**Before using this template, please review Note X – Pension Plans.**

**Add to Note 1 – Summary of Significant Accounting Policies**

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the (plan name) and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Note X – Defined Benefit Pension Plans**

These instructions address the requirements for local governments whose pension plans comply with [GASB Statements 67/68](http://www.gasb.org/cs/ContentServer?c=Page&pagename=GASB%2FPage%2FGASBSectionPage&cid=1176160042391) and do not issue a separate stand-alone financial report for the plan. For more details regarding the note disclosures for a pension trust fund see [GASB Statement 67](http://www.gasb.org/cs/ContentServer?c=Page&pagename=GASB%2FPage%2FGASBSectionPage&cid=1176160042391), paragraphs 30-31. See the [GASB Statement 67](http://www.gasb.org/cs/ContentServer?c=Page&pagename=GASB%2FPage%2FGASBSectionPage&cid=1176160042391) implementation guide for sample note disclosures and RSI tables. For more details regarding note disclosures for single-employer plans, see GASB Statement 68, paragraphs 39-45. See the [GASB Statement 68](http://www.gasb.org/cs/ContentServer?c=Page&pagename=GASB%2FPage%2FGASBSectionPage&cid=1176160042391) implementation guide for sample note disclosures and RSI tables. Similar information is required by [Statements 67 and 68](http://www.gasb.org/cs/ContentServer?c=Page&pagename=GASB%2FPage%2FGASBSectionPage&cid=1176160042391). These instructions assume that the employer includes the pension plan in its financial reporting entity as a pension trust fund or as a fiduciary component unit and endeavors to present the information in a manner that avoids unnecessary duplication. For local government pension plans that do not meet the requirements of [GASB Statements 67/68](http://www.gasb.org/cs/ContentServer?c=Page&pagename=GASB%2FPage%2FGASBSectionPage&cid=1176160042391) criteria, see [Note X - Pension Plans](https://www.sao.wa.gov/bars_gaap/reporting/notes-to-financial-statements/note-x-pension-plans/).

The following should be disclosed in the notes to the financial statements and supplementary information, as applicable.

The total (aggregate for all pensions, whether provided through single employer, agent, or cost-sharing pension plans) of the employer’s pension liabilities, pension assets, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense/expenditures for the period associated with net pension liabilities should be disclosed if the total amounts are not otherwise identifiable from information presented in the financial statements.

Example:

The following table represents the aggregate pension amounts for all plans for the year 20XX:

|  |  |
| --- | --- |
| **Aggregate Pension Amounts – All Plans** | |
| Pension liabilities | $ |
| Pension assets | $ |
| Deferred outflows of resources | $ |
| Deferred inflows of resources | $ |
| Pension expense/expenditures | $ |

The information identified in the following paragraphs should be disclosed for benefits provided through **each** single-employer pension plan in which the employer participates. Disclosures related to more than one pension plan should be combined in a manner that avoids unnecessary duplication.

In circumstances in which the employees of a primary government and its component units are provided with pensions through the same single-employer pension plan, the note disclosures in the reporting entity’s financial statements should separately identify amounts associated with the primary government (including its blended component units) and those associated with its discretely presented component units.

**Pension Plan Description**

The following information should be disclosed about the pension plan through which benefits are provided:

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 pension plan.
2. 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).
3. A brief description of the benefit terms, including (1) the classes of employees covered; (2) the types of benefits; (3) the key elements of the pension formulas; (4) the terms or policies, if any, with respect to automatic postemployment benefit changes, including automatic COLAs, and ad hoc postemployment benefit changes, including ad hoc COLAs; and (5) the authority under which benefit terms are established or may be amended. If the pension plan is closed to new entrants, that fact should be disclosed.
4. The number of employees covered by the benefit terms, separately identifying numbers of the following:

(1) Inactive employees (or their beneficiaries) currently receiving benefits

(2) Inactive employees entitled to but not yet receiving benefits

(3) Active employees.

1. A brief description of contribution requirements, including (1) the basis for determining the employer’s contributions to the pension plan (for example, statute, contract, an actuarial basis, or some other manner); (2) identification of the authority under which contribution requirements of the employer, non-employer contributing entities, if any, and employees are established or may be amended; and (3) the contribution rates (in dollars or as a percentage of covered payroll) of those entities for the reporting period. Also, the amount of contributions recognized by the pension plan from the employer during the reporting period (measured as the total of amounts recognized as additions to the pension plan’s fiduciary net position resulting from actual contributions and from contributions recognized by the pension plan as current receivables), if not otherwise disclosed.

