Montana Operations Manual *Policy*	Category	**Accounting**
	Effective Date	**07/01/2005**
	Last Revised	~~**Not Approved** Yet04/15/2015~~
Issuing Authority	**Department of Administration** State Financial Services Division	

355 Employee Benefits

I. Purpose

This policy provides guidance on requirements associated with termination ~~benefits~~, ~~and~~ other postemployment ~~benefits~~, and pension benefits.

II. Scope

This policy applies to all state agencies and institutions, excluding community colleges.

III. ~~Policy - 355 Employee Benefits~~Termination Benefits

~~The requirements of this section on termination benefits are effective with the State's 2006 fiscal year. However, termination benefits that affect the State's obligation related to defined benefit OPEB (other postemployment benefit) are effective with the State's implementation of GASB Statements No. 45 (State fiscal year 2008).~~

~~This policy provides guidance to State of Montana employers for measuring, recognizing, and reporting liabilities and expenditures related to all termination benefits. Termination benefits are defined as "benefits provided by employers to employees as an inducement to hasten the termination of services or as a result of a voluntary early termination (voluntary termination benefits)." The scope of this section does not cover unemployment compensation or postemployment benefits, such as pensions and OPEB. Although, any increase in actuarial accrued liability associated with termination benefits is required to be separately disclosed.~~

This section provides guidance to State of Montana employers for measuring, recognizing, and reporting liabilities and expenditures related to all termination benefits. Termination benefits are defined as "benefits provided by employers to employees as an inducement to hasten the termination of services or as a result of a voluntary early termination (voluntary termination benefits)." The scope of this section does not cover unemployment compensation or postemployment benefits, such as pensions and other post-employment benefits (OPEB). However, any increase in actuarial accrued liability associated with termination benefits is required to be separately disclosed.

Termination benefits are available in exchange for termination and not for employee services. When determining if a benefit is considered a termination benefit, professional judgment should be used considering the criteria listed below.

Employer's intent

- How the employee views the benefit
- Is the benefit on condition of termination of employment prior to normal retirement age
- Length of time the benefit is available

A. Measurement of termination benefits

Termination benefit costs should include direct termination costs as well as any fringe benefits and any changes in the estimated costs of other employee benefits (such as compensated absences) resulting directly from the termination benefits. The effects of the termination benefit on defined benefit pension or OPEB obligations should be accounted for in accordance with State accounting policy related to those obligations.

1. Healthcare-related termination benefits

For healthcare-related termination benefits, including healthcare continuation (COBRA), employers should measure healthcare-related costs by calculating the discounted present value of expected future benefit payments with the following requirements.

Projection of benefits – based on two scenarios:

(a) Large-scale, age-related program: segregate the benefits provided to terminated employees and their beneficiaries from those provided to active employees. Project the employer's expected future benefit payments, (expected benefit payment less any payments made by the terminated employee), based on projected total claims cost, or age-related premiums approximating claims costs for terminated employees.

(b) Not large–scale, age-related program: segregate benefits provided to terminated employees and their beneficiaries from those provided to active employees for measurement purposes. The use of projected claims costs or age-related premiums is not required. Unadjusted premiums, (projected termination benefit costs less any payment made by the terminated employees), may be used as the basis for the projection of expected future benefit payments.

Healthcare cost trend rate. The projection of expected future benefit payments should include an assumption regarding the healthcare cost trend rate, (The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.) for the periods covered by the employer's commitment to provide the benefits.

Discount rate. Determined by giving consideration to the estimated yield, over the period of time the benefits are to be provided, on the investments that are expected to be used to finance payment of benefits.

~~For non-healthcare-related termination benefits employers should calculate:~~

2. For non-healthcare-related termination benefits employers should

Formatted: Font: (Default) Arial

Formatted: A Bullet

Formatted: Indent: Left: 0.88", Hanging: 0.31", Numbered + Level: 1 + Numbering Style: a, b, c, ... + Start at: 1 + Alignment: Left + Aligned at: 1.31" + Indent at: 1.56"

Formatted: Indent: Left: 0.75", Hanging: 0.25"

Formatted: Indent: Left: 0", First line: 0"

Formatted: Font: Arial

calculate:

~~2.~~(a) Benefits with fixed or determinable dates:

Discounted present value of expected future benefit payments with the assumption of changes in future cost levels during the employer's commitment to pay.

~~3.~~(b) Benefits without fixed or determinable dates calculated by either:

Discounted present value of future payments including assumption in future cost level changes during employer's commitment to pay.

Undiscounted total of estimated future benefit payments at current cost level.

If future payments are discounted, the discount rate should be determined by giving consideration to the nature and mix of current and expected investments that are to finance the benefits.

B. Recognizing liability and expense on full accrual basis

1. Voluntary termination

   For financial statements prepared on the full accrual basis of accounting, recognize a liability and expense when employees accept the offer and amounts can be estimated. Liability/expense should be updated and recognized at the end of each fiscal year in the actuals ledger.

2. Involuntary termination

   For financial statements prepared on the full accrual basis of accounting, recognize a liability and expense when those with authority to commit the State have approved the termination plan, the plan has been communicated to the employees, and amounts can be estimated. Liability/expense should be updated and recognized at the end of each fiscal year in the actuals ledger.

   An involuntary termination identifies, at a minimum, the number of employees to be terminated, the job classifications or functions that will be affected and their locations, and when the termination is expected to occur. It also establishes the terms of the termination benefits in sufficient detail to enable employees to determine the type and amount of benefits they will receive.

   If future service is a requirement for involuntary termination, a liability and expense for the portion of benefits that will be provide after completion of service will be recognized ratably over the future service period. Liability/expense should be updated and recognized at the end of each fiscal year.

C. Recognizing liability/expense on modified accrual basis

In the actuals ledger, liabilities and expenditures should be recognized to the extent the liabilities are normally expected to be liquidated with expendable available financial resources. The remainder of the termination benefit liability/expense must be recorded in the entitywide ledger in the fund that will pay the benefit.

Formatted

Formatted

D. **Effects on other obligations**

The termination benefits effect on employer's defined benefit pension or other postemployment benefit obligation should be accounted for and reported in accordance with the requirements of GASB Statement No. ~~27~~ 68 or GASB Statement No. 45, respectively.

An employer that provides termination benefits that effect defined benefit pension or OPEB obligations should disclose in the notes of the financial statements any change in the actuarial accrued liability.

E. **Note disclosure**

Employer should disclose in the notes of the financial statements when the employer becomes obligated and any additional period the employee must render service in order to receive termination benefits. Information the notes should contain:

Type(s) of benefit provided
Number of employees affected
Period of time that the benefits are expected to be provided
Period the employer becomes obligated, if not identifiable from information on face of financial statements
Cost of the termination benefit, if not identifiable from information on face of financial statements
Significant methods and assumptions to determine the liabilities
If the termination benefit cannot be estimated, but otherwise meets the requirements of this statement, that fact should be disclosed

~~F. **Prior termination benefits**~~

~~Termination benefits that were implemented prior to July 1, 2005, but remain unpaid as of the June 30, 2006, should be disclosed as per the requirements of this statement and be reported as a restatement of beginning net position, or fund balance, as appropriate. Financial statements need not be restated.~~

IV. Other postemployment benefits (OPEB) ~~**(Effective 7/01/2009)**~~

The Governmental Accounting Standards Board (GASB) issued Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" in April 2004. In June 2004, they issued GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."

This section ~~policy~~ provides guidance in measuring, and recognizing Other Post-Employment Benefits (OPEB) expense/expenditures and related liabilities, note disclosures, and required supplementary information (RSI) in the CAFR for the State of Montana and all component units.

GASB Statement No. 43 applies to a trustee or administrator of an OPEB plan, specifically to a trust or agency fund used to administer the financing and payment of benefits, or to an employer or sponsor that includes an OPEB plan as a trust or agency fund in its own financial report. If included, then the employer should follow the applicable requirements of both GASB Statement No. 43 (related to the trust or agency fund and Plan Administrators) and GASB Statement No. 45 (related to the employer's OPEB expense and liabilities). GASB Statement No. 43 applies to the CAFR (DOA) and OCHE, which administer the State OPEB plan and the University OPEB plan respectively.

GASB Statement No. 45 applies to any employer who provides OPEB where the employer pays all or part of the cost of the benefits, including implicit rate subsidies.* ~~(Note 1).~~ GASB Statement No. 45 applies to the State, its component units, and Montana University System (MUS) and its component units.

** Implicit rate subsidy is the difference between a common or blended premium given to all employees, including retirees, and an age-adjusted premium that normally would be higher for retirees.*

Formatted: Body Text, Indent: Left: 0.88", Hanging: 0.06", Right: 0.08", Space Before: 6 pt, After: 12 pt

~~Note 1-Implicit rate subsidy is the difference between a common or blended premium given to all employees including retirees and an age-adjusted premium which normally would be higher for retirees.~~

While the State's retirees pay 100% of their healthcare premiums, there is still an implicit rate subsidy because they pay the same amount as active employees. The MUS system's retirees have less of an implicit rate subsidy; however, this subsidy still exists and must be accounted for under GASB Statement No. 45. Since the State and the MUS do not use a trust or agency fund to administer the financing and payment of OPEB, they are required to apply GASB Statement No. 45 to OPEB.

~~A. **Effective date**~~

~~There are 3 phases of implementation. The State is considered a phase 1 government for the purpose of implementation of GASB Statement No. 34 (annual revenues of $100 million or more) and required to implement GASB Statement No. 45 in financial statements for periods beginning after December 15, 2006. Therefore, the requirements of the statement are effective with the State's 2008 fiscal year.~~

~~B.~~A. **OPEB plans**

Formatted: Numbered + Level: 1 + Numbering Style: A, B, C, … + Start at: 1 + Alignment: Center + Aligned at: 0.25" + Indent at: 0.5"

There are different types of OPEB plans including:

Defined benefit
Defined contribution
Insured defined benefit
Hybrid

For the purposes of this policy, we will be discussing the accounting treatment for defined benefit plans which is what the State and MUS plans are.

The plans can further be defined as either:

Single employer plan
Cost sharing multiple employer plan
Agent multiple employer plan

Formatted: Indent: First line: 0"

~~Both plans of the State and MUS are Agent multiple employer plans and this policy will only address that type of plan. Each component unit of the State and MUS is considered a separate employer per GASB's interpretation.~~

The State and MUS OPEB plans are an agent multiple employer type and this policy will only address that type of plan. Each component unit of the State and MUS is considered a separate employer per GASB's guidance.

Formatted: Left, Right: 0.08", Space Before: 5.9 pt, After: 0 pt, No widow/orphan control

Formatted ...

The public employee retirement system-defined contribution (PERS-DC) members also have an OPEB plan that provides disability benefits should they be necessary to a vested member. This plan is a defined benefit, cost sharing multiple employer plan type.

Formatted: Indent: Left: 0.5"

~~C.~~B. OPEB defined

Formatted: Numbered + Level: 1 + Numbering Style: A, B, C, … + Start at: 1 + Alignment: Center + Aligned at: 0.25" + Indent at: 0.5"

OPEB plans are forms of deferred compensation. They are part of an exchange of salaries and benefits for employee services rendered and taken after the employees' services have ended. Therefore, based on accrual accounting, the cost of OPEB generally should be associated with the periods in which the exchange occurs, rather than with the periods when the benefits are paid or provided.

OPEB include any type of postemployment benefits that ~~is~~ are NOT an integral part of a pension plan, except postemployment healthcare benefits, which are always classified as OPEB regardless of whether they are offered in conjunction with a pension plan.

The distinguishing factor in deciding whether a benefit given after employment is OPEB or a termination benefit is the purpose for which they are given.

They are OPEB if given as compensation for employee services and termination benefits if given as an inducement to employees to hasten the termination of their services.

Workers compensation benefits are not considered OPEB and should be accounted for in conformity with GASB Statement No. 10, as amended.

Conversion of unused sick leave to an individual healthcare accounts is considered a "termination payment."~~.~~ However, if these accounts are used to pay terminated employees' assigned share of the cost of healthcare coverage through a group that also includes the employer's active employees, then this could possibly be OPEB.

Long term disability benefits that provide as a source of income until a recipient becomes eligible for pension benefits, and the recipient is required to terminate their employment to become eligible, should be accounted for as OPEB if provided separately from a defined benefit pension plan. This is the case for the PERS-DC Disability plan.

~~D.~~C. Funding

GASB Statement No. 45 does not require employers to advance fund OPEB, although it does have the authority to prescribe how financial statements reflect a government's funding decisions.

There are two approaches to finance (fund) postemployment benefits.

Pay as you go ~~-~~ – this is the most common approach for public-sector OPEB and the one in which ~~the~~ all three State related OPEB plans use. ~~and the MUS uses~~.

Advance funding ~~-~~ – this approach systematically places resources in trust as employees earn benefits so that the resources can be used to make benefit payments when they become due.

~~E.~~D. Actuarial calculations

Although GASB Statement Nos. 43 and 45 are accounting standards, they require a significant number of actuarial calculations.

For financial reporting purposes, an actuarial valuation should be performed at the following minimum frequency and does not need to be the employer's balance sheet date:

For plans with a total membership of 200 or more – at least biennially
For plans with a total membership of fewer than 200 – at least triennially
For plans with fewer than 100 total plan members – an alternative measurement method can be used

The actuarial valuation involves using the following to make certain calculations related to the plan:

Actuarial cost method
Actuarial assumptions
Plan assets
Employer census data

The six acceptable actuarial cost methods which amortize the total present value of benefits and are generally split between benefits related to past and future service are:

Entry age
Frozen entry age
Attained age
Frozen attained age
Projected unit credit
Aggregate

The common actuarial assumptions used in a valuation are:

~~Demographic – the probability of the following events occurring at various ages:~~

Demographic
Dying
Terminating employment

Formatted: Numbered + Level: 1 + Numbering Style: A, B, C, ... + Start at: 1 + Alignment: Center + Aligned at: 0.25" + Indent at: 0.5"

Formatted: Indent: Hanging: 0.01"

Formatted: Numbered + Level: 1 + Numbering Style: A, B, C, ... + Start at: 1 + Alignment: Center + Aligned at: 0.25" + Indent at: 0.5"

Formatted: Font: (Default) Arial

Becoming disabled
Retiring
Being married at retirement
Electing coverage in a contributory plan
Economic
Investment return (discount rate)
Inflation rate
Healthcare cost trend rate
Post-retirement benefit increases
Projected salary increases
Plan expenses

From these assumptions, the actuary calculates the actuarial accrued liability (AAL). This is the value in today's dollars (i.e. present value) of vested and vesting future benefits promised to employees as compensation for services already rendered.

