

Final Guidance on Pension Implementation Issues

On April 11, 2016, the Governmental Accounting Standards Board (GASB) issued [GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73](#), (GASB 82), providing guidance on three practice issues raised during the implementation period of the new pension standards issued in 2012. GASB Statement 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25* (GASB 67), took effect for fiscal years beginning after June 15, 2013. GASB Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* (GASB 68), took effect for fiscal years beginning after June 15, 2014. GASB 82 also amends Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73), effective for fiscal years beginning after June 15, 2015, with certain provisions effective one year later.

Statement No. 82 addresses these issues:

- The presentation of payroll-related measures in required supplementary information (RSI)
- The selection of assumptions and treatment of deviations from the guidance in Actuarial Standards of Practice (ASP) issued by the Actuarial Standards Board (ASB)
- The classification of payments made by employers to satisfy employee contribution requirements

In addition to amending GASB Statements 67, 68 and 73, GASB 82 updates or supersedes related questions in Implementation Guide No. 2015-1.

The amendments apply to the financial statements of state and local governmental employers and pension plans, regardless of whether the government's financial statements are presented in standalone financial reports or are included in another government's financial reports. The requirements are effective for reporting periods beginning after June 15, 2016, with certain exceptions pertaining to the assumption guidance. Earlier application is encouraged.

GASB has issued a separate standard to address implementation issues for governments whose employees are provided with pensions through federally sponsored or private multiple-employer pension plans (such as Taft-Hartley plans). Refer to [BKD's previously published paper](#) for more information on this topic.

Presentation of Payroll-Related Measures in RSI

GASB 82 amends the presentation requirements of payroll-related measures in RSI by replacing the measure of covered-employee payroll with the measure of covered payroll. Covered payroll is compensation to active employees on which the employer bases contributions to a pension plan. Covered-employee payroll is the payroll of employees provided with pensions through the pension plan.

The amendment applies to single-employer and cost-sharing pension **plans** administered through trusts that meet the criteria in paragraph three of GASB 67 as well as for **employers** that provide pensions through pension plans administered through trusts meeting the criteria in paragraph four of GASB 68. State and local governments (employers and plans) are required to present the measure of payroll in schedules of RSI and use the measure of payroll in ratios presented in RSI.

Selection of Assumptions

GASB 82 contains clarifying language similar to the language included in the other post-employment benefits (OPEB) statements regarding a deviation from ASP in selecting assumptions. When determining the total pension liability and related measures, a deviation (as the term is used in ASP issued by the ASB) from the guidance in an ASP shouldn't be considered in conformity with the requirements of GASB Statements 67, 68 or 73.

The amendments stem from concerns expressed during deliberations of GASB Statements No. 74 and 75 related to OPEB that certain language could be interpreted to mean that deviations from ASP guidance related to the selection of assumptions would be considered in conformity with the GASB statements.

Classification of Employer-Paid Member Contributions

GASB 82 clarifies that pension plans should classify contributions in a manner consistent with the designation as an employee or employer contribution pursuant to the pension plan terms. For purposes of applying GASB Statement 67, payments made by an employer to satisfy contribution requirements identified by the plan's terms as plan-member contribution requirements should be classified as plan-member contributions. Payments made should be classified as plan-member contributions, including for purposes of determining a cost-sharing employer's proportion (and proportionate share of the collective net pension liability) and pension expense, when applying GASB 68.

Expenses or expenditures for amounts paid by the employer to satisfy employee contribution requirements should be included in salaries and wages for the period in which the contribution is assessed, in the same manner the employer classifies similar compensation other than pensions.

Effective Dates & Transition

The requirements are effective for reporting periods beginning after June 15, 2016, except for the requirements under the selection of assumptions, in a circumstance in which an employer measures its pension liability as of a date other than its most recent fiscal year-end. In that circumstance, the requirements for those provisions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

State and local governments should apply changes to conform to the requirements for presentation of payroll-related measures in RSI and the requirements for the classification of employer-paid member contributions retroactively by restating financial statements, if practicable, for all prior periods presented. If not practicable, the government should report the cumulative effect of applying the requirements as a restatement of beginning net position (or fund balance or fund net position, as applicable) for the earliest period restated. Governments should apply the changes adopted to conform to the requirements for the selection of assumptions on a prospective basis.

Governments should disclose in the notes to the financial statements in the first period the statement is applied the nature of the restatement and its effect. If a government doesn't restate prior periods, it should disclose the reason for not doing so. The same concept applies for 10-year schedules of RSI. If practicable, the government should restate RSI for all years presented. If not practicable, the government should state the reason for not restating prior years in notes to the schedule.

For more information, contact your BKD advisor.

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