Note to Preparer:

Firefighters’ Pension Fund ([RCW 41.16.050](http://apps.leg.wa.gov/rcw/default.aspx?cite=41.16.050)) – The state contributes 25% of taxes on fire insurance premiums to these plans and is considered a non-employer contributing entity. The amount of these contributions received (BARS account 3360691) should be disclosed. This is not considered a special funding situation.

1. Whether the pension plan issues a stand-alone financial report (or the pension plan is included in the report of a public employee retirement system or another government) that is available to the public and, if so, how to obtain the report (for example, a link to the report on the public employee retirement system’s website).

**Information about the Net Pension Liability**

**Assumptions and Other Inputs**

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) should be disclosed. 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.

The following information should be disclosed about the discount rate:

1. The discount rate applied in the measurement of the total pension liability and the change in the discount rate since the prior measurement date, if any
2. Assumptions made about projected cash flows into and out of the pension plan, such as contributions from the employer, nonemployer contributing entities, and employees
3. The long-term expected rate of return on pension plan investments and a brief description of how it was determined, including significant methods and assumptions used for that purpose
4. If the discount rate incorporates a municipal bond rate, the municipal bond rate used and the source of that rate
5. 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
6. 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
7. Measures of the net pension liability calculated using (1) a discount rate that is 1-percentage-point higher than the current discount rate and (2) a discount rate that is 1-percentage-point lower than the current discount rate.

Example:

|  |  |  |  |
| --- | --- | --- | --- |
|  | 1% | Current | 1% |
|  | decrease | Disc. Rate | increase |
|  | 6% | 7% | 8% |
| Net Pension Liability (Asset) | 825,000 | 750,000 | 660,000 |

**Changes in the Net Pension Liability**

For the current reporting period, a schedule of changes in the net pension liability should be presented. The schedule should separately include the information indicated below. If the employer has a special funding situation, the information in subparagraphs (a)-(c) should be presented for the collective net pension liability.

1. The beginning balances of the total pension liability, the pension plan’s fiduciary net position, and the net pension liability
2. The effects during the period of the following items, if applicable, on the balances in subparagraph (a):

(1) Service cost

(2) Interest on the total pension liability

(3) Changes of benefit terms

(4) Differences between expected and actual experience in the measurement of the total pension liability

(5) Changes of assumptions or other inputs

(6) Contributions from the employer

(7) Contributions from nonemployer contributing entities

(8) Contributions from employees

(9) Pension plan net investment income

(10) Benefit payments, including refunds of employee contributions

(11) Pension plan administrative expense

(12) Other changes, separately identified if individually significant.

1. The ending balances of the total pension liability, the pension plan’s fiduciary net position, and the net pension liability
2. If the employer has a special funding situation:

(1) The nonemployer contributing entities’ total proportionate share of the collective net pension liability,

(2) The employer’s proportionate share of the collective net pension liability.

Example:

**Changes in the Net Pension Liability**

|  |  |  |  |
| --- | --- | --- | --- |
| Plan Name | Total Pension Liability  (a) | Plan Fiduciary Net Position  (b) | Net Pension Liability  (a) – (b) |
| **Balances at 1/1/20XX** | $ | $ | $ |
| **Changes for the year:** |  |  |  |
| Service Cost |  |  |  |
| Interest |  |  |  |
| Changes in benefit terms |  |  |  |
| Differences between expected and actual experience |  |  |  |
| Changes of assumptions |  |  |  |
| Contributions – employer |  |  |  |
| Contributions – employees |  |  |  |
| Net investment income |  |  |  |
| Benefit payments, including refunds of contributions |  |  |  |
| Administrative expense |  |  |  |
| Other changes |  |  |  |
| **Net changes** |  |  |  |
| **Balance at 12/31/20XX** |  |  |  |

In addition to the information required above, the following information should be disclosed, if applicable:

a. The measurement date of the net pension liability, 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 measurement date

b. If the employer has a special funding situation, the employer’s proportion (percentage) of the collective net pension liability, the basis on which its proportion was determined, and the change in its proportion since the prior measurement date

c. A brief description of changes of assumptions or other inputs that affected measurement of the total pension liability since the prior measurement date

