

## REPORTING

### **Note X – Defined Benefit Pension Plans**

#### **Local Government Plans that comply with GASB 67 criteria - [1]**

INSTRUCTIONS TO PREPARER – The following should be disclosed in the notes to the financial statements and required supplementary information, as applicable.

*[1] For more details regarding the note disclosures for a pension trust fund see GASB Statement 67, Paragraphs 30-31. See the GASB 67 implementation guide for sample note disclosures and RSI tables. Changes from GASB 25 to GASB 67 are highlighted in red below.*

#### A. Plan description:

- (1) The name of the pension plan, identification of the public employee retirement system or other entity that administers the pension plan, and identification of the pension plan as a single-employer, agent, or cost-sharing pension plan.
- (2) The number of participating employers (if the pension plan is a multiple-employer pension plan) and the number of non-employer contributing entities, if any.
- (3) Information regarding the pension plan's board and its composition (for example, the number of trustees by source of selection or the types of constituency or credentials applicable to selection).
- (4) Classes of plan members covered and the number of plan members, separately identifying numbers of the following:
  - (a) Inactive plan members (or their beneficiaries) currently receiving benefits
  - (b) Inactive plan members entitled to but not yet receiving benefits
  - (c) Active plan members. If the pension plan is closed to new entrants, that fact should be disclosed.
- (5) The authority under which benefit terms are established or may be amended and the types of benefits provided through the pension plan. If the pension plan or the entity that administers the pension plan has the authority to establish or amend benefit terms, a brief description should be provided of the benefit terms, including the key elements of the pension formulas and the terms or policies, if any, with respect to automatic postemployment benefit changes, including automatic cost-of-living adjustments (automatic COLAs), and ad hoc post-employment benefit changes, including ad hoc cost-of-living adjustments (ad hoc COLAs).
- (6) A brief description of contribution requirements, including:
  - (a) Identification of the authority under which contribution requirements of employers, non-employer contributing entities, if any, and plan members are established or may be amended and

(b) The contribution rates (in dollars or as a percentage of covered payroll) of those entities for the reporting period. If the pension plan or the entity that administers the pension plan has the authority to establish or amend contribution requirements, disclose the basis for determining contributions (for example, statute, contract, an actuarial basis, or some other manner).

B. Pension plan investments:

(1) Investment policies, including:

(a) Procedures and authority for establishing and amending investment policy decisions

(b) Policies pertaining to asset allocation

(c) Description of significant investment policy changes during the reporting period.

(2) A brief description of how the fair value of investments is determined, including the methods and significant assumptions used to estimate the fair value of investments if that fair value is based on other than quoted market prices.

(3) Identification of investments (other than those issued or explicitly guaranteed by the U.S. government) in any one organization that represent 5 percent or more of the pension plan's fiduciary net position.

(4) The annual money-weighted rate of return on pension plan investments calculated as the internal rate of return on pension plan investments, net of pension plan investment expense, and an explanation that a money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Pension plan investment expense should be measured on the accrual basis of accounting. Inputs to the internal rate of return calculation should be determined at least monthly. The use of more frequently determined inputs is encouraged.

C. Receivables — The terms of any long-term contracts for contributions to the pension plan between:

(1) An employer or non-employer contributing entity and

(2) The pension plan, and the balances outstanding on any such long-term contracts at the end of the pension plan's reporting period.

D. Allocated insurance contracts excluded from pension plan assets:

(1) The amount reported in benefit payments in the current period that is attributable to the purchase of allocated insurance contracts

(2) A brief description of the pensions for which allocated insurance contracts were purchased in the current period

(3) The fact that the obligation for the payment of benefits covered by allocated insurance contracts has been transferred to one or more insurance companies.

- E. Reserves—In circumstances in which there is a policy of setting aside, for purposes such as benefit increases or reduced employer contributions, a portion of the pension plan’s fiduciary net position that otherwise would be available for existing pensions or for pension plan administration:
- (1) A description of the policy related to such reserves
  - (2) The authority under which the policy was established and may be amended
  - (3) The purposes for and conditions under which the reserves are required or permitted to be used
  - (4) The balances of the reserves.
- F. Deferred retirement option program (DROP) balances—If a pension plan includes terms that permit a plan member to be credited for benefit payments into an individual member account within the pension plan while continuing to provide services to the employer and to be paid a salary:
- (1) A description of the DROP terms
  - (2) The balance of the amounts held by the pension plan pursuant to the DROP.
- G. The components of the liability of the employers and non-employer contributing entities to plan members for benefits provided through the pension plan (net pension liability), calculated in conformity with the requirements of paragraphs 35–46 of GASB 67:
- (1) The total pension liability
  - (2) The pension plan’s fiduciary net position
  - (3) The net pension liability
  - (4) The pension plan’s fiduciary net position as a percentage of the total pension liability.

