



State of Louisiana
Division of Administration
Office of Statewide Reporting and Accounting Policy

September 18, 2013

OSRAP MEMORANDUM 14-07

TO: Fiscal Officers
All State Entities

FROM: Afranie Adomako, CPA
Director

SUBJECT: Implementation of Governmental Accounting Standards Board (GASB) Statement 67, *Financial Reporting for Pension Plans*, and Statement 68, *Accounting and Financial Reporting for Pensions*

In June 2012, the GASB issued Statement 67 to improve financial reporting by state and local governmental pension plans and Statement 68 to improve accounting and financial reporting by state and local governments for pensions. These Statements result from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

GASB 67

Statement 67 replaces the requirements of GASB Statement 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and Statement 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements, hereafter jointly referred to as trusts, that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement and defined contribution plans that provide postemployment benefits other than pensions.

Building upon the existing framework for financial reports of defined benefit pension plans, this statement includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules.

GASB 68

Statement 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared.

Statement 67 is effective for financial statements for fiscal years beginning after June 30, 2013 (FY2014), and GASB 68 is effective for financial statements for fiscal years beginning after June 30, 2014 (FY2015).

TASK FORCE

In an effort to ensure Louisiana is prepared to timely implement the requirements of these statements, a Task Force is being assembled to guide the process. The Task Force is composed of approximately ten leaders from the governmental financial community and will serve in an advisory capacity. It will develop issues to be researched and address issues raised by an implementation team for which it will have oversight responsibilities. The following issues have been identified:

- Employers (state entities, component units and local governments) that participate in cost sharing plans will be required to record their share of the collective pension amounts. The Task Force will advise on the method of allocating these amounts equitably among the employers for financial reporting purposes.
- Each cost sharing plan must provide participating employers with their allocation amounts. The Task Force will advise on the format of the notification and the level of assurance on the accuracy of the allocation that the plan's actuaries and independent auditors must provide to the employers. The Task Force must address the possibility that

some participating employers and/or their independent auditors may believe that their individual allocation is over- or under-stated.

- Estimated long-term rates of return, which affect the long-term liability calculation, are subject to the professional judgment of actuaries and auditors. The Task Force will determine whether a standard policy or procedure can be established to provide a benchmark for the estimate.
- The Task Force must identify ways to educate legislators, public officials, finance staff, and the public on GASB 67 and 68.

Once these issues are addressed by the Task Force, the resolution will be communicated back to you.

GASB Statements 67 and 68 can be found on GASB's website at the following web address:

<http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176160042391>. You may contact Ms. Deborah Zundel at (225) 342-0710 or via email at Deborah.Zundel@la.gov with any questions regarding GASB Statements 67 and 68.

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