

# GASB Finalizes Guidance on Certain Cost-Sharing Pension Plans

On December 11, 2015, the Governmental Accounting Standards Board (GASB) finalized guidance to help certain governments meet the reporting requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68). GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* (GASB 78), addresses a practice issue associated with pensions provided through certain private or federally sponsored multiple-employer defined benefit pension plans, such as Taft-Hartley plans or plans with similar characteristics, and to state or local governmental employers for which employees are provided with such pensions.

Prior to the issuance of GASB 78, the requirements of GASB 68 applied to financial statements of all state and local governmental employers for which employees are provided with pensions via plans administered through trusts that meet the criteria in Paragraph 4 of that statement. A certain group of governments participating in these types of multiemployer pension plans has found it difficult or impossible to obtain plan information needed to comply with the GASB 68 requirements, such as measurements and other relevant data points. These types of plans generally are not established specifically for the employees of a state and local government, and these governmental employers typically are only a small subset of all employers providing pensions through the pension plan. Due to the nature of the government's involvement as an employer in the arrangement, the result often was lack of coordination between the employer and the pension plan. The new standard helps these governments by focusing employer accounting and financial reporting requirements for those pension plans on obtainable information.

GASB 78 narrows the scope of GASB 68 by excluding pensions provided to employees of state or local governmental employers through cost-sharing multiemployer defined benefit pension plans meeting certain criteria. For pensions meeting the criteria, the statement establishes, among other things:

- Requirements for recognition and measurement of pension expense, expenditures and liabilities
- Note disclosures
- Required supplementary information presenting required contribution amounts for the past 10 fiscal years

The requirements apply to governmental financial statements presented in standalone financial reports as well as those included in the financial reports of another government. GASB 78 is effective for reporting periods beginning after December 15, 2015; earlier application is encouraged.

## Scope & Applicability

GASB 78 establishes accounting and financial reporting standards for defined-benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiemployer defined-benefit pension plan (cost-sharing pension plan) that meets the criteria in GASB 68 Paragraph 4 as well as all of the following criteria:

- The plan is not a state or local governmental pension plan
- The plan provides defined-benefit pensions to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers
- The plan has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan)

*In 2012, GASB issued Statement 68 to improve accounting and financial reporting of public employee pensions by state and local governments that apply U.S. generally accepted accounting principles. Also in 2012, GASB issued Statement 67 to revise existing guidance for the financial reports of most pension plans for state and local governments.*

*The pension reports received by state and local governments for pensions under the scope of GASB 78 are not governmental pension plans prepared under GASB 67; instead, they're prepared under Financial Accounting Standards Board (FASB) standards. Although GASB 78 eases the burden of obtaining certain plan information, state and local governments will continue to be required to understand how the FASB-prepared pension reports should be reflected in their financial statements.*

The level of government employer involvement remains a primary indicator as to whether there is a predominant government employer in the pension plan. Governments will make the subjective determination whether there is a predominant government providing pensions through the pension plan. Predominance exists based on facts and circumstances and requires the use of professional judgment. GASB 78 does not offer bright-line guidance.

*Cost-sharing employers are those for which employees are provided with defined-benefit pensions through pension plans that pool pension obligations to the employees of more than one employer and for which plan assets can be used to pay the benefits of the employees of any employer providing pensions through that plan.*

## Recognition & Measurement Requirements

### Financial Statements Prepared Using the Economic Resources Measurement Focus

State and local governments preparing financial statements using the economic resources measurement focus should recognize pension expense equal to the amount the employer is required to contribute to the pension plan for the reporting period; they also should report a payable for unpaid required contributions at the end of the reporting period. Governments also should recognize pension expense for separate liabilities to the pension plan that arise in the reporting period, *e.g.*, for amounts assessed to an individual employer upon joining a cost-sharing pension plan, and a payable should be reported for unpaid amounts at the end of the reporting period.

### Financial Statements Prepared Using the Current Financial Resources Measurement Focus

State and local governments preparing financial statements using the current financial resources measurement focus should recognize pension expenditures equal to the amount the employer is required to contribute to the pension plan associated with pay periods within the reporting period. In addition, for separate liabilities to the pension plan, these governments should recognize pension expenditures equal to the total of the following:

- Amounts paid by the employer in relation to the payable
- The change between the beginning and ending balances of amounts the government normally expects to be liquidated with expendable available financial resources

Financial statements prepared under the current financial resources measurement focus should recognize payables to the extent the government normally expects to liquidate the payable with expendable available financial resources. For pension obligations under GASB 78, this amount is equal to the unpaid required contributions associated with pay periods within the reporting period, and the portion of any separate liabilities to the pension plan due and payable pursuant to contractual arrangements or legal requirements.

## Notes to Financial Statements

[GASB Statement 78](#) disclosure requirements include descriptive information about the pension plans through which the employer provides pensions, including a description of the benefit terms and contribution requirements, a description of any minimum contributions required for future periods by collective bargaining agreements, statutory obligations or other contractual obligations, if applicable. Footnote disclosure requirements include information about the employer's payables and whether the pension plan issues a publicly available financial report and, if so, how to obtain the report.

## Required Supplementary Information

Employers under the scope of GASB 78 should present a schedule of the employer's required contributions for each of the 10 most recent fiscal years as required supplementary information. The schedule should separately identify amounts associated with each pension plan. Employers should present, as notes to the required schedule, information about factors that significantly affect trends in the amounts reported, *e.g.*, changes in the size of the population covered by the benefit terms or changes in required contribution rates.

## Transition

Employers should apply changes adopted to conform to the provisions of GASB 78 retroactively by restating financial statements, if practicable, for all prior periods presented. If it's not practical for an employer to restate prior periods, it should report any cumulative effect of applying GASB 78 as a restatement of beginning net position (or fund balance or fund net position, as applicable) for the earliest period restated. In the first period GASB 78 is applied, the notes to the financial statements should disclose the nature of the restatement and its effect. In addition, if applicable, the employer should disclose the reason for not restating prior periods presented.

Employers should include information presented in the schedule of required supplementary information for each of the 10 most recent fiscal years, if practicable. If, during the transition period, an employer does not present information for all 10 fiscal years, it should offer the reason for not including all required years in notes to the schedule.

## Contributor

Connie Spinelli  
Director  
303.861.4545  
[cspinelli@bkd.com](mailto:cspinelli@bkd.com)