The AAL is used to determine the unfunded actuarial accrued liability (UAAL). The UAAL is the difference between the resources accumulated over time, ~~(~~to pay for benefits as they come due~~- i.e. advance funding)~~ less the ~~actuarial accrued liability~~AAL. It is the measure of the cost of benefits that have been earned to date by employees, but ~~not yet paid for~~payment is made at a time in the future.

The final step in the actuarial calculation process is the determination of the annual required contribution (ARC). The ARC is a basis for allocating projected cost of providing OPEB over periods that approximate the periods in which the employer receives services from the covered employees. This cost does not refer to actual contribution requirements to be made, but refer to the employer's accrual expense.

ARC is the sum of (except for the aggregate actuarial cost method):

The normal cost – an amount equal to the value of benefits considered as being earned in the current year. *(NOTE: When an employer does not have a net OPEB liability, the normal cost and the ARC will be equal. In such cases, the steps below would not be necessary in calculating the ARC.)*
The interest component – an amount representing the anticipated increase in benefits payable for past liabilities equal to the employer's investment rate of return.
The amortization component~~-~~ -- an amount representing a portion of the UAAL which relates to past service; Statement No. 45 permits the amount to be amortized over a period of up to 30 years
~~The normal cost – an amount equal to the value of benefits considered as being earned in the current year~~

Estimated benefit costs associated with projected future years of service are not reported.

~~F.~~E. Measurement and recognition

The State of Montana, ~~and~~ the MUS, and PERS-DC Disability plans currently account for other postemployment benefits in the following funds:

Formatted: Font: Italic

Formatted: Indent: First line: 0"

Formatted: Indent: Left: 0.75"

Formatted: Numbered + Level: 1 + Numbering Style: A, B, C, … + Start at: 1 + Alignment: Center + Aligned at: 0.25" + Indent at: 0.5"

The State use an internal service fund (Employee Group Benefits-SABHRS-06559)

MUS uses an enterprise fund (MUS Group Insurance-SABHRS-06008,~~ 06010~~)

PERS-DC Disability uses a fiduciary fund (PERS-DCRP Disability-SABHRS-09014)

These funds account for both the active employees and retirees transactions.

The actuary was unable to identify the State's component units' inactive liability and ARC; therefore, an allocation based on the active employees' accrued liability and ARC by component unit is ~~to be~~ used.

1. Annual OPEB cost and the net OPEB obligation

The PERS-DC Disability plan is set up as a trust or equivalent arrangement and contributions and related employer expenditures are credited based on contractually required payment amounts under governing statutes.

Neither MUS nor the State have a trust or trust equivalent arrangement for their OPEB plans. The do not provide direct funding of these plans; however, they receive credit for contributions through an 'implicit rate subsidy.' The ARC will equal the accumulative sum of the obligation from the year of implementation to the date of reporting, plus one year's interest on the net OPEB obligation (the discount rate x the PY liability) minus the amortization factor.

If~~n~~ the employer does not have a net OPEB liability~~year of transition~~, the ARC is equal to the annual OPEB normal cost. The net OPEB obligation (liability) is equal to the difference between OPEB expense in relation to the ARC and contributions made in relation to the ARC.

~~Neither MUS nor the State have a trust or trust equivalent arrangement for OPEB. Since the State and MUS do not fund these plans, there will be zero contributions. ARC will equal the accumulative sum of the obligation from the year of implementation to the date of reporting, plus one year's interest on the net OPEB obligation (the discount rate x the PY liability).~~

For example, assume that an employer's ARC in year 1 is $10,000, no direct contribution is made as the plan is not funded, nor is an implicit rate subsidy applied. The normal benefit cost for year 1 would be $10,000 (i.e. benefit cost = ARC) and the State would report an accounting liability of $10,000.

Since no actuarial report is required in year 2, year 2 ARC equals year 1 ARC times 2. Therefore, assume that the State's ARC for year 2 is calculated to be $20,000; the benefit cost also would be $20,000. However, because of the past underfunding, the annual OPEB cost or benefit cost would be:

ARC year 2	$20,000	
Interest adjustment	+1,000	~~-~~=$20,000 accounting liability x .05 interest (discount) rate assumption per actuary

Formatted: Centered

Formatted: Centered

Amortization adjustment	- 476	=$10,000 prior year accounting liability adjusted by the discounted present value of an annuity
Total ~~B~~benefit ~~C~~cost year 2	~~$21,000~~$20,524	

NOTE: The table above and adjustments are presented for illustrative and informative purposes in relation to GASB guidance only. Montana entities will reflect OPEB costs and liabilities as calculated and presented by the actuary, even for years when a report is not completed, as the subsequent year information is provided by the actuary within the prior year report.

Therefore, benefit cost is ~~less~~ more than the ARC as the result of prior underfunding.

DOA books the State's OPEB; the ~~State's~~ MUS, including the Office of Commissioner of Higher Education (OCHE), and their component units book~~s~~ their entries (amounts provided by the actuary ~~or DOA on non-actuarial years~~); OCHE is responsible for the MUS plan administration portion; each university and each of the university's component unit for their liability; and the Public Employee Retirement System records all activity associated with the PERS-DC Disability plan. Each expense/liability must be pushed down to the fund level as reflected in each of the above mentioned employers' financial statements by each employer. An employer may use any reasonable method to allocate the associated expense/liability to the individual funds. DOA allocates according to account 61403 balances for the current year.

2. Accounting entries in full accrual funds

By fiscal year-end, the OPEB liability determined by the actuary ~~or calculated by DOA (non-actuary years)~~ is distributed between the general fund, internal service funds, and enterprise funds per written procedures ~~in~~ through DOA. Though the entry to record OPEB liability will increase expenses for internal service funds and enterprise funds, this expense ~~should~~ must be excluded when determining rate calculations. The following entries are made in the internal service and enterprise funds in the ~~Actual~~ ACTUALS Ledger by the ~~Department of Administration~~DoA (for State funds)~~,~~ and Component Units, except MUS ~~and Universities~~.

To record the net OPEB obligation and related expense.		
Debit	OPEB expense	10,000
Credit	OPEB Implicit Rate Subsidy L-T liability	10,000

3. Accounting entries in modified accrual funds

By fiscal year-end an entry is made by the Department of Administration to the general fund allocated to each program for the OPEB current year's expense and corresponding debt in the ~~entitywide~~ ENTITYWIDE ledger as shown:

~~Actuals ledger:~~

Formatted: Centered
Formatted: Centered
Formatted: Indent: Left: 0.25", Hanging: 0.25"
Formatted: Indent: Left: 0.56", Hanging: 0.25"

~~No entry~~

~~Entitywide ledger:~~

To record the OPEB expense and related liability for FYXX for governmental funds.		
Debit	OPEB expense	10,000
Credit	OPEB Implicit Rate Subsidy L-T liability	10,000

~~1.~~4. Accounting entries for plan administration

Formatted: Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 4 + Alignment: Left + Aligned at: 0.75" + Indent at: 1"

By fiscal year-end, the Department of Administration and the Commissioner of Higher Education will make the following entries to reflect activity in the OPEB agency funds, 07302 (state plan) and 07303 (university plan) on the ACTUALS ledger:

To record the GASB 43 Accounting for Retirees Activity for FYXX in Agency Fund		
Debit	Cash in Bank	10,000
Credit	Property Held in Trust	10,000
Debit	Property Held in Trust	10,000
Credit	Cash in Bank	10,000

~~G.~~F. Note Disclosures

Formatted: Numbered + Level: 1 + Numbering Style: A, B, C, … + Start at: 1 + Alignment: Center + Aligned at: 0.25" + Indent at: 0.5"

1. Employers (MUS, MUS' component units; State, State's component units)

   Employers should separately account for the active employee transactions and the retiree transactions. The transactions of active employees should be accounted for under the requirements of GASB Statement 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", in Note 8 (Risk Management) of the CAFR, whereas, the retiree transactions should be accounted for under the requirements of GASB Statement No. 45.

   Also, the disclosures under GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Government Employers" are superseded by GASB Statement No. 45. Therefore, Note 7 (OPEB) information will be revised and the State and the MUS should include the following disclosures in the notes to the CAFR:

   Plan Description

   Name of the plan, who administers the plan, identification of the plan as a single-employer, agent multiple-employer, ~~etc~~etc;

   Formatted: Indent: Left: 1.19"

   Brief description of the types of benefits offered by the plan and the authority for establishing and amending the plan;

Information on any separately issued plan report and how it can be obtained.

Funding Policy

Authority for establishing and amending the funding policy;
Required contribution rate(s) of plan members~~,~~; expressed as a rate (amount) per member or as a percentage of covered payroll;
Required contribution rate(s) of the State in accordance with the funding policy, in dollars or as a percentage of current-year covered payroll;
If the contribution rate differs significantly from the ARC, disclose how the rate is determined or that the plan is financed on a pay-as-you-go basis.

NOTE: The items below are not required to be disclosed in relation to the cost sharing multiemployer PERS-DC Disability plan per GASB 45, paragraph 25.

Annual OPEB cost and contributions made (in dollars)

In situations where there is a net OPEB obligation, the three components of annual OPEB cost (ARC, interest on net OPEB obligation, and adjustment to the ARC), and the increase or decrease in the net OPEB obligation;
Annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation at the end of the year for the current year and the two preceding years; ~~(Note: for the first two years, the required information should be presented for the transition year, FYE 2008, and for the current and transition years, respectively)~~
Information about the funded status of the plan as of the most recent valuation

The date of the actuarial valuation and the identification of the actuarial methods and significant assumptions used.
In addition to the basic note disclosures above, which are shared with pension benefits, GASB Statement No. 45 expands required disclosures as follows:

If there is a legal or contractual maximum contribution rate for employers, it must be disclosed;
If OPEB include healthcare benefits, disclose the health-care cost trend data used;
If different rates are used for different years for economic assumptions, disclose both the initial and the ultimate rate;
If benefits are only partially funded, explain how the blended rate used for the investment return assumption was calculated;
Include in the notes to the financial statements; the information from the most recent year presented in the schedule of funding progress which includes the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the

Formatted: Indent: Left: 0.81"
Formatted: Indent: Left: 1.19"
Formatted: Font: 10 pt, Italic
Formatted: Indent: Left: 2.1"
Formatted: Indent: Left: 0.81", First line: 0"
Formatted: Indent: Left: 2.1"
Formatted: Indent: Left: 0.81", Tab stops: 1.13", Left + Not at 1.19"
Formatted: Indent: Left: 1.19"
Formatted: Indent: Left: 2.1"
Formatted: Indent: Left: 0.81", First line: 0"
Formatted: Indent: Left: 1.19"
Formatted: Indent: Left: 1.19"

annual covered payroll, and the ratio of the unfunded actuarial liability (or funding excess) to annual covered payroll;
Explain that the actuarial valuations involve estimates and assumptions about the distant future that are continually revised;
Explain that the schedule of funding progress, located in the RSI, provides multi-year trend data to help determine whether net plan assets are increasing or decreasing over time;
Explain that calculations are based on types of benefits provided under the terms of the substantive plan at the time of each valuation;
Explain that actuarial calculations reflect a long-term perspective.

2. Plan Administrators (OCHE and the State plans only)

Plan description

Name of the plan
Identification of the plan as an agent multiple-employer plan.
Health Care Benefits Division (HCBD)-number of participating employers and other contributing entities.
HCBD-classes of employees covered and the number of plan members, including employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits.
HCBD-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.

Summary of significant accounting policies (CAFR Staff)

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

Contributions and reserves (HCBD)

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.

~~H.~~G. Required supplementary information

The following information should be presented in the RSI for the most recent valuation and the two preceding valuations:

Information about the funding progress of the plan including explaining that the actuarial valuations involve estimates and assumptions about the distant future that are continually revised.
Factors that significantly affect the identification of trends in the amounts reported.

Formatted: Indent: Left: 1.19", Tab stops: Not at 1.25" + 1.31"

Formatted: Indent: Left: 1.19"

Formatted: Numbered + Level: 1 + Numbering Style: A, B, C, … + Start at: 1 + Alignment: Center + Aligned at: 0.25" + Indent at: 0.5"

Formatted: Indent: First line: 0"

V. GASB Statement No. ~~27~~ 68 – Introduction (effective 6/~~9/11~~30/15)

This section establishes state accounting policy for recording and disclosing pension costs by employers in accordance with generally accepted accounting principles (GAAP) as promulgated by GASB Statement No. ~~27~~68, *Accounting and Financial Reporting for Pensions*~~ by State and Local Governmental Employers~~. GASB Statement No. ~~27~~ 68 supersedes all previous authoritative guidance on accounting and financial reporting for employer pension expenditures/expenses and related information. GASB Statement No. ~~27~~ 68 applies to all state and local governmental employers, including governmental hospitals, colleges, and public employee retirement systems that are employers and who provide a pension plan administered through a trust or similar agreement.

GASB Statement No. ~~27~~ 68 establishes standards for the measurement, recognition, and display of pension expenditures/expenses and related liabilities, assets, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. Montana participates in single-employer and cost-sharing multiple-employer defined benefit pension plans. In addition, the Montana University System (MUS) and the Public Employee Retirement System (PERS) allow participat~~es~~ion in a defined contribution plan~~ as well as other retirement program (ORP). .If an employer participates in more than one pension plan, all recognition requirements should be applied for each plan (GASB Statement No. 27, paragraph 14)~~.

While expanded accounting entries and disclosures are required by the standard, no entity is required to change its funding methods outside of those imposed by contract, statute, or management.

~~I.~~A. Terminology

~~Annual pension cost~~Agent Employer	~~A measure of the periodic cost of an employer's participation in a defined benefit pension plan. An employer with a net pension obligation (NPO) should measure annual pension cost as the sum of the annual required contribution (ARC), one year's interest on the net pension obligation, and an adjustment to the annual required contribution to offset the effect of actuarial amortization of past under or over contributions.~~ An employer whose employees are provided with pensions through an agent multiple-employer defined benefit pension plan.
~~Annual required contributions of the employer (ARC)~~	~~The employer's periodic required contributions to a defined benefit pension plan, calculated in accordance with certain actuarial parameters.~~
Closed ~~amortization~~ period	A specific number of years that are counted from one date and~~, therefore, declines~~ declining to zero with the passage of time. For example, if the ~~amortization~~ recognition period is initially ~~30~~ 5 years on a closed basis, ~~29~~4 years remain after the first year, ~~28~~3 years after the second year, and so forth.
Contributions ~~deficiencies/excess contributions~~	~~The difference between the ARC and the employer's actual contributions in relation to the ARC.~~Additions to a pension plan's fiduciary net position for amounts from employers, nonemployer contributing entities (for example, state government contributions to a local government pension plan), or employees. Contributions can result from cash receipts by the pension plan or from recognition by the pension plan of a receivable from one of these sources.

