>10,411,930</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	6,301,674	6,301,674
<b>Restricted for:</b>		
Debt service	35,398	35,398
Capital projects	1,264,285	1,264,285
Unrestricted	30,317	(7,610,178)
<b>Total Net Position</b>	<b>\$ 7,631,674</b>	<b>\$ (8,821)</b>



## Example-Before & After

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### NET POSITION

Net Investment in Capital Assets	6,301,674	6,301,674
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## Other Post Employment Benefits

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- Revisiting GASB 43 and 45
- Exposure Drafts approved May 2014 and released June 2014
- Anticipated implementation date for fiscal years beginning after December 15, 2016 (for most, this will be recorded in fiscal year 2017/18)



## Other Post Employment Benefits

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- Will require recording a Net OPEB liability in financial statements (in addition to amounts already recorded for pensions)
- Will further deteriorate the Net Position of cities and towns offering OPEB

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