1. A brief description of changes of benefit terms that affected measurement of the total pension liability since the prior measurement date
2. The amount of benefit payments in the measurement period attributable to the purchase of allocated insurance contracts, a brief description of the benefits for which allocated insurance contracts were purchased in the measurement period, and the fact that the obligation for the payment of benefits covered by allocated insurance contracts has been transferred from the employer to one or more insurance companies

f. A brief description of the nature of changes between the measurement date of the net pension liability and the employer’s reporting date that are expected to have a significant effect on the net pension liability, and the amount of the expected resultant change in the net pension liability, if known

1. The amount of pension expense recognized by the employer in the reporting period
2. The employer’s balances of deferred outflows of resources and deferred inflows of resources related to pensions, classified as follows, if applicable:
3. Differences between expected and actual experience in the measurement of the total pension liability
4. Changes of assumptions or other inputs

(3) Net difference between projected and actual earnings on pension plan investments

(4) If the employer has a special funding situation, changes in the employer proportion and differences between the employer’s contributions (other than those to separately finance specific liabilities of the individual employer to the pension plan) and the employer’s proportionate share of contributions

(5) The employer’s contributions to the pension plan subsequent to the measurement date of the net pension liability

Example:

At December 31, 20XX, the (city/county/district) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  |  |  |
| --- | --- | --- |
| Plan Name | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ | $ |
| Net difference between projected and actual investment earnings on pension plan investments | $ | $ |
| Changes of assumptions | $ | $ |
| Changes in proportion and differences between contributions and proportionate share of contributions | $ | $ |
| Contributions subsequent to the measurement date | $ | $ |
| TOTAL\* | $ | $ |

\* Total should agree to amounts presented in the financial statements.

1. A schedule presenting the following:

(1) For each of the subsequent five years, and in the aggregate thereafter, the net amount of the employer’s balances of deferred outflows of resources and deferred inflows of resources in subparagraph (h) above that will be recognized in the employer’s pension expense

(2) If the employer does not have a special funding situation, the amount of the employer’s balance of deferred outflows of resources in subparagraph (h) that will be recognized as a reduction of the net pension liability

(3) If the employer has a special funding situation, the amount of the employer’s balance of deferred outflows of resources in subparagraph (h) that will be included as a reduction of the collective net pension liability

Example:

Deferred outflows of resources related to pensions resulting from the (city/county/district’s) contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

|  |  |
| --- | --- |
| Year ended  December 31: | Plan Name |
| 2019 | $ |
| 2020 | $ |
| 2021 | $ |
| 2022 | $ |
| 2023 | $ |
| Thereafter | $ |

j. The amount of revenue recognized for the support provided by nonemployer contributing entities, if any.

The following information is required by [GASB Statement 67](http://www.gasb.org/cs/ContentServer?c=Page&pagename=GASB%2FPage%2FGASBSectionPage&cid=1176160042391) for employers who do not issue a separate stand-alone financial report for the plan.

**The Pension Plan’s Fiduciary Net Position**

The components of the liability of the employers and nonemployer 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 Statement 67](http://www.gasb.org/cs/ContentServer?c=Page&pagename=GASB%2FPage%2FGASBSectionPage&cid=1176160042391):

(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:

|  |  |
| --- | --- |
| Total Pension Liability | $100,000 |
| Plan Fiduciary Net Position | $ 90,000 |
| Net Pension Liability (Asset) | $ 10,000 |
|  |  |
| Plan Fiduciary Net Position as |  |
| a % of Total Pension Liability | 90% |

**The 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.

1. 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.
2. Identification of investments (other than those issued or explicitly guaranteed by the U.S. government) in any one organization that represent five percent or more of the pension plan’s fiduciary net position.
3. 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.

**Receivables**

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

(1) An employer or nonemployer 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.

**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.

**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.

**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.

**Required Supplementary Information (RSI)**

The required supplementary information identified in subparagraphs (a)-(d), as applicable, should be presented separately for each single-employer pension plan through which pensions are provided. The information indicated in subparagraphs (a) and (b) should be determined as of the measurement date of the net pension liability and may be presented in a single schedule. The information in subparagraphs (c) and (d) should be determined as of the employer’s most recent fiscal year-end. If a primary government and one or more of its component units provide pensions through the same single employer or agent pension plan, required supplementary information in the reporting entity’s financial statements should present information for the reporting entity as a whole.

