REPORTING

<u>Note X – Pension Plans</u>

The PERS 1, 2, 3, LEOFF 1, 2 and PSERS 2 note is available on SAO's website, BARS Reporting Templates. Omit the disclosures related to plans not provided by the government.

Local Governments Pension and Other Benefit Trust Funds [1]

Police and firefighters pension plans are established under the following RCWs:

- Chapter 41.16 RCW – Firefighters' Relief and Pensions – 1947 ACT
- Chapter 41.18 RCW – Firefighters' Relief and Pensions – 1955 ACT
- Chapter 41.20 RCW – Police Relief and Pensions in First Class Cities

The new pension standards (GASB Statements 67/68) are applicable only to pension plans that are administered through trusts or equivalent arrangements in which (per GASB Statements 67/68):

a. **Contributions from employers to the pension plan and earnings on those contributions are irrevocable.** *Irrevocability is understood to mean that an employer no longer has ownership or control of the assets, except for any reversionary right once all benefits have been paid. Assets may flow from an employer to the plan, but not from the plan to an employer unless and until all obligations to pay benefits in accordance with the plan terms have been satisfied by payment or by defeasance with no remaining risk regarding the amounts to be paid or the value of plan assets (implementation guide Q&A No. 6). Refunds of the non-vested portion of employer contributions that are forfeited by plan members are consistent with this criterion.*

b. **Pension plan assets are dedicated to providing pensions to plan members in accordance with benefit terms.** *The use of pension plan assets to pay plan administrative costs or to refund plan member contributions is consistent with this criterion.*

c. **Pension plan assets are legally protected from the creditors of employers, the plan administrator and plan members.**

Depending upon how individual local governments have established their pre-LEOFF I police and firefighter plans, they may or may not meet the criteria of GASB Statements 67/68. Local governments that have these plans should carefully review all legislation establishing and modifying the plans and consult with their legal counsel regarding the status of the plans.

Plans that do not meet the criteria of GASB Statements 67/68, should continue to report under the previous standards (GASB Statement 25) until fiscal years ending in 2016.

Beginning in 2016, the requirements of GASB Statement 73, paragraph 115, are effective. The pension trust fund can no longer be reported as a fiduciary fund. It should be rolled into the general fund for financial statement reporting. Note disclosures remain the same.

Beginning in 2017, the remaining requirements of GASB Statement 73 are effective. Updated guidance and note disclosures will be available in the 2018 BARS manual.

If the local government has determined that the GASB Statements 67/68 is applicable to its pension plan, the required note and RSI is available on SAO's website, BARS Reporting Templates.

INSTRUCTIONS TO PREPARER

[1] For more details regarding the note disclosure for the pension trust fund see GASB Statement 25, Sections 32-40.

A. Plan description

1. Identification of the plan (e.g., single-employer, cost-sharing multiple-employer defined benefit pension plan) and disclosure of the number of participating employers and other contributing entities.

2. Classes of employees covered (e.g., general employees and public safety employees) and the current membership, including the number of retirees and beneficiaries currently receiving benefits, terminated members entitled to but not yet receiving benefits, and current active members. If the plan is closed to new entrants, that fact should be disclosed.

3. Brief description of benefit provisions, including the types of benefits, the provisions or policies with respect to automatic and ad hoc postretirement benefit increases, and the authority under which benefit provisions are established or may be amended.

B. Summary of significant accounting policies

1. Basis of accounting, including the policy with respect to the recognition in the financial statements of contributions, benefits paid, and refunds paid.

2. Brief description of how the fair value of investments is determined.

C. Contributions and reserves

1. Authority under which the obligations to contribute to the plan of the plan members, employer(s), and other contributing entities are established or may be amended.

2. Funding policy, including a brief description of how the contributions of the plan members, employer(s), and other contributing entities are determined (e.g., by statute, through an actuarial valuation, or in some other manner) and how the costs of administering the plan are financed.

3. Required contribution rates of active plan members, in accordance with the funding policy.

4. Brief description of the terms of any long-term contracts for contributions to the plan and disclosure of the amounts outstanding at the reporting date.

5. The balances in the plan's legally required reserves at the reporting date. Amounts of net position designated by the plan's governing body for a specific purpose(s) also may be disclosed but should be captioned designations, rather than reserves. Also include a brief description of the purpose of each reserve and designation disclosed and whether the reserve is fully funded.

D. Concentration – Identification of investments (other than those issued or guaranteed by the U.S. government) in any one organization that represent five percent or more of plan net position.

If the financial statements and required schedules are not publicly available in a stand-alone plan financial report, the (city/county/district) should present:

1. Schedule of funding progress.
2. Schedule of employer contributions.

Normally, both schedules should be prepared for six years. But for transition year and the following five years, the schedules should include information for as many years as information according to parameters set by the GASB Statement 25 is available.

1. Schedule of Funding Progress

   The schedule should include:

   - Actuarial valuation date.
   - Actuarial value of plan assets.
   - Actuarial accrued liability.
   - Total unfunded actuarial liability.
   - Actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio).
   - Annual covered payroll.
   - Ratio of the unfunded actuarial liability to annual covered payroll.

2. Schedule of Employer Contributions (and Other Contributing Entities)

   - Dollar amount of employer annual required contribution (ARC).
   - Percentage of that ARC that was recognized in the plan's statement of changes in net position for that year as contribution from employer.
   - Contributions from other sources (e.g., state, etc.), if any.

Notes to schedules should include:

- Identification of actuarial method and significant assumptions used for the most recent year (e.g., actuarial cost method, the method(s) used to determine the actuarial value of assets, inflation rate, investment return, projected salary increases, postretirement benefits increases).

- Amortization method and period and whether the period is closed or open.

Note: Plans that use the aggregate actuarial cost method should disclose that the method does not identify or separately amortize unfunded actuarial liability; factors that significantly affect the amounts reported in schedules (e.g., changes in benefit provisions, size/population covered by plan, actuarial method/assumptions used).