Formatted: Font: Italic

Formatted: Numbered + Level: 1 + Numbering Style: A, B, C, … + Start at: 1 + Alignment: Center + Aligned at: 0.25" + Indent at: 0.5"

Cost-sharing multiple-employer plan	~~A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared among employers. A single actuarial valuation covers all members, and the same contribution rates apply for each employer.~~ A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.
Covered employee payroll (*Total Payroll*)	~~All elements included in compensation paid to active~~ The payroll of employees ~~on which contributions to a~~ that will be provided with retirement benefits through the pension plan ~~are based~~.
Defined benefit pension ~~plan~~s	~~A pension plan having terms that specify~~ Pensions for which the ~~amount of pension~~ income or other benefits ~~to be provided~~ that the employee will receive at ~~a future date~~ or after ~~a certain period of time; the amount~~ separation from employment are defined by the benefit terms. The pensions may be stated as a specified dollar amount or an amount that ~~usually~~ is ~~a function of~~ calculated based on one or more factors such as age, years of service, and compensation.
Defined contribution pensions~~plan~~	~~A pension plan having terms that specify how contributions to a plan member's account are to be determined, rather than the amount of retirement income the member is to receive. The retirement amount received depends only on the amount contributed to the member's account, investment earnings on the contributions, and any forfeited contributions of other members.~~ Pensions having terms that (a) provide an individual account for each employee; (b) define the contributions that an employer is required to make (or the credits that it is required to provide) to an active employee's account for periods in which that employee renders service; and (c) provide that the pensions an employee will receive will depend only on the contributions (or credits) to the employee's account, actual earnings on investments of those contributions (or credits), and the effects of forfeitures of contributions (or credits) made for other employees, as well as pension plan administrative costs, that are allocated to the employee's account.
~~Funded ratio~~Measurement period	~~The actuarial value of assets expressed as a percentage of the actuarial accrued liability~~The period between the prior and the current measurement dates.
~~Funding excess~~	~~The excess of the actuarial value of assets over the actuarial accrued liability.~~
Net pension liability~~obligation (NPO)~~	~~The cumulative difference, since implementation of this statement, between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.~~ The liability of employers and nonemployer contributing entities to employees for benefits to be provided through a defined benefit pension plan.
~~Normal cost~~	~~The portion of the actuarial present value of pension plan benefits and expenses that is allocated to a valuation year by the actuarial cost method.~~
~~Open amortization period~~	~~An amortization period that begins again, or is recalculated, at each actuarial valuation date. Within a maximum number of years specified by law or policy (for example, 30 years), the period may increase, decrease, or remain stable.~~
~~Parameters~~Single-employer plan	~~The set of requirements for calculating actuarially determined pension information included in financial reports.~~ A defined benefit pension plan that is used to provide pensions to employees of only one employer.
~~Pension-related debt~~Special funding situations	~~All long-term liabilities of an employer to a pension plan, the payment of which is not included in the annual required contributions of a single-employer or the actuarially determined required contributions of a cost-~~

Formatted: Font: Italic

	~~sharing employer. Payments generally are made in accordance with installment contracts that usually include interest.~~ Circumstances in which a nonemployer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either of the following conditions exists: a. The amount of contributions for which the nonemployer entity legally is responsible is not dependent upon one or more events or circumstances unrelated to the pensions. b. The nonemployer entity is the only entity with a legal obligation to make contributions directly to a pension plan.
~~**Single-employer plan**~~ **Total pension liability**	~~A plan that covers the current and former employees, including beneficiaries, of only one employer.~~ The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of this Statement.

~~J.~~B. Defined benefit plans

1. Single-employer plans

The plans of this type that the State of Montana employers participate in are , as follows: Highway Patrol Officers' Retirement System (HPORS) and Judges' Retirement System (JRS).

~~1.~~2. Cost-sharing multiple-employer plans

The plans of this type that the State of Montana and local government employers participate in are as follows: Public Employees' Retirement System-Defined Benefit (PERS-DBRP), Teachers' Retirement System (TRS), Sheriffs' Retirement System (SRS), Municipal Police Officers' Retirement System (MPORS), Firefighters' Unified Retirement System (FURS), and, Volunteer Firefighters' Compensation Act (VFCA). ~~According to GASB Statement No. 27, paragraph 19, employers participating in cost-sharing multiple-employer plans should recognize annual pension expenditure/expense equal to their contractually required contributions to the plan. Agencies should record the expenditure/expense based on the modified or full accrual basis, applying the same method that is used to record employer contributions. Any difference between required and actual contributions causes a pension liability or pension asset which should be shown separately on the financial statements.~~

~~**2. Single-employer plans**~~

~~The plans that the State of Montana and local government employers participate in are as follows: Highway Patrol Officers' Retirement System and Judges' Retirement System. For the single-employer plans, the annual pension cost should be equal to the annual required contributions (ARC) of the employer for the fiscal year. The ARC is calculated based on certain actuarial parameters and, in Montana, is equal to the statutory rate. A contribution deficiency, or excess for the year, is the result of any difference between the ARC and the actual contributions for the fiscal year. If the deficiency is not corrected by the next valuation date, or within one year of the occurrence, the amount will be amortized over a period of time, at an interest rate based on~~

Formatted: Numbered + Level: 1 + Numbering Style: A, B, C, … + Start at: 1 + Alignment: Center + Aligned at: 0.25" + Indent at: 0.5"

Formatted: Indent: Left: 0.5", No bullets or numbering

Formatted: Font: 12 pt

Formatted: Indent: Left: 1", No bullets or numbering

Formatted: Font: Not Bold

Formatted: Font: 12 pt

Formatted: Font: Not Bold

Formatted: Indent: Left: 0.5", No bullets or numbering

Formatted: Indent: Left: 0.8"

Formatted: Normal, Left, Indent: Left: 0.8", Space Before: 0 pt, After: 0 pt, Add space between paragraphs of the same style, No bullets or numbering, Don't keep with next

Formatted: Indent: Left: 0.8"

~~the pension plan's actuarial valuation. A net pension obligation (NPO) occurs when an employer has a long-term contribution deficiency or excess, including any pension liability or asset at the implementation date of GASB Statement No. 27. For a modified accrual funds the positive NPO should be recorded in the Long-Term Debit Account. A negative NPO (as asset) should not be recorded on SABHRS. However, footnote disclosure is required.~~

It was determined that defined benefit retirement plans administered by the Public Employees Retirement System (PERS) and the Teachers Retirement System (TRS) meet these GASB 68 classifications as follows:

Single-employer plan with no special funding:
Judge's Retirement System
Highway Patrol Officers Retirement System

Cost Sharing Multi-employer plan with no special funding:

PERS-DB (*Coal Trust Activities Only as not special funding*)
Sheriffs Retirement System
Game Wardens and Peace Officers Retirement System

Cost Sharing Multi-employer plan with special funding:

PERS-DB (*Except Coal Trust Activities*)
Municipal Police Officers Retirement System
Firefighters Unified Retirement System
Volunteer Firefighters Compensation Act
Teachers Retirement System

C. Defined Contribution Plans

The plans of this type that the State of Montana and local government employers participate in are as follows: Public Employees Retirement System-Defined Contribution (PERS-DC) and Montana University System-Retirement Program (MUS-RP).

a. The PERS-DC receives nonemployer contributing entity supplemental funding that is classified as a special funding situation.

b. The MUS-RP does not receive any nonemployer entity support.

~~3.~~D. Accounting for defined benefit pensions – employers~~annual pension costs~~

~~The entries to record pension expenditure/expense on SABHRS have not changed; however, the pension expenditure/expense should include one, or both, of (a) contributions in relation to the ARC and (b) payments of pension related debt not included in the ARC or NPO (GASB Statement No. 27, paragraph 14).~~

Formatted: Indent: Left: 0.8", No bullets or numbering

Formatted: Font: Arial

Formatted: Space After: 0 pt

Formatted: Indent: First line: 1", Space After: 0 pt

Formatted: Indent: First line: 0.94"

Formatted: Indent: Left: 0", First line: 1", Space After: 0 pt, Tab stops: 1", Left + Not at 1.5"

Formatted: Font: Arial

Formatted: Space After: 0 pt

Formatted: Font: Arial

Formatted: Tab stops: 0", Left + Not at 0.9"

Formatted: Font: Arial

Formatted: Space After: 0 pt

Formatted: Font: Arial

Formatted: Font: Arial

Formatted: Font: Arial

Formatted: Font: Arial

Formatted: Font: Arial

Formatted: Indent: Left: 0.6", Space After: 0 pt

Formatted: Indent: Left: 0.56", Hanging: 0.06", No bullets or numbering, Tab stops: -0.63", Left + Not at 0.9"

Formatted: Indent: Left: 0.6", No bullets or numbering

Formatted: Indent: Hanging: 0.13", Numbered + Level: 1 + Numbering Style: a, b, c, … + Start at: 1 + Alignment: Right + Aligned at: 0.69" + Indent at: 0.94"

Formatted: Indent: Left: 0.6", No bullets or numbering

Formatted: Indent: Hanging: 0.13", Space After: 0 pt, Numbered + Level: 1 + Numbering Style: a, b, c, … + Start at: 1 + Alignment: Right + Aligned at: 0.69" + Indent at: 0.94"

Formatted: No bullets or numbering

Formatted: Numbered + Level: 1 + Numbering Style: A, B, C, … + Start at: 4 + Alignment: Center + Aligned at: 0.25" + Indent at: 0.5"

In a~~A~~ccord~~ing~~ance with to GASB Statement No. ~~27~~68, ~~paragraph 12, when an~~ employers participating in defined benefit plans, and reflecting transactions on a full-accrual basis, will be required to recognize: a net pension liability (NPL), which is a proportionate share of the total pension liability (TPL) minus the plan's fiduciary net position; pension expense incurred during the measurement period; and, for those plans who are recipients of nonemployer contribution, revenue. Contributions made after the measurement date will be recorded as a deferred outflow. Other items, such as demographic changes in a plan, differences in expected and actual investment returns, and changes to the plans may trigger additional deferred inflow/outflow transactions or may need reflected as pension expense. Regardless of plan type, items may be presented in the aggregate by an employer.

GASB 68 has varying accounting and disclosure requirements dependent on actuarial valuation timing, plan type, and funding types. The Department of Administration (DOA) will record all necessary accounting entries for State employers, including the Office of the Commissioner of Higher Education (OCHE), and the State's component units, except MUS entities outside of the OCHE business unit.

Most of the necessary accounting amounts will be provided by the pension plan administrator through the publishing of the GASB 68 actuary reports and schedules. An item that can be included directly from an employer's records is any contribution made to the plan subsequent to the measurement date of the net pension liability and reflected as a deferred outflow of resources. However, the plans will make this information available through their respective websites as well. Despite central recording of the items, we created example entries below to assist in understanding what needs to be considered in relation to accounting entries. In addition, note disclosures will still be required for entities that issue stand-alone financial statements and related guidance are provided below. In years subsequent to the year of implementation, the journal entries below will require additional deferred inflow and outflow amounts and an adjustment to net position may not be necessary. ~~r~~

~~has an NPO, the annual pension cost should be equal to the sum of the ARC, one year's interest on the NPO, and an adjustment to the ARC. The following examples illustrate the computation of the annual pension cost:~~

~~Year one, the ARC is $20,000.~~

~~In year one, the employer pays $16,000, resulting in a $4,000 funding deficiency.~~

~~In year two, the actuary begins to amortize the deficiency. The ARC for the year two is adjusted in order to recover a portion of the deficiency of $4,000 from year one.~~

Formatted: Font: (Default) Arial

Formatted: Indent: Left: 0.82", Space Before: 12 pt, After: 6 pt, No bullets or numbering

Formatted: Indent: Left: 0.82"

~~In year two, the ARC is $21,500; the rate of return on investments used by the actuary is 9%; and the actuary uses an amortization factor of 8.75.~~

~~Using the above information the following assumptions can be made:~~

~~The current ARC is $21,500.~~

~~The prior year underfunding of $4,000 is multiplied by the 9% interest rate (this is the assumed amount that would have been earned by the plan if the $4,000 had been contributed). This results in one year of interest on the NPO.~~

~~The underfunding of $4,000 is divided by the amortization factor of 8.75; this results in the amount of the adjustment to the ARC for year two.~~

- ~~ARC $21,500~~
- ~~Interest on NPO ($4,000 x 9%) $360~~
- ~~Adjustment to year two ARC ($4,000/8.75)* ($457)~~
- ~~Pension cost (year two) $21,403~~
- ~~*The actuary includes the deficiency or excess in the ARC for the year. Because the deficiency, or excess, was reported as a liability in a prior year, the portion included in the ARC should not be included as part of pension cost for the current year. If the beginning balance of the ARC is negative (excess), the adjustment should be added to the pension cost calculation.~~

~~Assuming the employer only contributes $20,000 of the total pension cost of $21,403 for the year two, the NPO balance will be adjusted as follows:~~

~~NPO beginning balance (year two) $4,000~~

~~Pension cost in excess of payment $1,403~~

~~NPO beginning balance (year three)$5,403~~

~~The entries to record the pension expenditure/expense and the NPO on SABHRS are as follows:~~

~~1. Modified accrual funds~~

~~To record the payment of current portion of annual pension contribution, year one.~~

~~Governmental Fund Type~~

~~Debit~~	~~Retirement/Pension Expenditure/Expense~~	~~16,000~~
~~Cred~~	~~Cash~~	~~16,0~~

Formatted: Normal, Indent: Left: 0.82", No bullets or numbering, Tab stops: Not at 1.5"

Formatted: No underline

Formatted: Normal, Indent: Left: 0.82"

Formatted: Indent: Left: 0.82", No bullets or numbering

Formatted: Font: 12 pt

Formatted: Indent: Left: 0.82"

Formatted: Font: 12 pt

Formatted: Indent: Left: 0.82"

Formatted: Indent: Left: 0.82"

~~it~~		~~00~~

Formatted: Indent: Left: 0.82"