**A 10-year schedule of changes in the net pension liability that separately presents the following for each year:**

1. The beginning balances of the total pension liability, the pension plan’s fiduciary net position, and the net pension liability.
2. The effects during the period of the following items, if applicable, on the balances in subparagraph (a):

(1) Service cost,

(2) Interest on the total pension liability,

(3) Changes of benefit terms,

(4) Differences between expected and actual experience in the measurement of the total pension liability,

(5) Changes of assumptions or other inputs,

(6) Contributions from the employer,

(7) Contributions from nonemployer contributing entities,

(8) Contributions from employees,

(9) Pension plan net investment income,

(10) Benefit payments, including refunds of employee contributions,

(11) Pension plan administrative expense,

(12) Other changes, separately identified if individually significant.

1. The ending balances of the total pension liability, the pension plan’s fiduciary net position, and the net pension liability
2. If the employer has a special funding situation:

(1) The nonemployer contributing entities’ total proportionate share of the collective net pension liability,

(2) The employer’s proportionate share of the collective net pension liability.

**A 10-year schedule presenting the following for each year:**

1. If the employer does not have a special funding situation:

(a) The total pension liability,

(b) The pension plan’s fiduciary net position,

(c) The net pension liability,

(d) The pension plan’s fiduciary net position as a percentage of the total pension liability,

(e) The covered-employee payroll,

(f) The net pension liability as a percentage of covered-employee payroll.

1. If the employer has a special funding situation, information about the collective net pension liability:

(a) The total pension liability,

(b) The pension plan’s fiduciary net position,

(c) The collective net pension liability,

(d) The nonemployer contributing entities’ total proportionate share (amount) of the collective net pension liability,

(e) The employer’s proportionate share (amount) of the collective net pension liability,

(f) The covered-employee payroll,

(g) The employer’s proportionate share (amount) of the collective net pension liability as a percentage of covered-employee payroll,

(h) The pension plan’s fiduciary net position as a percentage of the total pension liability.

The above two schedules can be combined. See sample [Schedule of Changes in Net Pension Liability and Related Ratios](https://www.sao.wa.gov/gaap_p4_rsi-singleemployerplans_fy2018/).

**If an actuarially determined contribution is calculated, a 10-year schedule presenting the following for each year:**

1. The actuarially determined contribution of the employer. For purposes of this schedule, actuarially determined contributions should exclude amounts, if any, to separately finance specific liabilities of the individual employer to the pension plan.
2. The amount of contributions recognized by the pension plan in relation to the actuarially determined contribution of the employer. For purposes of this schedule, contributions should include only amounts recognized as additions to the pension plan’s fiduciary net position during the employer’s fiscal year resulting from actual contributions and from contributions recognized by the pension plan as current receivables.
3. The difference between the actuarially determined contribution of the employer and the amount of contributions recognized by the pension plan in relation to the actuarially determined contribution of the employer.
4. The covered-employee payroll.
5. The amount of contributions recognized by the pension plan in relation to the actuarially determined contribution of the employer as a percentage of covered-employee payroll.

**If an actuarially determined contribution is not calculated and the contribution requirements of the employer are statutorily or contractually established, a 10-year schedule presenting the following for each year:**

1. The statutorily or contractually required employer contribution. For purposes of this schedule, statutorily or contractually required contributions should exclude amounts, if any, to separately finance specific liabilities of the individual employer to the pension plan.
2. The amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution. For purposes of this schedule, contributions should include only amounts recognized as additions to the pension plan’s fiduciary net position during the employer’s fiscal year resulting from actual contributions and from contributions recognized by the pension plan as current receivables.
3. The difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution.
4. The covered-employee payroll.
5. The amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of covered-employee payroll.

See sample [Schedule of Employer Contributions](https://www.sao.wa.gov/gaap_p4_rsi-singleemployerplans_fy2018/)

**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 Statement 67**](http://www.gasb.org/cs/ContentServer?c=Page&pagename=GASB%2FPage%2FGASBSectionPage&cid=1176160042391)**.**

See sample [Schedule of Investment Returns](https://www.sao.wa.gov/gaap_p4_rsi-singleemployerplans_fy2018/)

**Notes to RSI**

Significant methods and assumptions used in calculating the actuarially determined contributions, if any, should be presented as notes to the schedules. In addition, for each of the schedules, 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 measurement date of that information.