*Example:*

<i>Total Pension Liability</i>	<i>\$100,000</i>
<i>Plan Fiduciary Net Position</i>	<i>\$90,000</i>
<i>Net Pension Liability (Asset)</i>	<u><u><i>\$10,000</i></u></u>

<i>Plan fiduciary net position as a % of total pension liability</i>	<i>90%</i>
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- H. Significant assumptions and other inputs used to measure the total pension liability, including assumptions about inflation, salary changes, and ad hoc postemployment benefit changes (including ad hoc COLAs). With regard to mortality assumptions, the source of the assumptions (for example, the published tables on which the assumption is based or that the assumptions are based on a study of the experience of the covered group) should be disclosed. The dates of experience studies on which significant assumptions are based also should be disclosed. If different rates are assumed for different periods, information should be disclosed about what rates are applied to the different periods of the measurement.
- (1) The following information should be disclosed about the discount rate:

- (a) The discount rate applied in the measurement of the total pension liability and the change in the discount rate since the pension plan's prior fiscal year-end, if any
- (b) Assumptions made about projected cash flows into and out of the pension plan, such as contributions from employers, non-employer contributing entities, and plan members
- (c) The long-term expected rate of return on pension plan investments and a description of how it was determined, including significant methods and assumptions used for that purpose
- (d) If the discount rate incorporates a municipal bond rate, the municipal bond rate used and the source of that rate
- (e) The periods of projected benefit payments to which the long-term expected rate of return and, if used, the municipal bond rate applied to determine the discount rate
- (f) The assumed asset allocation of the pension plan's portfolio, the long-term expected real rate of return for each major asset class, and whether the expected rates of return are presented as arithmetic or geometric means, if not otherwise disclosed
- (g) Measures of the net pension liability calculated using (i) a discount rate that is 1-percentage-point higher than that required by paragraph 40 of GASB 67 and (ii) a discount rate that is 1-percentage-point lower than that required by paragraph 40.

*Example:*

	<i>1% decrease</i>	<i>Current Disc. Rate</i>	<i>1% increase</i>
	<i>6%</i>	<i>7%</i>	<i>8%</i>
<i>Net Pension Liability (Asset)</i>	<i>825,000</i>	<i>750,000</i>	<i>660,000</i>

- I. The date of the actuarial valuation on which the total pension liability is based and, if applicable, the fact that update procedures were used to roll forward the total pension liability to the pension plan's fiscal year-end.

***Required Supplementary Information***

*Per GASB 67, paragraph 50 - In the transition year, plans should present all 10 years for the schedule required by (c) below. For the other schedules, only as many years as can be presented in conformity with the new standard should to be presented.*

Schedules of required supplementary information that include the information indicated in (a) through (d) below should be presented. The information in (a) and (b) may be presented in a single schedule. Information for each year should be measured as of the pension plan's most recent fiscal year-end.

- a. A 10-year schedule of changes in the net pension liability, presenting for each year (1) the beginning and ending balances of the total pension liability, the pension plan's fiduciary net

position, and the net pension liability, calculated in conformity with paragraphs 35–46 of GASB 67, and (2) the effects on those items during the year of the following, as applicable:

- (1) Service cost
- (2) Interest on the total pension liability
- (3) Changes of benefit terms
- (4) Differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability
- (5) Changes of assumptions about future economic or demographic factors or of other inputs
- (6) Contributions from employers
- (7) Contributions from non-employer contributing entities
- (8) Contributions from plan members
- (9) Pension plan net investment income
- (10) Benefit payments, including refunds of plan member contributions
- (11) Pension plan administrative expense
- (12) Other changes, separately identified if individually significant.

b. A 10-year schedule presenting the following for each year:

- (1) The total pension liability
- (2) The pension plan’s fiduciary net position
- (3) The net pension liability
- (4) The pension plan’s fiduciary net position as a percentage of the total pension liability
- (5) The covered-employee payroll
- (6) The net pension liability as a percentage of covered-employee payroll.