~~To record the receipt of current portion of annual pension contribution.~~		
~~Pension Fund~~		
~~Debit~~	~~Cash~~	~~16,000~~
~~Credit~~	~~Employer Contributions~~	~~16,000~~

Formatted: Indent: Left: 0.82"

Formatted: Indent: Left: 0.82"

Formatted: Indent: Left: 0.82"

~~To record the long-term unpaid balance of annual pension contribution from year one~~		
~~Entitywide Ledger~~		
~~Debit~~	~~Amount to be provided- NPO Payable~~	~~4,000~~
~~Credit~~	~~Net Pension Obligation Payable~~	~~4,000~~

Formatted: Indent: Left: 0.82"

Formatted: Indent: Left: 0.82"

Formatted: Indent: Left: 0.82"

~~To record the payment of current portion of annual pension cost- year two.~~		
~~Governmental Fund Type.~~		
~~Debit~~	~~Retirement/Pension Expenditure/Expense~~	~~20,000~~
~~Credit~~	~~Cash~~	~~20,000~~

Formatted: Indent: Left: 0.82"

Formatted: Indent: Left: 0.82"

Formatted: Indent: Left: 0.82"

~~To record the receipt of current portion of annual contribution.~~

~~Pension Fund~~

~~Debit~~	~~Cash~~	~~20,000~~
~~Credit~~	~~Contributions~~	~~20,000~~

~~To record the long-term unpaid balance of annual pension cost from year two.~~

~~Entitywide Ledger~~

~~Debit~~	~~Amount to be provided-NPO Payable~~	~~1,403~~
~~Credit~~	~~Net Pension Obligation Payable~~	~~1,403~~

~~2. Full accrual funds~~

~~To record the payment of annual pension contribution - year one,~~

~~Proprietary Fund~~

~~Debit~~	~~Pension Expenditure/Expense~~	~~20,000~~
~~Credit~~	~~Cash~~	~~16,000~~
~~Cred~~	~~Net Pension Obligation~~	~~4,000~~

Formatted: Indent: Left: 0.82"

Formatted: Indent: Left: 0.82"

Formatted: Indent: Left: 0.82"

Formatted: Indent: Left: 0.82"

Formatted: Indent: Left: 0.82"

Formatted: Indent: Left: 0.82"

Formatted: Indent: Left: 0.82", No bullets or numbering

Formatted: Indent: Left: 0.82"

Formatted: Indent: Left: 0.82"

Formatted: Indent: Left: 0.82"

Formatted: Indent: Left: 0.82"

~~it~~		

Formatted: Indent: Left: 0.82"

~~To record the receipt of current portion of pension contributions.~~		
~~Pension Fund~~		
~~Debit~~	~~Cash~~	~~$16,000~~
~~Debit~~	~~Contributions Receivable~~	~~$4,000~~
~~Credit~~	~~Contributions~~	~~$20,000~~

Formatted: Indent: Left: 0.82"

Formatted: Indent: Left: 0.82"

Formatted: Indent: Left: 0.82"

Formatted: Indent: Left: 0.82"

~~To record the payment of annual pension contribution year two,~~		
~~Proprietary Fund~~		
~~Debit~~	~~Pension Expenditure/Expense~~	~~$21,403~~
~~Credit~~	~~Cash~~	~~($20,000)~~
~~Credit~~	~~Net Pension Obligation Payable~~	~~($1,40~~

Formatted: Indent: Left: 0.82"

Formatted: Indent: Left: 0.82"

Formatted: Indent: Left: 0.82"

Formatted: Indent: Left: 0.82"

~~3)~~

~~To record the receipt of current portion of pension contributions~~		
~~Pension Fund~~		
~~Debit~~	~~Cash~~	~~$20,000~~
~~Debit~~	~~Contributions Rec~~	~~$1,403~~
~~Credit~~	~~Contributions~~	~~$21,000~~

~~**Note**: *The net pension obligation payable should only be recorded after it is determined that the obligation will not be settled within the time-frame established by GASB Statement No. 27 (one year from the occurrence or the next valuation date). If the unpaid balance will be settled within the established time-frame, the liability should be recorded using account 2106B, Due to Other Business Units or Funds.*~~

1. All defined benefit plan types - employer using a modified or full accrual basis of accounting
   - Contributions made to the pension plan administrators are recorded through the normal journal processing on SABHRS as shown:

Employer Entry

To record the payment of current portion of pension contributions made.			
All Fund Types regardless of accrual accounting method – ACTUALS Ledger			
Debit	61402	Retirement/Pension Expense/Expenditure (*Employer Contributions made to Plan*)	10,000
Credit	1104	Cash	10,000

Pension Plan Entry

Formatted: Indent: Left: 0.82"
Formatted: Indent: Left: 0.82"
Formatted: Indent: Left: 0.82"
Formatted: Indent: Left: 0.82"
Formatted: Outline numbered + Level: 3 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 0.5" + Indent at: 0.8"
Formatted: Font: Arial
Formatted: Font: Arial
Formatted: Font: Arial
Formatted: Font: Arial
Formatted: Font: Arial
Formatted: Indent: Left: 1.13", No bullets or numbering
Formatted: Indent: First line: 0.81"
Formatted: Font: Arial
Formatted: Font: Arial
Formatted: Font: Arial
Formatted: Font: Italic
Formatted: Font: Italic
Formatted: Font: Arial
Formatted: Font: Arial
Formatted: Font: (Default) Arial
Formatted: Indent: Left: 0", First line: 0.81"

To record the payment of current portion of pension contributions made. Pension Fund Type – ACTUALS Ledger			
Debit	1104	Cash	10,000
Credit	5XXXXX	Contribution	10,000

(NOTE: All journals below are presented as required in the year of implementation. Therefore, some elements may be different in future years and the examples will be adjusted as deemed necessary.)

2. Single employer plan Full-accrual basis and no special funding

Employer Entry

To record the current portion of annual net pension liability, expense, and deferred items. Governmental Fund Types – ENTITYWIDE Ledger; Nongovernmental Fund Types – ACTUALS Ledger			
Debit	41XX or *82000*	Net Position or *Prior Period Adjustment*	25,000,000
Debit	6A002	Pension Expense	1,825,000
Credit	61402NB	Retirement/Pension Expense/Expenditure-Non Budgeted (*Employer Contributions made to Plan*)	1,150,000
Credit	XXXX	Deferred Inflow-Actual vs Expected Investment Earnings	525,000
Credit	2606	Net Pension Liability	25,150,000

3. Cost sharing multiple employer plan Full-accrual basis and special funding

Employer Entry*

To record the payment of current portion of annual pension liability, expense, deferred items, and nonemployer entity pension contribution grant revenue. Governmental Fund Types – ENTITYWIDE Ledger; Nongovernmental fund types – ACTUALS Ledger			
Debit	41XX or *82000*	Net Position or *Prior Period Adjustment*	5,376,329
Debit	6A002	Pension Expense	1,542,086
Credit	61402NB	Retirement/Pension Expense/Expenditure-NB (*Employer Contributions made to Plan*)	585,832
Credit	XXXX	Deferred Inflow-Actual vs Expected Investment Earnings	579,335

Credit	5812XX	Nonemployer Pension Contribution-Grant Revenue	1,034,515
Credit	2606	Net Pension Liability	4,718,733

**(NOTE: The various amounts above would be reflective of an individual employer's proportionate share of the collective amount as reported by the plan administrator. The total net pension liability for the example plan above is $157,135,903 and the employer proportionate share is 3.002963%. The nonemployer contributing entity's share of the NPL is 67.085427% and this is reflected as employer grant revenue in the example above.)*

4. Cost sharing multiple employer plan Full-accrual basis and no special funding

Employer Entry*

To record the payment of current portion of annual pension liability, expense, and deferred items. Governmental Fund Types – ENTITYWIDE Ledger			
Debit	41XX or *82000*	Net Position or *Prior Period Adjustment*	19,834,965
Debit	6A002	Pension Expense	1,872,588
Credit	61402NB	Retirement/Pension Expense/Expenditure-NB (*Employer Contributions made to plan*)	2,161,313
Credit	XXXX	Deferred Inflow-Actual vs Expected Investment Earnings	2,137,351
Credit	2606	Net Pension Liability	17,408,889

(NOTE: The various amounts above would be reflective of an individual employer's proportionate share of the collective amount as reported by the plan administrator. The total net pension liability for the example plan is $157,135,903 and the employer's proportionate share is 11.078874%.)

5. Contributions made after the measurement date – accrual basis of accounting

GASB 68, paragraphs 34 and 57, for single employer and multi-employer cost sharing plans, respectively, require that an employer reclassify contributions made after the measurement date of the NPL, but prior to the employer's fiscal year end, as a deferred outflow of resources. An example entry of this reclassification is as follows:

Employer Entry

To record the payment of current portion of annual pension liability, expense, and deferred items. Governmental Fund Types – ENTITYWIDE Ledger Nongovernmental Fund Types – ACTUALS Ledger

Debit	XXXX	Deferred Outflow of Resources – Employer Contributions made subsequent to the measurement date of the NPL	588,500
Credit	61402NB	Retirement/Pension Expense/Expenditure-NB (*Employer Contributions made to plan*)	588,500

~~1.~~E. Notes to the financial statements for defined benefit plans - employers

2. Employers should include the following information in the financial statement footnotes for each defined benefit pension plan in which they participate: ~~(GASB Statement No. 27, paragraph 20).~~

- If the total amounts are not identifiable from information presented in the financial statements, the total of an employer's pension liabilities, assets, deferred outflows and inflows related to pensions, pension expense, and contributions recognized by the plans for the period associated with net pension liabilities should be disclosed.

Plan description

The name of the plan, the name of the entity that administers the plan, and identification of the plan as a single-employer or cost-sharing multiple-employer defined benefit pension plan~~.~~;

A brief description of the types of benefits and the authority for establishing and amending them~~.~~;

A brief description of contribution requirements including:

- o The basis for determining the employer's contribution to the plan;
- o Identification of the authority under which contribution requirements of the employer, nonemployer contributing entities, if any, and employees are established or may be amended;
- o The contribution rates of the aforementioned entities.
- o Unless otherwise disclosed, contributions recognized by the plan from the employer during the reporting period;

Information on separately issued pension plan financial reports and how to obtain the report;~~.~~

Information about the plans' fiduciary net position or an employer's share thereof;~~Funding policy~~

Assumptions and other inputs in the measurement of the total pension liability including:

- o Inflation;
- o Salary Changes;
- o Ad hoc benefit changes; and
- o Source of mortality rates
- o The dates of experience studies on which significant assumptions are based should be disclosed. If different rates are used for different periods, information should be disclosed about what rates are applied to the different periods of measurement

Formatted: Highlight

Formatted: Highlight

Formatted: Highlight

Formatted: Highlight

Formatted: Highlight

Formatted: Font: (Default) Arial

Formatted: Body Text, Left, Indent: Left: 0.75", Hanging: 0.06", Space Before: 0 pt, After: 0 pt, Add space between paragraphs of the same style, No bullets or numbering, Don't keep with next

Formatted: Numbered + Level: 1 + Numbering Style: A, B, C, … + Start at: 4 + Alignment: Center + Aligned at: 0.25" + Indent at: 0.5"

Formatted: List Paragraph, Outline numbered + Level: 3 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 0.5" + Indent at: 0.8"

Formatted: A Bullet, Indent: Left: 1"

Formatted: Font: (Default) Arial

Formatted: Indent: Left: 0.94"

Formatted: Bulleted + Level: 2 + Aligned at: 1.25" + Indent at: 1.5"

Formatted: Space Before: 0 pt, After: 0 pt

Formatted: Indent: Left: 0.94", First line: 0", Space Before: 0 pt, After: 0 pt

Formatted: Indent: Left: 0.94", Space Before: 0 pt, After: 0 pt

Formatted: Bulleted + Level: 2 + Aligned at: 1.25" + Indent at: 1.5"

~~The authority under which the obligations to contribute to the plan (i.e., plan members, employers, and other contributing entities) are established or amended.~~
~~The required contribution rate(s) of active plan members.~~
~~The required contribution rate(s) of the employer in dollars or as a percentage of current-year covered payrolls.~~
Information about the discount rate including:

- The rate applied in the measurement of total pension liability and the change in the discount rate since the prior measurement date, if any;
- Assumptions made about projected cash flows into and out of the plan;
- The long-term expected rate of return on pension plan investments and a brief description of how this was determined;
- If the discount rate incorporates a municipal bond rate, the municipal rate used and its source;
- 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;
- 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; and
- Measures of the net pension liability calculated using a discount rate that is: one percentage point higher and one percentage point lower than that used as the plan's rate.

~~For single-employer plans, if the rate differs significantly from the ARC, disclose how the rate is determined.~~

Pension plan's fiduciary net position – reference back to the plan's financial statements and how to obtain them will be made in relation to this item, , including a website address, unless unavailable, and then the employer should disclose the information as a part of their notes:

- However, the employer still must disclose that the plan's fiduciary net position has been determined on the same basis used by the pension plan, and a brief description of the pension plan's basis of accounting, including the policies with respect to benefit payments (including refunds of employee contributions) and the valuation of pension plan investments should be included; and
- -If significant changes have occurred that indicate that the disclosures included in the pension plan's financial report generally do not reflect the facts and circumstances at the measurement date, information about the substance and magnitude of the changes should be disclosed.

