The issuance of GASB Statements 25 (plan reporting) and 27 (employer reporting) dramatically changed requirements for pension financial reporting. These statements require pension plans to be reported on the accrual basis of accounting, with investments reported at fair value and unrealized gains and losses reported on the operating statement. Financial statement format was modified with a Statement of Plan Net Assets replacing the balance sheet and a Statement of Changes in Plan Net Assets replacing the traditional Statement of Revenues and Expenditures and Changes in Fund Balance. These statements also modified disclosure requirements with disclosed information being calculated in accordance with strictly defined parameters. Biennial actuarial valuations are required.

Employers making contributions from governmental funds should recognize expenditures in the amount expected to be contributed or expected to be liquidated with expendable available financial resources (modified accrual basis of accounting). A liability for accounting and financial reporting purposes should only be recorded in situations where the actuarially determined annual (or contractually) required contribution to the pension plan failed to be fully funded.

Employers making contributions from proprietary funds should recognize expense equal to the annual pension cost (annual or contractually required contribution). A liability would be recognized if there is a difference between the annual pension cost and the employer's actual contributions to the plan. If such under-funding occurs, GASB 27 prescribes a series of calculations to obtain the annual expense amount.

The GASB statements also provide detailed measurement and disclosure guidance to define requirements based on the plan type (e.g., cost-sharing multiple-employer defined benefit plan, single-employer defined benefit plan, agent multiple-employer defined benefit plan or defined contribution plan).

Extensive discussion of pension accounting and reporting requirements is beyond the scope of this policy. Authoritative discussion of these requirements is available in Sections Pe5 and Pe6 of the Codification of Governmental Accounting and Financial Reporting Standards. Employer reporting requirements are discussed in section P20.