Example – Schedule of Changes in Net Pension Liability:

	Year 2	Year 1
<b>Total Pension Liability:</b>		
Service cost	\$\$\$	\$\$\$
Interest	\$\$\$	\$\$\$
Changes in benefit terms	\$\$\$	\$\$\$
Diff. between expected and actual exp.	\$\$\$	\$\$\$
Changes in assumptions	\$\$\$	\$\$\$
Benefit payments and refunds	(\$\$\$)	(\$\$\$)
<b>Net Change in Total Pension Liability</b>	<b>\$\$\$</b>	<b>\$\$\$</b>
<b>Total Pension Liability - Beginning</b>	<b>\$\$\$</b>	<b>\$\$\$</b>
<b>Total Pension Liability - Ending (A)</b>	<b>\$\$\$</b>	<b>\$\$\$</b>

Plan Fiduciary Net Position:		
Contributions - Employer	\$\$\$	\$\$\$
Contributions - Member	\$\$\$	\$\$\$
Net Investment income	\$\$\$	\$\$\$
Benefit payments and refunds	(\$\$\$)	(\$\$\$)
Admin. Expense	(\$\$\$)	(\$\$\$)
Other	\$\$\$	\$\$\$
Net Change in Plan Fiduciary Net Position:	\$\$\$	\$\$\$
Plan Fiduciary Net Position - Beginning	\$\$\$	\$\$\$
<b>Plan Fiduciary Net Position - Ending (B)</b>	\$\$\$	\$\$\$
<b>Net Pension Liability (Asset) - Ending</b>	<b>(A) - (B)</b>	<b>(A) - (B)</b>
Plan fiduciary net position as a % of the total pension liability	%	%
Covered employee payroll	\$\$\$	\$\$\$
Net pension liability (asset) as a % of covered employee payroll	%	%

*This schedule is to be built prospectively until it contains ten years of data.*

- c. A 10-year schedule presenting for each year the information indicated below, **if an actuarially determined contribution is calculated** for employers or non-employer contributing entities. The schedule should identify whether the information relates to the employers, non-employer contributing entities, or both.
- (1) The actuarially determined contributions of employers or non-employer contributing entities. For purposes of this schedule, actuarially determined contributions should exclude amounts, if any, to separately finance specific liabilities of an individual employer or non-employer contributing entity to the pension plan.
  - (2) For cost-sharing pension plans, the contractually required contribution of employers or non-employer contributing entities, if different from (1). For purposes of this schedule, contractually required contributions should exclude amounts, if any, to separately finance specific liabilities of an individual employer or non-employer contributing entity to the pension plan.
  - (3) The amount of contributions recognized during the fiscal year by the pension plan in relation to the actuarially determined contribution in (1). For purposes of this schedule, contributions should include only amounts recognized as additions to the pension plan's fiduciary net position resulting from cash contributions and from contributions recognized by the pension plan as current receivables.

- (4) The difference between the actuarially determined contribution in (1) and the amount of contributions recognized by the pension plan in relation to the actuarially determined contribution in (3).
- (5) The covered-employee payroll.
- (6) The amounts of contributions recognized by the pension plan in relation to the actuarially determined contribution in (3) as a percentage of covered-employee payroll in (5).

Example – Schedule of Contributions:

	Year 2	Year 1
Actuarially determined contribution	\$\$\$	\$\$\$
Contributions in relation to the actuarially determined contribution	\$\$\$	\$\$\$
Contribution deficiency (excess)	\$\$\$	\$\$\$
Covered employee payroll	\$\$\$	\$\$\$
Contributions as % of covered employee Payroll	%	%

*This schedule should include all 10 years.*

- d. A 10-year schedule presenting for each fiscal year the annual money-weighted rate of return on pension plan investments calculated as required by paragraph 30b(4) of GASB 67.

Example – Schedule of Investment Returns:

	Year 3	Year 2	Year 1
Annual money-weighted rate of return, net of investment expense	%	%	%

*This schedule is to be built prospectively until it contains ten years of data.*

**Notes to RSI**

Significant methods and assumptions used in calculating the actuarially determined contributions, If any, should be presented as notes to the schedule required by (a) above. In addition, for each of the schedules above, information should be presented about factors that significantly affect trends in the amounts reported (for example, changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions). The amounts presented for prior years should not be restated for the effects of changes (for example, changes of benefit terms or changes of assumptions that occurred subsequent to the end of the fiscal year for which the information is reported).