~~For cost-sharing multiple-employer plans, disclose the required contributions in dollars and the percentage of that amount contributed for the current year and each of the two preceding years.~~

Formatted: Bulleted + Level: 2 + Aligned at: 1.25" + Indent at: 1.5"

Formatted: Indent: Left: 0.94"

Formatted: Bulleted + Level: 2 + Aligned at: 1.25" + Indent at: 1.5"

~~2.~~3. Additional notes to the financial statements

a. In addition to the above notes to the financial statements required in subparagraph 1, the following information is required to be disclosed for single-employer plans:

- The number of employees covered by the benefit terms including:
  - o Inactive employees (or their beneficiaries) that are currently receiving benefits;
  - o Inactive employees entitled to, but not yet receiving benefits; and
  - o Active employees.
- The beginning and ending balances of total pension liability, the plan's fiduciary net position, and the net pension liability
- The effect during the period of the following items, if applicable, on the balances required to be disclosed above:
  - o Service cost
  - o Interest on the total pension liability
  - o Changes of benefit terms
  - o Differences between expected and actual experience in the measurement of the total pension liability
  - o Changes of assumptions or other inputs
  - o Contributions from the employer
  - o Contributions from nonemployer contributing entities
  - o Contributions from employees
  - o Pension plan net investment income
  - o Benefit payments, including refunds of employee contributions
  - o Pension plan administrative expense
  - o Other changes, separately identified if individually significant.
- The following items need disclosed, as applicable:
  - o 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;
  - o A brief description of changes of assumptions or other inputs that affected measurement of the total pension liability since the prior measurement date;
  - o A brief description of changes of benefit terms that affected measurement of the total pension liability since the prior measurement date;
  - o 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;

Formatted: List Paragraph, Indent: Left: 0.75", Hanging: 0.31", Outline numbered + Level: 8 + Numbering Style: a, b, c, … + Start at: 1 + Alignment: Left + Aligned at: 2.1" + Indent at: 2.4"

Formatted: Indent: Left: 0.75", Bulleted + Level: 1 + Aligned at: 1" + Indent at: 1.25"

Formatted: Bullet 1, Indent: Left: 1", Bulleted + Level: 2 + Aligned at: 3.25" + Indent at: 3.5"

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

Formatted: A Bullet, Outline numbered + Level: 4 + Numbering Style: Bullet + Aligned at: 0.75" + Indent at: 1"

Formatted: Font: (Default) Arial

Formatted: List Paragraph, Bulleted + Level: 1 + Aligned at: 1" + Indent at: 1.25"

Formatted: Font: (Default) Arial

Formatted: A Bullet, Indent: Left: 1"

Formatted: Outline numbered + Level: 5 + Numbering Style: Bullet + Aligned at: 1" + Indent at: 1.25"

- The amount of pension expense recognized by the employer in the reporting period;
- The employer's balances of deferred outflows of resources and deferred inflows of resources related to pensions, classified as follows, if applicable:
  a. Differences between expected and actual experience in the measurement of the total pension liability;
  b. Changes of assumptions or other inputs;
  c. Net difference between projected and actual earnings on pension plan investments;
  d. The employer's contributions to the pension plan subsequent to the measurement date of the net pension liability
- A schedule presenting the following:
  a. 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 that will be recognized in the employer's pension expense;
  b. If the employer does not have a special funding situation, the amount of the employer's balance of deferred outflows of resources in subparagraph (xvii) that will be recognized as a reduction of the net pension liability

Formatted

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

Formatted

Formatted: Font: (Default) Arial

~~The annual pension cost and the dollar amount of contributions for the current year. If the employer has an NPO, components of the annual pension cost should also be disclosed (i.e., ARC, interest on the NPO, and any adjustment to the ARC), as well as the increase or decrease in the NPO, and the NPO at the end of the fiscal year.~~

~~The annual pension cost, the percentage of annual pension cost contributed that year, and the NPO at the end of the year. These should be disclosed for the current year and the preceding two years, except in the year of transition and the year following transition. For these, one year, then two years will be shown until three years of information has accumulated.~~

~~The date of the actuarial valuation, the identification of the actuarial methods, and significant assumptions used to determine the ARC for the current year. The disclosures should include:~~

~~The actuarial cost method.~~

~~The method used to determine the actuarial value of assets.~~

~~The assumptions with respect to the (a) inflation rate, (b) investment return, (c) projected salary increases, and (d) postretirement benefit increases.~~

~~The method of amortization (i.e., level dollar or level percentage of projected payroll) and the amortization period for the latest actuarial valuation, as well as whether the amortization period is open or closed.~~

b. In addition to the notes to the financial statements required above in subparagraph 1, the following information is required to be disclosed for multi-employer plans:

- The employer's proportionate share (amount) of the collective net pension liability and, if an employer has a special funding situation:
    - o The portion of the nonemployer contributing entities' total proportionate share (amount) of the collective net pension liability that is associated with the employer; and
    - o The total of the employer's proportionate share (amount) of the collective net pension liability and the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the employer
- 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;
- The measurement date of the collective 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;
- A brief description of changes of assumptions or other inputs that affected measurement of the total pension liability since the prior measurement date;
- A brief description of changes of benefit terms that affected measurement of the total pension liability since the prior measurement date;
- A brief description of the nature of changes between the measurement date of the collective net pension liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective net pension liability, and the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known;
- The amount of pension expense recognized by the employer in the reporting period;
- The employer's balances of deferred outflows of resources and deferred inflows of resources related to pensions, classified as follows, if applicable:
    - o Differences between expected and actual experience in the measurement of the total pension liability;
    - o Changes of assumptions or other inputs;
    - o Net difference between projected and actual earnings on pension plan investments;
    - o Changes in the employer's 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; and
- The employer's contributions to the pension plan subsequent to the measurement date of the collective net pension liability.
- A schedule presenting the following:

Formatted: Indent: Left: 0.75", Hanging: 0.31", Tab stops: 1.06", Left

Formatted: Font: (Default) Arial

Formatted: Indent: Left: 0.75", Bulleted + Level: 1 + Aligned at: 1" + Indent at: 1.25"

Formatted: Bulleted + Level: 1 + Aligned at: 1.5" + Indent at: 1.75"

Formatted: Font: (Default) Arial

Formatted: A Bullet, Indent: Left: 1"

Formatted: Font:

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

Formatted: Indent: Left: 1.19"

Formatted: A Bullet, Indent: Left: 1.19", Outline numbered + Level: 5 + Numbering Style: Bullet + Aligned at: 1" + Indent at: 1.25", Tab stops: 1.44", Left

Formatted: A Bullet, Indent: Left: 1.19", Outline numbered + Level: 5 + Numbering Style: Bullet + Aligned at: 1" + Indent at: 1.25"

Formatted: Font: (Default) Arial

Formatted: Indent: Left: 0.75", Bulleted + Level: 5 + Aligned at: 0.25" + Indent at: 0.5", Tab stops: -1.19", Left + -1.06", Left + Not at 0.5"

Formatted: Font: (Default) Arial

Formatted: Indent: Left: 0.75", Tab stops: -0.81", Left + Not at 0.5"

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 the subparagraph above that will be recognized in the employer's pension expense;
2. The amount of the employer's balance of deferred outflows of resources in the subparagraph above, that will be included as a reduction of the collective net pension liability; and
3. The amount of revenue recognized for the support provided by nonemployer contributing entities, if any.

4. Required supplementary information ~~(~~
a. ~~s~~Single-employer plans only~~)~~

The following should be presented in the aggregate for the State of Montana single employer plans:

o As of the measurement date of the net pension liability:

i. A 10-year schedule of changes in the net pension liability that separately presents the information required in 2a above; and

ii. A 10-year schedule presenting the following for each year:

(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.

o As of the employer's most recent fiscal year-end:

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

(a) 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.
(b) 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 fiduciary net position during the

Formatted: Font:
Formatted: Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 1.25" + Indent at: 1.5", Tab stops: -0.81", Left + Not at 0.5"
Formatted: Font:
Formatted: Font: (Default) Arial
Formatted: Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 1.25" + Indent at: 1.5"
Formatted: Font: (Default) Arial
Formatted: Font: (Default) Arial
Formatted: Font: (Default) Arial
Formatted: Indent: Left: 0.75", No bullets or numbering
Formatted: Font: (Default) Arial
Formatted: Body Text, Indent: Left: 1.19", Space Before: 0 pt, After: 0 pt, Add space between paragraphs of the same style, No bullets or numbering, Don't keep with next
Formatted: Font: (Default) Arial
Formatted: Indent: Left: 2.1", No bullets or numbering
Formatted: Bullet 4, Left, Space Before: 0 pt, After: 0 pt, Add space between paragraphs of the same style, No bullets or numbering, Don't keep with next
Formatted: Indent: Left: 2.1", No bullets or numbering
Formatted: Indent: Left: 2.5", Hanging: 0.5", Numbered + Level: 2 + Numbering Style: a, b, c, … + Start at: 1 + Alignment: Left + Aligned at: 0.75" + Indent at: 1"

employer's fiscal year resulting from actual contributions and from contributions recognized by the pension plan as current receivables.

(c) 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.

(d) The covered-employee payroll.

(e) 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.

ii. 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:

(a) 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.

(b) 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.

(c) 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.

(d) The covered-employee payroll.

(e) 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

Formatted: Indent: Left: 2.75", Numbered + Level: 2 + Numbering Style: a, b, c, … + Start at: 1 + Alignment: Left + Aligned at: 0.75" + Indent at: 1"

Formatted: Indent: Left: 3", No bullets or numbering

Formatted: Tab stops: 1.94", Left

Formatted: Indent: Left: 2", No bullets or numbering, Tab stops: 1.94", Left

b. Multi-employer cost sharing plans only

The following should be presented separately for each cost-sharing plan through which pensions are provided:

- As of the measurement date of the net pension liability for plans without a special funding situation, a 10-year schedule presenting the following for each year:
  - (a) The employer's proportion (percentage) of the collective net pension liability;
  - (b) The employer's proportionate share (amount) of the collective net pension liability;
  - (c) The employer's covered-employee payroll;
  - (d) The employer's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll;
  - (e) The pension plan's fiduciary net position as a percentage of the total pension liability.
- As of the measurement date of the net pension liability for plans with a special funding situation, a 10-year schedule presenting the following for each year;
  - (a) The employer's proportion (percentage) of the collective net pension liability
  - (b) The employer's proportionate share (amount) of the collective net pension liability
  - (c) The portion of the nonemployer contributing entities' total proportionate share (amount) of the collective net pension liability that is associated with the employer
  - (d) The total of (b) and (c)
  - (e) The employer's covered-employee payroll
  - (f) The employer's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
  - (g) The pension plan's fiduciary net position as a percentage of the total pension liability.
- As of the employer's most recent fiscal year end, and being contributions to the plans are statutorily required, a 10-year schedule presenting the following for each year:
  - (a) 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;

Formatted: Font: (Default) Arial

Formatted: Indent: Left: 1.5", Hanging: 0.31"

Formatted: Bullet 2, Left, Indent: Left: 1.5", Hanging: 0.31", Space Before: 0 pt, After: 0 pt, Add space between paragraphs of the same style, Numbered + Level: 1 + Numbering Style: a, b, c, … + Start at: 1 + Alignment: Left + Aligned at: 1.19" + Indent at: 1.44", Don't keep with next

Formatted: Indent: Left: 1.5", Hanging: 0.31"

Formatted: Font: (Default) Arial

Formatted: A Bullet, Left, Indent: Left: 1.5", Space Before: 0 pt, After: 0 pt, Add space between paragraphs of the same style, No bullets or numbering, Don't keep with next

Formatted: Font: (Default) Arial

Formatted: Indent: Left: 1.5", Hanging: 0.31"

Formatted: Font: (Default) Arial

Formatted: A Bullet, Left, Indent: Left: 1.5", Hanging: 0.31", Space Before: 0 pt, After: 0 pt, Add space between paragraphs of the same style, Numbered + Level: 3 + Numbering Style: a, b, c, … + Start at: 1 + Alignment: Left + Aligned at: 2.81" + Indent at: 2.94", Don't keep with next

Formatted: Font: (Default) Arial

Formatted: Indent: Left: 1.25"

Formatted: Indent: Left: 1.5", No bullets or numbering

Formatted: Indent: Left: 1.56", Numbered + Level: 1 + Numbering Style: a, b, c, … + Start at: 1 + Alignment: Left + Aligned at: 0.75" + Indent at: 1"

(b) 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;

(c) 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;

(d) The employer's covered-employee payroll.

(e) The amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the employer's covered-employee payroll.

- Information about factors that significantly affect trends in the amounts reported in the schedules required in subparagraph (b) above should be presented as noted to the schedules.

~~3.~~

~~A schedule of funding progress is required to be presented by employers participating in single-employer plans. The information can be presented as required supplementary information directly after the footnotes or within the footnotes. The following information is required to be disclosed for each of the last three actuarial valuations:~~

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

~~Factors significantly affecting trend information should also be disclosed as follows:~~

~~Changes in benefit provisions.~~
~~Size or composition of the population covered by the plan.~~
~~Actuarial methods and assumptions used.~~

~~The required supplementary information should only be presented for the years available until three actuarial valuations have been completed.~~

~~K.~~F. **Defined contribution plans**

According to GASB Statement No. ~~27~~68, ~~paragraph 25,~~ employers

Formatted: A Bullet, Left, Indent: Left: 1.56", Space Before: 0 pt, After: 0 pt, Add space between paragraphs of the same style, Numbered + Level: 1 + Numbering Style: a, b, c, … + Start at: 1 + Alignment: Left + Aligned at: 0.75" + Indent at: 1", Don't keep with next

Formatted: Font: (Default) Arial

Formatted: Indent: Left: 1.06"

Formatted: Font: 12 pt, Not Bold

Formatted: No bullets or numbering

Formatted: Font: (Default) Arial

Formatted: Numbered + Level: 1 + Numbering Style: A, B, C, … + Start at: 4 + Alignment: Center + Aligned at: 0.25" + Indent at: 0.5"

Formatted: Font: (Default) Arial

Formatted: Indent: Left: 0.69", No bullets or numbering

Formatted: Font: (Default) Arial

participating in defined contribution plans should recognize annual pension expenditures/expenses equal to their required contributions, in accordance with the terms of the plan. Agencies should record the expenditure/expense based on the modified or full accrual basis, applying the same method that is used to record employer contributions. Any difference between required and actual contributions causes a pension liability or pension asset which should be shown separately on the financial statements.

a. All defined contribution plan types - employer using a modified or full accrual basis of accounting, regardless of a special funding situation

- Contributions made to the pension plan administrators are recorded through the normal journal processing on SABHRS

Employer Entry

To record the payment of current portion of pension contributions made. All Fund Types regardless of accrual accounting method – ACTUALS Ledger			
Debit	61402	Retirement/Pension Expense/Expenditure (*Employer Contributions made to Plan*)	10,000
Credit	1104	Cash	10,000

Pension Plan Entry

To record the payment of current portion of pension contributions made. Pension Fund Type – ACTUALS Ledger			
Debit	1104	Cash	10,000
Credit	5XXXXX	Contribution	10,000

However, contributions must be reclassified as pension expense for full accrual accounting

Employer Entry

To reclassify defined contribution amounts made throughout the year to the plan as pension expense. Governmental Fund Types – ENTITYWIDE Ledger Nongovernmental Fund Types – ACTUALS Ledger			
Debit	6A002	Pension Expense	1,875,000
Credit	61402NB	Retirement/Pension Expense/Expenditure-NB (*Employer Contributions made to Plan*)	1,875,000

Formatted: Indent: Left: 0.75", Numbered + Level: 1 + Numbering Style: a, b, c, ... + Start at: 1 + Alignment: Left + Aligned at: 1" + Indent at: 1.25"

Formatted: Indent: Left: 1", No bullets or numbering

Formatted: Indent: Left: 1.06"

Formatted: Indent: Left: 0.81", First line: 0"

Formatted: Highlight

Formatted: Highlight

b. Defined contribution plan types - employer using full accrual basis of accounting and the plan has a special funding situation

If the employer's defined contribution pension plan is a recipient of special funding from a nonemployer contributing entity, an additional entry to recognize additional pension expense and grant revenue equal to the nonemployer contribution is required.

Employer Entry

To recognize nonemployer entity contribution amounts to employer pension expense. Governmental Fund Types – ENTITYWIDE Ledger Nongovernmental Fund Types – ACTUALS Ledger			
Debit	6A002	Pension Expense	1,875
Credit	5812XXNB	Nonemployer Pension Contribution-Grant Revenue-Non Budgeted	1,875

~~1.~~3. Notes to the financial statements

The following information should be disclosed in the footnotes to the financial statements for each defined contribution plan in which the employer is required to contribute, regardless of a special funding situation ~~participates (GASB Statement No. 27, paragraph 27)~~:

- The name of the plan, identification of the entity that administers the plan, and identification of the plan as a defined contribution plan;~~.~~
- A brief description of the plan provisions and the authority under which they are established or amended;~~.~~
- Contribution requirements (i.e., contribution rate in dollars or as a percentage of salary) of plan members, employer, and other contributing entities, as well as the authority under which the requirements are established or amended;~~.~~
- The amount of pension expense recognized by the employer in the reporting period;
- The amount of forfeitures reflected in pension expense recognized by the employer in the reporting period;
- The amount of the employer's liability outstanding at the end of the period, if any.

~~Actual contributions of the plan~~.

In addition to the note disclosure requirements above, employers in a special funding situation must also disclose:

Formatted: Indent: Left: 1.25", No bullets or numbering
Formatted: Indent: Left: 0.75"
Formatted: Indent: Left: 1", No bullets or numbering
Formatted: Indent: Left: 0.81", Hanging: 0.19", No bullets or numbering
Formatted: Indent: Left: 0.81", No bullets or numbering
Formatted: Outline numbered + Level: 3 + Numbering Style: 1, 2, 3, ... + Start at: 3 + Alignment: Left + Aligned at: 0.5" + Indent at: 0.8"
Formatted: Bulleted + Level: 1 + Aligned at: 0.75" + Indent at: 1"
Formatted: Bulleted + Level: 1 + Aligned at: 0.75" + Indent at: 1"
Formatted: Indent: First line: 0"
Formatted: Indent: Left: 0.75", First line: 0"

- The proportion of total net pension expense for pensions provided through the pension plan that is represented by the employer's expense; and
- The amount of revenue recognized as a result of the support provided by nonemployer contributing entities.

Formatted: Bulleted + Level: 1 + Aligned at: 1" + Indent at: 1.25"

Formatted: Indent: First line: 0"

G. Accounting for Nonemployer contributing entity (*State of Montana*)

Formatted: Heading 2, Indent: Left: 0.25"

Formatted: Font: Italic

Formatted: Heading 3, Indent: Left: 0.5", Widow/Orphan control, Tab stops: Not at 0.69"

Several of the defined benefit pension plans and one defined contribution pension plan receive additional contributions from a nonemployer contributing entity (the State of Montana) as noted in sections V; B, 3 and C, a. When a nonemployer's contributions are considered a special funding situation, the nonemployer is required to reflect a share of the pension plan's net pension liability. Otherwise, the nonemployer contributing entity only reflects an expenditure for contributions provided to the plan.

Formatted: Font: (Default) Times New Roman

Formatted: Indent: Left: 0", Space After: 6 pt, Widow/Orphan control, Tab stops: Not at 0.69"

Formatted: Indent: Left: 0.5", Hanging: 0.25"

1. Single employer and multi-employer cost sharing defined benefits plans Modified-accrual basis and special funding
   Nonemployer Contributing Entity Entry

To reclassify the payment of nonemployer entity contributions to the pension plan as grant expenditures.

All Fund Types – ACTUALS

Debit	661XXNB	Grant Expense-Pension Related Non Budgeted	11,339,004
Credit	61402NB	Retirement/Pension Expense/Expenditure-NB *(Nonemployer Contributions made to Plan)*	11,339,004

Formatted: Indent: Left: 0.75", No bullets or numbering, Tab stops: 0.75", Left + Not at 0.69"

2. Single employer and multi-employer cost sharing defined benefits plans full-accrual basis and special funding
   Nonemployer Contributing Entity Entry*

To record the payment of current portion of annual pension liability, expense, and deferred items, with an adjusted retirement expense amount for consideration of that previously recorded as a result of modified accrual accounting. (*See entry above*)

Formatted: Font: Italic

Governmental Fund Types – ENTITYWIDE Ledger;

Nongovernmental fund types – ACTUALS Ledger

Debit	41XX or *82000*	Net Position or *Prior Period Adjustment*	120,105,805
Credit	61402NB	Retirement/Pension Expense/Expenditure-NB *(Nonemployer Contributions made to Plan)*	1,748,307
Credit	XXXX	Deferred Inflow-Actual vs Expected Investment Earnings	12,942,206

Formatted: Font: Italic

Formatted: Font: Italic

Formatted: Highlight

Formatted: Highlight

Formatted: Font: Italic, Highlight

Formatted: Highlight

Credit	2606	Net Pension Liability	105,415,292

**(NOTE: The various amounts above would be reflective of the nonemployer entity's proportionate share of the collective amount as reported by the plan administrator, with the contribution expense adjusted for prior modified accounting journal posted. The total net pension liability for the example plan above is $157,135,903. The nonemployer contributing entity's share of the NPL is 67.085427%.)*

3. Single employer and multi-employer cost sharing defined benefits plans full and modified accrual basis with no special funding

Nonemployer Contributing Entity Entry

To reclassify annual nonemployer entity pension contributions as grant expenditures. All Fund Types – ACTUALS Ledger			
Debit	661XXNB	Grant Expense-Pension Related-NB	8,500,000
Credit	61402NB	Retirement/Pension Expense/Expenditure-NB *(Nonemployer Contributions made to Plan)*	8,500,000

4. Notes to financial statements

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

  a. 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, agent, or cost-sharing pension plan;

  b. 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;

  c. A brief description of contribution requirements, including (1) the basis for determining the governmental nonemployer contributing entity'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 employers, nonemployer contributing entities, 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 governmental nonemployer contributing entity during the reporting period (measured as the total of amounts recognized as additions to the pension plan's fiduciary net position resulting from

Formatted: Indent: Left: 0.44", Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 3.63" + Indent at: 3.88"

Formatted: Highlight

Formatted: Highlight

Formatted: Highlight

Formatted: Highlight

Formatted: Font: (Default) Arial

Formatted: Indent: Left: 0.44", Hanging: 0.25", Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 3.63" + Indent at: 3.88"

Formatted: Indent: Left: 0.75", Bulleted + Level: 1 + Aligned at: 1.06" + Indent at: 1.31"

Formatted: Indent: Left: 1.06", Hanging: 0.31" actual contributions and from contributions recognized by the pension plan as current receivables), if not otherwise disclosed;

d. 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;

- 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.
- The following information should be disclosed about the discount rate:

a. 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;

b. Assumptions made about projected cash flows into and out of the pension plan, such as contributions from employers, nonemployer contributing entities, and employees;

c. 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;

d. If the discount rate incorporates a municipal bond rate, the municipal bond rate used and the source of that rate;

e. 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;

f. 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;

g. Measures of the governmental nonemployer contributing entity's proportionate share of the collective net pension liability calculated using: (1) a discount rate that is 1-percentage-point higher than that used in the plan's actuarial valuation, and (2) a discount rate that is 1-percentage-point lower than that used in the plan's actuarial valuation.

- The following additional information should be disclosed, if applicable:

a. The governmental nonemployer contributing entity's proportionate share (amount) of the collective net pension liability, its 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;

Formatted: Indent: Left: 0.75", Bulleted + Level: 1 + Aligned at: 1.06" + Indent at: 1.31"

Formatted: Indent: Left: 0.75"

Formatted: Indent: Left: 1", Hanging: 0.31", Numbered + Level: 1 + Numbering Style: a, b, c, … + Start at: 1 + Alignment: Left + Aligned at: 1" + Indent at: 1.25"

Formatted: Indent: Left: 0.75", Bulleted + Level: 1 + Aligned at: 1.56" + Indent at: 1.81"

Formatted: Indent: Hanging: 0.31"

b. The measurement date of the collective 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;

Formatted: Indent: Left: 1", Hanging: 0.31", Numbered + Level: 1 + Numbering Style: a, b, c, … + Start at: 2 + Alignment: Left + Aligned at: 1" + Indent at: 1.25"

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

d. A brief description of changes of benefit terms that affected measurement of the total pension liability since the prior measurement date;

e. A brief description of the nature of changes between the measurement date of the collective net pension liability and the governmental nonemployer contributing entity's reporting date that are expected to have a significant effect on the governmental nonemployer contributing entity's proportionate share of the collective net pension liability, and the amount of the expected resultant change in the governmental nonemployer contributing entity's proportionate share of the collective net pension liability, if known,

f. The amount of expense recognized by the governmental nonemployer contributing entity in the reporting period as a result of the special funding situation,

g. The governmental nonemployer contributing entity's balances of deferred outflows of resources and deferred inflows of resources as a result of the special funding situation, classified as follows, if applicable:

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

Formatted: Indent: Left: 1.31", Hanging: 0.31"

(2) Changes of assumptions or other inputs;

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

(4) Changes in the governmental nonemployer contributing entity's proportion and differences between the governmental nonemployer contributing entity's contributions (other than those to separately finance specific liabilities of the individual nonemployer contributing entity to the pension plan) and the governmental nonemployer contributing entity's proportionate share of contributions;

(5) The governmental nonemployer contributing entity's contributions to the pension plan subsequent to the measurement date of the collective net pension liability

h. A schedule presenting the following:

Formatted: Indent: Left: 1"

(1) For each of the subsequent five years and in the aggregate thereafter, the net amount of the governmental nonemployer contributing entity's balances of deferred outflows of resources and deferred inflows of resources in subparagraph (g) that will be recognized in the governmental nonemployer contributing entity's expense

(2) The amount of the governmental nonemployer contributing entity's balance of deferred outflows of resources in subparagraph (g) that will be included as a reduction of the collective net pension liability.

- The following disclosures need reported as required supplementary information (RSI):
  - As of the measurement date of the net pension liability, a 10-year schedule presenting the following for each year:

    (1) The governmental nonemployer contributing entity's proportion (percentage) of the collective net pension liability;

    (2) The governmental nonemployer contributing entity's proportionate share (amount) of the collective net pension liability;

    (3) The pension plan's fiduciary net position as a percentage of the total pension liability.
  - As of the nonemployer contributing entity's most recent fiscal year end and as contributions are statutorily required, a 10-year schedule presenting the following for each year:

    (1) The governmental nonemployer contributing entity's statutorily or contractually required contribution. For purposes of this schedule, statutorily or contractually required contributions should exclude amounts, if any, to separately finance specific liabilities of the individual governmental nonemployer contributing entity to the pension plan;

    (2) The amount of contributions recognized by the pension plan in relation to the governmental nonemployer contributing entity's statutorily or contractually required contribution. For purposes of this schedule, contributions should include only amounts recognized as additions to the pension plan's fiduciary net position during the governmental nonemployer contributing entity's fiscal year resulting from actual contributions and from contributions recognized by the pension plan as current receivables.

    (3) The difference between the governmental nonemployer contributing entity's statutorily or contractually required contribution and the amount of contributions recognized by the pension plan in relation to its statutorily or contractually required contribution.

Formatted: Indent: Left: 1.31", Hanging: 0.31"

Formatted: Indent: Left: 0.75", Bulleted + Level: 1 + Aligned at: 1.56" + Indent at: 1.81"

Formatted: Indent: Left: 1", Bulleted + Level: 2 + Aligned at: 2.06" + Indent at: 2.31"

Formatted: Indent: Left: 1.31", Hanging: 0.31"

Formatted: Indent: Left: 1", Bulleted + Level: 2 + Aligned at: 2.06" + Indent at: 2.31"

Formatted: Indent: Left: 1.25", Hanging: 0.38"

Formatted: Indent: Left: 1.25", Hanging: 0.31"

- Information about factors that significantly affect trends in the amounts reported as RSI should be presented as notes to the schedules.

Formatted: Indent: Left: 0.75", Bulleted + Level: 1 + Aligned at: 1.56" + Indent at: 1.81"

Formatted: Font: (Default) Arial

VI. Pension reporting

A. Introduction

This chapter establishes state accounting policies for the financial reporting and disclosure of pension plan information in annual financial reports issued by the Public Employees Retirement Administration (PERA), the Teachers Retirement System (TRS), university units, and the State of Montana in accordance with generally accepted accounting principles as promulgated in GASB Statement No. ~~25~~67, (Financial Reporting for ~~Defined Benefit~~ Pension Plans~~ and Note Disclosures for Defined Contribution Plans~~). GASB Statement No. ~~25~~ 67 ~~superseded all previous~~ supersedes most authoritative guidance on accounting and financial reporting for defined benefit pension plans for governmental entities and note disclosures for defined contribution plans issued previously.~~.~~

B. Defined benefit plans

Formatted: Numbered + Level: 1 + Numbering Style: A, B, C, … + Start at: 2 + Alignment: Center + Aligned at: 0.25" + Indent at: 0.5"

GASB Statement No. ~~25~~ 67 applies to state and local governmental pension plans that are administered through trusts or equivalent arrangements in which: contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable; pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms; pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members. ~~defines~~ GASB 67 states a defined benefit pension ~~plan as~~ is a p~~lan~~ension for which the income or other benefits that the plan member will receive at or after separation from employment are defined by the benefit terms~~having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time~~; the amount specified may be an established dollar amount or~~-~~ determined by ~~usually is~~ a calculation ~~function~~ based on ~~of~~ one or more factors such as age, years of service, and compensation~~ (GASB Statement No. 25, paragraph 44, page 38)~~.

~~According to GASB Statement No. 25, the financial report of a defined benefit pension plan should provide information for (a) the plan members, beneficiaries, and their representatives, (b) legislative and executive officials of the plan sponsor, participating employers, and agencies with plan oversight responsibilities, and (c) the plan's' board of trustees or other governing body (GASB Statement No. 25, paragraph 5).~~

~~Information provided should be useful in assessing (a) the stewardship of plan resources and the ongoing ability of the plan to pay pension benefits when due, (b) the effect of plan operations and pension benefit commitments on the need for contributions by plan members, employers, and other contributors, and (c) compliance with finance related statutory, regulatory and contractual requirements (GASB Statement No. 25, paragraph 6).~~

~~The defined benefit pension plan financial report should provide information about (a) plan assets, plan liabilities, and plan net position, (b) the year to year changes in plan net position, (c) the funded status of the plan from a long term, ongoing plan perspective and the progress made in accumulating sufficient assets to pay benefits when due, and (d) the contribution requirements of plan members, employers, and other contributors and the extent of compliance with those requirements (GASB Statement No. 25, paragraph 7)~~.

Although the majority of GASB Statement No. ~~25~~ 67 applies to defined benefit pension plans, this statement also requires specific footnote disclosures for defined contribution plans.

C. Summary of reporting requirements

Disclosures are required both in annual financial reports issued for the retirement plans and in the State's Comprehensive Annual Financial Report (CAFR).

Note: *In the year of implementation, restatement is required when comparative financial statements are presented.*

GASB Statement No. ~~25~~ 67 requires that a pension plan financial report include two financial statements and two supplementary schedules, with footnote disclosures for each.

1. Statement of ~~plan~~ fiduciary net position

   This is prepared on the accrual basis ~~(see liabilities for exception)~~ and consists of plan assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position as of fiscal year-end.

   ~~3.~~1. Assets

      Cash/cash equivalent: consists of cash accounts 1101 through 1109 and short term investment accounts 1613 and 1642.

      Receivables (net): usually short term, receivables consist of accounts 1201 through 1206, 1208 through 1216, 1245, 1405 through 1407, 1611, and 2525. The CAFR category due from other funds (accounts 1230 and 1306) is also considered to be a general receivable for pension reporting. The total due from other PER~~B~~A plans must equal the total due to other PER~~B~~A plans. In addition, pension plans are required to separately display the principal components of the receivables category ~~(GASB Statement No. 25, paragraphs 21 through 22)~~. Principal components may include employer and employee contributions receivable as well as interest and dividends receivable.

      Other receivables categories for reporting purposes consist of the following accounts:

      Interfund loans receivable – 1501
      Due from other governments – 1302, 1303
      Long-term notes/loans receivable – 1207, 1211, 1404

Formatted: Numbered + Level: 1 + Numbering Style: A, B, C, … + Start at: 2 + Alignment: Center + Aligned at: 0.25" + Indent at: 0.5"

Formatted: Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 0.75" + Indent at: 1"

Investments: all plan investments should be reported at fair value as of fiscal year-end. As with receivables, the principal components of investments (mortgages, real estate, venture capital, ~~etc~~etc.) should be separately displayed. For the CAFR the component of the investments are disclosed in the footnote(s). The investment accounts are as follows:

Equity in pooled investments – 1617, 1618, 1621, 1622, 1626, 1627
Investments – 1601 through 1610, 1623, 1624, 1625, 1644, 1645, 2501, 2509, 2512, plus any additional 16xx accounts established to account for pension investments (see the investment disclosures section of this policy for additional information).

Assets used in plan operations: buildings, furniture, equipment and other assets used in plan operations should be reported at historical cost less accumulated depreciation or amortization. ~~(GASB Statement No. 25, paragraph 25).~~ The accounts used to record operations assets on SABHRS are:

Land – 1701
Building/Improvements – 1702, 1703, 1707, 1708
Equipment – 1704, 1709
Other fixed assets – 1705, 1710 through 1714
Intangible assets – 1809
Other assets – 1401, 1801, 1803, 1806, 1901, 1902, 1904, 1905

Agencies should contact the State Financial Services Division if they use any accounts not listed, and require assistance with classification.

~~4.~~2. Deferred outflow of resources
A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period.

~~5.~~3. Liabilities
According to GASB Statement No. ~~25~~67, ~~paragraph 26,~~ plan liabilities for benefits and refunds should be recognized when due and payable in accordance with the terms of the plan. All other plan liabilities should be recognized on the accrual basis. The following SABHRS accounts are categorized as liabilities:

Accounts payable – 2101, 2107, 2115, 2145, and 2301. Accounts payable includes the CAFR category Due to other funds (2106 and 2130).
Inter-entity loans payable – 2102
Due to other governments – 2103, 2508, 2540
Other liabilities – 2105, 2203, 2408, 2409, 2506, 2507, 2510, 2519, 2522
Deferred revenue – 2505
Property held in trust – 2114, 2201, 2502, 2503, 2504, 2513, 2517, 2518, 2520, 2521, 2526
Installment purchase/lease payable – 2104, 2108
Compensated absences payable – 2605, 2625

Formatted: Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 0.75" + Indent at: 1"

Formatted: Indent: Left: 1"

Formatted: Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 0.75" + Indent at: 1"

Note: Total due to other PER~~B~~A plans must equal total due from other PER~~B~~A plans

~~6.~~4. Deferred inflow of resources
A deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

~~7.~~5. Fiduciary ~~N~~net position ~~held in trust for pension benefits~~
The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources as of fiscal year-end ~~and~~ should be reported as net position restricted for pensions.~~followed by a parenthetical reference to the schedule of funding progress (GASB Statement No. 25, paragraph 27)~~.

D. **Statement of changes in plan net position**
This includes additions to, deduction from and the net increase (decrease) in net position.

1. Additions

The following four categories should be separately displayed in the additions section of the statement of changes in plan net position:

Employer contributions
Member (employee) contributions
Nonemployer entity contributions ~~Other than employer or member contributions~~
Net investment income

Net appreciation (depreciation) in the fair value of plan investments.
Interest income; dividend income and other income not included ~~in (4.1)~~ above.
Total investment expense, if separable from investment income and the administrative expense of the plan~~separately displayed (see section VI.G, the investment disclosures section of this chapter for additional information).~~

2. Deductions

Benefits and refunds paid to plan members and beneficiaries
Total administrative expense, separately displayed

3. Net increase/decrease in fiduciary net position

Net increase/decrease is the difference between total additions and total deductions. This amount should be reported as the net increase or decrease in net position.~~Adding it to net position held in trust for pension benefits, beginning of year, plus or minus prior year adjustments, provide net position held in trust for pension benefits, end of year~~.

Formatted: Numbered + Level: 1 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 0.75" + Indent at: 1"
Formatted: Indent: Left: 1"
Formatted: Numbered + Level: 1 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 0.75" + Indent at: 1"
Formatted: Numbered + Level: 1 + Numbering Style: A, B, C, ... + Start at: 2 + Alignment: Center + Aligned at: 0.25" + Indent at: 0.5"
Formatted: Indent: Left: 0.51", Hanging: 0.24"
Formatted: Indent: Left: 1"
Formatted: Indent: Left: 0.5", Numbered + Level: 1 + Numbering Style: 1, 2, 3, ... + Start at: 2 + Alignment: Left + Aligned at: 0.75" + Indent at: 1"
Formatted: Font: 12 pt, Not Bold
Formatted: Indent: Left: 0.5", Numbered + Level: 1 + Numbering Style: 1, 2, 3, ... + Start at: 2 + Alignment: Left + Aligned at: 0.75" + Indent at: 1"
Formatted: Font: 12 pt, Not Bold

E. **Financial statement footnotes**

This should include the following disclosures for the PERA, TRS, and the CAFR.

1. Plan description

Type of plan ~~i.e~~e.g., single employer, cost-sharing multiple-employer ~~and number of participating employers and other contributing entities.~~

The number of participating employers and nonemployer contributing entities

Information on the pension plan's board and its compensation

Classes of employees covered and the number of covered members ~~i.e~~e.g.~~.~~, active, retired. Disclosures should also state if plan is closed to new members.

2. Description of types of benefits ~~and the authority under which the benefits are provided.~~

~~2. **Summary of significant accounting policies**~~

~~Basis of accounting.~~

~~Description of how fair value of investments is determined.~~

Summary of significant accounting policies

Basis of accounting

~~D~~Description of how the fair value of investments is determined

3. ~~Contributions~~Benefit Terms

Authority under which benefits are established and may be amended

Types of benefits provided by through the pension plan

~~3.~~4. Contributions ~~and reserves~~

Authority under which funding sources are established or amended, for employers and nonemployer contributing entities.

~~Funding policy describing how rates are determined, the authority establishing payments and funding of administrative costs.~~

Required contribution rates ~~for active members~~, in dollars or as a percentage of covered payroll ~~.~~

~~Description of the terms of long-term contracts for contributions and any outstanding amounts as of fiscal year-end.~~

~~Balances in legally required reserves as of fiscal year-end as well as a description of each disclosed reserve.~~

Note: *This information is required to be submitted to the State Financial Services Division for inclusion in the State's CAFR* ~~*(see GASB 25, paragraph 32 for additional information on reduced disclosures for employer reporting).*~~

Formatted: Numbered + Level: 1 + Numbering Style: A, B, C, … + Start at: 2 + Alignment: Center + Aligned at: 0.25" + Indent at: 0.5"

Formatted: Font: 12 pt, Not Bold

Formatted: Indent: Left: 0.5", Hanging: 0.25", Space Before: 0 pt, After: 0 pt, Numbered + Level: 3 + Numbering Style: 1, 2, 3, … + Start at: 2 + Alignment: Left + Aligned at: 2.13" + Indent at: 2.25"

Formatted: Indent: Left: 0.75", First line: 0"

Formatted: Indent: Left: 0.75", No bullets or numbering

Formatted: Indent: Left: 0.75", First line: 0"

Formatted: Indent: Left: 0.75", Space Before: 0 pt, After: 0 pt, No bullets or numbering

Formatted: Body Text, Left, Space Before: 0 pt, After: 0 pt, Add space between paragraphs of the same style, No bullets or numbering, Don't keep with next

~~4.~~5. Investments

Investment policies, including: the procedures for establishing and amending policy decisions; policies on asset allocation, and significant policy changes for the reporting period

How fair value of investments is determined

Identification of investments in any one organization that represents five-percent or more of the plan's fiduciary net position~~For information on investments see management memo 2-98-09~~.

The annual money-weighted return on plan investments, net expenses, and disclosure of this netting

6. Other items

Total pension liability
Pension plan's fiduciary net position
Net pension liability
Plan's fiduciary net position as a percentage of the total pension liability
Significant assumptions and inputs used to measure the total pension liability
Information about the discount rate, including measures of the net pension liability using a discount rate 1% lower and 1% higher than used in the actuarial valuation
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 plan's fiscal year end

F. **Required supplementary information**

This includes ~~two~~ four supplementary schedules displaying information on a ten-year horizon and accompanying notes to be displayed immediately after the financial statement ~~footnotes: (1) a schedule of funding progress and (2) a schedule of employer contributions. The~~footnotes. These~~se~~ schedule data in subparagraphs 1 and 2~~s should be presented in accordance with the parameters discussed in section VI.F.4 below.~~ can be presented within two individual schedules or combined into one ten-year presentation.~~Alternatively, this information may be presented in full in the financial statement footnotes or as financial statements rather than as supplementary schedules.~~

1. Schedule of ~~funding progress~~changes in net pension liability

This schedule should present information for each year the beginning and ending balances of the total pension liability, the plan's fiduciary net position and net pension liability and the effects on these items from the following as applicable:

Service cost
Interest on total pension liability
Changes in benefit terms
Differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability

Formatted: Indent: Left: 0.5", Hanging: 0.25", Numbered + Level: 3 + Numbering Style: 1, 2, 3, … + Start at: 2 + Alignment: Left + Aligned at: 2.13" + Indent at: 2.25"

Formatted: List Paragraph, Indent: Left: 0.5", Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 0.75" + Indent at: 1"

Formatted: List Paragraph, Indent: Left: 0.75"

Formatted: List Paragraph, Indent: Left: 0.75", Hanging: 0.25"

Formatted: Numbered + Level: 1 + Numbering Style: A, B, C, … + Start at: 2 + Alignment: Center + Aligned at: 0.25" + Indent at: 0.5"

Formatted: Indent: Left: 0.5", Hanging: 0.25"

Formatted: Space After: 0 pt

Formatted: Indent: Left: 0.75", Hanging: 0.25"

Changes of assumptions about future economic or demographic factors or of other inputs
Contributions from employers
Contributions from nonemployer contributing entities
Contributions from plan members
Pension plan net investment income
Benefit payments, including refunds of plan member contributions
Pension plan administrative expense
Other changes, separately identified if individually significant
~~as of the actuarial valuation date for each of the past six fiscal years in accordance with the parameters. For plans with biennial valuations, the information shown will be for three valuations. Unlike GASB Statement No. 5, an update will not need to be performed in alternate years. The following information is required to be presented:~~

Formatted: Space After: 0 pt

~~Actuarial valuation date~~

Formatted: Normal, Indent: Left: 0.75"

~~Actuarial value of plan assets~~

~~Actuarial accrued liability~~

~~Total unfunded actuarial liability~~

~~Funded ratio (actuarial value of assets as a percentage of actuarial accrued liability)~~

~~Annual covered payroll~~

~~Ratio of unfunded actuarial liability to annual covered payroll.~~

2. Schedule of ~~employer contributions~~pension plan liability

Formatted: Indent: Left: 0.5", Hanging: 0.25", Numbered + Level: 1 + Numbering Style: 1, 2, 3, ... + Start at: 2 + Alignment: Left + Aligned at: 2.13" + Indent at: 2.25"

This schedule should present information for each year including:

Total pension liability
Pension plan's fiduciary net position
Net pension liability
Pension plan's fiduciary net position as a percentage of the total pension liability
Covered-employee payroll
Net pension liability as a percentage of covered-employee payroll. ~~for each of the past six fiscal years. When contributions are received from an entity other than the employer, the schedule should be titled "Schedule of contributions from the employer (s) and other contribution entities". The following information is required to be presented.~~

Formatted: Space After: 0 pt

Formatted: Indent: Left: 0.75", Hanging: 0.25", Space After: 0 pt

Formatted: Space After: 0 pt

~~Dollar amount of the annual required contributions (ARC).~~

Formatted: Normal, Indent: Left: 0.75"

~~Percentage of ARC that is recognized as employer contributions in the statement of changes in plan net position.~~

~~Dollar amount of required contributions from sources other than employers and members.~~

~~Percentage of the above that is recognized in the statement of changes in plan net position.~~

3. Schedule of actuarially determined contributions (ADC)

Formatted: Indent: Left: 0.5", Hanging: 0.25"

This schedule should present an actuarially determined contribution amount, when calculated and it should identify whether the information relates to employers, nonemployer contributing entities, or both;

Formatted: Indent: Left: 0.75", Hanging: 0.25"

The ADC amounts determined for each contributing entity;

For cost-sharing plans, the contractually required ADC, if different than that above;

The amount of contributions recognized during the fiscal year in relation to the ADC;

Any difference between the ADC assessed by the actuarial valuation and the amounts recognized by the plan;

Covered payroll; and

Contributions recognized by the plan in relation to the ADC as a percentage of covered payroll

4. A schedule of the annual money-weighted average rate of return on pension plan investments

Formatted: Indent: Left: 0.5", Hanging: 0.25"

~~3.~~5. Notes to the required schedules

Formatted: Indent: Left: 0.5", Hanging: 0.25", Numbered + Level: 1 + Numbering Style: 1, 2, 3, ... + Start at: 5 + Alignment: Left + Aligned at: 2.13" + Indent at: 2.25"

Actuarial methods and significant assumptions used for calculating the actuarially determined contribution schedule amounts.

Formatted: Indent: Left: 0.75", Hanging: 0.25"

Information about factors that significantly affect trends in the other 10-year schedule amounts presented

~~the most recent year presented in the schedules, including:~~

~~Actuarial method~~

Formatted: Normal, Indent: Left: 0.75"

~~Methods used to determine the actuarial value of assets~~

~~Assumptions concerning inflation rate~~

~~Investment return~~

~~Projected salary increases~~

~~Amortization method (dollar or level percentage of projected payroll)~~

~~Amortization period for the most recent actuarial valuation including whether the period is open or closed.~~

~~When using the aggregate actuarial cost method, disclose that this method does not identify or amortize unfunded actuarial liabilities separately.~~

~~Factors that affect the identification of trends in the amounts reported in the required schedules (GASB Statement No. 25, paragraph 40b), include:~~

~~Changes in benefits provisions.~~

Formatted: Normal, Indent: Left: 0.75"

~~Population size or composition.~~

~~Actuarial methods and assumptions used~~

~~Note: Amounts reported for prior years should not be restated unless the previously reported amounts were based on the standardized measure of the pension benefit obligation according to GASB Statement No. 5.~~

4. ~~Parameters~~

~~GASB Statement No. 25, paragraph 35 requires that an actuarial valuation be performed biennially with a new valuation performed if significant changes have occurred since the last valuation. The valuation should be performed in accordance with the following parameters as promulgated in GASB Statement No. 25, paragraph 36 a-g:~~

~~Benefits to be included - the actuarial present value of total projected benefits.~~
~~Actuarial assumptions - as guided by actuarial standard of practice No 4, measuring pension obligations.~~
~~Economic assumptions - the investment return assumptions (discount rate) should be based on an estimated long-term investment yield for the plan.~~
~~Actuarial cost method - one method should be used: entry age, frozen entry age, attained age, frozen attained age, projected unit credit, or aggregate actuarial cost method.~~
~~Actuarial value of assets - should be market based and valued using methods and techniques consistent with the class and holding period of the assets as well as the investment return assumptions, other assumptions used, and current actuarial standards for asset valuation.~~
~~ARC - actuarially determined in accordance with the parameters. The amount should include the employer's normal cost and a provision for amortizing the total unfunded actuarial liability in accordance with the following:~~

- ~~(a) Maximum amortization period of 30 years.~~
- ~~Minimum amortization period - When a change from one actuarial cost method to another results in a significant decrease in the total unfunded actuarial liability, the decrease is required to be amortized over a minimum period of 10 years.~~
- ~~Amortization method - provision for amortizing the total unfunded actuarial liability may be determined in level dollar amounts or as a level percentage of the projected payroll of active members.~~
- ~~Deficient or excess employer contributions - difference between the ARC and the employer's contributions in relation to the ARC. Amortization of the excess or deficiency should begin at the next actuarial valuation unless settlement is expected within one year after occurrence.~~

G. **Investment disclosures**
Plan investments (excluding insurance contracts) are required to be reported at their fair value as of fiscal year-end. The fair value of an investment is the amounts that the plan could reasonably expect to receive for it in a current sale between a willing buyer and a willing seller - that is, other than in a forced or liquidation sale.

Formatted: Font: 12 pt

Formatted: Indent: Left: 0.5", Hanging: 0.25", Numbered + Level: 1 + Numbering Style: 1, 2, 3, ... + Start at: 5 + Alignment: Left + Aligned at: 2.13" + Indent at: 2.25"

Formatted: Font: 12 pt, Not Bold

Formatted: Bulleted + Level: 1 + Aligned at: 1.5" + Indent at: 1.75"

Formatted: Numbered + Level: 1 + Numbering Style: A, B, C, ... + Start at: 2 + Alignment: Center + Aligned at: 0.25" + Indent at: 0.5"

~~(GASB Statement No. 25, paragraph 24)~~. If determinable, brokerage commissions and other costs normally incurred in a sale should be deducted. The following methods may be used to measure fair value:

The market price if there is an active market for the investment.

If there is no active market for the investment, the market value of similar investments may be used to estimate fair value.

If market price is not available and there is not a market price for similar investments, fair value may be estimated using a forecast of expected cash flows as long as the expected cash flows are discounted at a rate commensurate with the risk involved.

~~(b)~~ Unallocated insurance contracts* may be reported at contract value. Allocated insurance contracts**should be excluded from plan assets.

*~~(c)~~ *An unallocated insurance contract is a contract with an insurance company under which payments to the insurance company are accumulated in an unallocated pool or pooled account (not allocated to specific members) to be used either directly or through the purchase of annuities to meet benefit payments when employees retire. Monies held by the insurance company under an unallocated contract may be withdrawn and otherwise invested ~~(GASB Statement No. 25, page 44)~~.*

***An allocated insurance contract is a contract with an insurance company under which related payments to the insurance company are currently used to purchase immediate or deferred annuities for individual members. Also may be referred to as an annuity contract. ~~(GASB Statement No. 25, page 37)~~.*

The statement of changes in ~~plan~~ fiduciary net position includes an additions section that represents the following components of net investment income:

Net appreciation/depreciation in the fair value of plan investments includes realized gains and losses on investments purchased and sold during the fiscal year. Realized and unrealized gains and losses should not be separately displayed in the statement of changes in plan net position but may be disclosed in the footnotes as follows:

- ~~(d)~~ Realized gains and losses should be based on the difference between the sale price and the original cost of the investment.
- The disclosure must state that (1) the calculation of realized gains and losses is independent of the measurement of net appreciation (depreciation) in the fair value of investments and (2) unrealized gains and losses on investments sold in the current fiscal year that were held for more than one year were included in the net appreciation (depreciation) in plan assets reported in both prior and current fiscal years.

Interest, dividend, and other income not included in investment income calculated as noted~~(1)~~ above. Interest income should be reported at the stated interest rate. Premiums and discounts on debt securities should not be amortized.

Formatted: Bullet 3, Indent: Left: 0.81", No bullets or numbering

Formatted: Font: 10 pt, Italic

Formatted: Bullet 3, Indent: Left: 0.81", No bullets or numbering

Formatted: Font: 10 pt, Italic

Formatted: Font: (Default) Arial, 10 pt, Italic

Formatted: Bullet 3, Indent: Left: 0.81"

Formatted: Font: 10 pt, Italic

Formatted: Bulleted + Level: 1 + Aligned at: 1.25" + Indent at: 1.5"

This does not apply to individual investment pools that the pension plan may invest in which should continue to record discount and premium amortization.

Total investment expense which includes investment management and custodial fees and all other significant investment-related costs, will be recorded by the Board of Investments. Total investment expense must be displayed separately from investment income in the additions section of the statement.

~~Note: Items 1 and 2 above will be combined in the CAFR, but may be separately displayed in the financial reports of the individual pension plans.~~

In addition to the normal investment entries, the following are examples of the type of SABHRS entries that are required to be made by the Board of investments in order to bring investments to market in accordance with GASB Statement No. ~~25~~67.

To record an increase in the market value of the Retirement fund bond pool (RFBP)			
Debit	1618	RFBP appreciation/depr	112,000
Credit	51XXXX	Investment appr/depr	112,000

To record a decrease in the market value of mortgages			
Debit	51XXXX	Investment appr/depr	103,000
Credit	1602	Mortgage appreciation/depr	103,000

These entries should be made for each type of investment held by the pension plans.

H. CAFR disclosures

The following format should be used when submitting the required disclosures to the Accounting Principles and Financial Reporting Section (APRFS) of the State Financial Services Division:

All information is required to be disclosed in the footnote section of the State's CAFR is~~as~~ noted above in sections V~~I~~.E ~~-~~– Defined Benefit Employer Financial S~~s~~tatement ~~f~~Footnotes; V.F.3 – Defined Contribution Employer Financial Statement Footnotes, and V.G.4 – Notes to Financial Statements for Nonemployer Contributing Entities.~~. In addition, the following schedules: the schedule of funding progress, schedule of employer contributions, and actuarial methods assumptions, are required for single-employer and cost-sharing multiple employer plans .These schedules should be submitted in the format detailed in sections VI.F.1, VI.F.2 and VI.F.3.~~

~~1. Schedule of funding progress (figures used as examples only).~~

~~**Schedule of funding progress**~~			
	~~**HPORS**~~	~~**JRS**~~	~~**GWRS**~~
~~1. Actuarial valuation date~~	~~6/30/xx~~	~~6/30/xx~~	~~6/30/xx~~

Formatted: Numbered + Level: 1 + Numbering Style: A, B, C, … + Start at: 2 + Alignment: Center + Aligned at: 0.25" + Indent at: 0.5"

~~2. Actuarial value of plan assets~~	~~$2,000~~	~~$1,500~~	~~$700~~
~~3. Actuarial accrued liability (AAL)~~	~~$2,100~~	~~$1,750~~	~~$1,000~~
~~4. Unfunded AAL (UAAL) (3-2)~~	~~$100~~	~~$250~~	~~$300~~
~~5. Funded ratio (2/3)~~	~~95.2%~~	~~85.7%~~	~~70.0%~~
~~6. Covered payroll~~	~~$800~~	~~$500~~	~~$400~~
~~7. UAAL as % of covered payroll (4/5)~~	~~12.5%~~	~~50.0%~~	~~75.0%~~

~~**Note**: *GASB Statement No. 25 requires that information from three actuarial valuations be presented in the CAFR. For the Single and Cost-Sharing Multiple employer systems, the current schedule of funding progress should be presented in the notes to the financial statements, and the current year plus two prior years of the schedule of funding progress should be presented in the RSI.*~~

~~2. Schedule of employer contributions~~

Formatted: Normal, Indent: Left: 0.75", No bullets or numbering

~~This schedule should present information for each of the past three fiscal years. When contributions are received from an entity other than the employer, the schedule should be titled "Schedule of contributions from the employer(s) and other contributing entities". The following information is required to be presented.~~

~~Dollar amount of the annual required contributions (ARC)~~

Formatted: Normal, Indent: Left: 0.75"

~~Percentage of ARC that is recognized as employer contributions in the statement of changes in plan net position.~~

Formatted: Normal, Indent: Left: 0.75", First line: 0"

~~Dollar amount of required contributions from sources other than employers and members.~~

~~Percentage of the above that is recognized in the statement of changes in plan net position.~~

~~3. Actuarial methods and assumptions~~

Formatted: Normal, Indent: Left: 0.75", No bullets or numbering

~~For the single employer systems (HPORS and JRS), actuarial methods and significant assumptions used for the most recent year should be presented. This information should include the following;~~

~~Actuarial method~~

Formatted: Normal, Indent: Left: 0.75"

~~Methods used to determine the actuarial value of assets.~~

~~Assumptions concerning inflation rate~~

~~Investment return~~

~~Projected salary increases~~

~~Amortization method (dollar or level percentage of projected payroll)~~

~~Amortization period for the most recent actuarial valuation including whether the period is open or closed~~

~~When using the aggregate actuarial cost method, disclose that this method does not identify or amortize unfunded actuarial liabilities separately.~~

~~Factors that affect the identification of trends in the amounts reported in the required schedules (GASB Statement No. 25, paragraph 40b), include:~~

~~Changes in benefits provisions.~~

~~Population size or composition.~~

~~Actuarial methods and assumptions used.~~

~~**Note**: *Amounts reported for prior years should not be restated unless the previously reported amounts were based on the standardized measure of the pension benefit obligation according to GASB Statement No. 5.*~~

Formatted: Normal, Indent: Left: 0.75"

I. Defined contribution plans

Formatted: Numbered + Level: 1 + Numbering Style: A, B, C, … + Start at: 2 + Alignment: Center + Aligned at: 0.25" + Indent at: 0.5"

GASB Statement No. ~~25~~ 67 requires footnote disclosures be provided for defined contribution plans. A defined contribution pension plans specifies how contributions to a member's accounts are to be determine, rather than the amount of retirement income the member is to receive. The retirement amount received depends only on the amount contributed to the member's account, investment earnings on the contribution, and any forfeited contributions of the other members. The following information should be sent to ~~APFRS~~ State Accounting Bureau by the date listed in the fiscal year-end Policy 375.

Description of the plan

~~(e)~~(a) Statement that the plan is a defined contribution plan and disclosures of the number of participating employers and other contributing entities.
(b) Type of employees covered and total current membership.
(c) Description of the plan provisions and the authority on which the plan is based.
(d) Contribution rates for members, employers, and other contributing entities as well as the authority on which the rates are based.

Formatted: Numbered + Level: 1 + Numbering Style: a, b, c, … + Start at: 1 + Alignment: Left + Aligned at: 1" + Indent at: 1.25"

Summary of significant accounting policies.

~~(f)~~ Basis of accounting, fair value of plan assets (unless plan assets are presented at fair value), and a description of how the fair value is presented.

Formatted: Indent: Left: 1.25", No bullets or numbering

VII. IRC §457 Plans

A. Overview

Deferred compensation plans (457 plans) for State and local governments have been established in Internal Revenue Code (IRC) section (§) 457. Accounting and financial reporting standards for 457 plans have been established in GASB Statement No. 32. This activity is to be accounted for in a pension trust fund. The valuation provisions established in GASB Statement No. 31 should be applied. Further guidance on the valuation provisions of GASB Statement No. 31 can currently be found in MM 2-98-09. Relevant provisions of MM 2-98-09 will soon be incorporated into a new investment policy.