State Accounting Office of Georgia
Fiscal Leadership for Georgia

Statewide Accounting Policy & Procedure

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Section: Employee Benefits	**Revision Date:** 04/14/2011
Sub-section: Pension Benefits	

Index:

Policy Summary:

Comprehensive guidance on the requirements for pension accounting and financial reporting, by plans and by participating employers, is provided in the GASB Codification and the GASB Comprehensive Implementation Guide. Relevant GASB references for plans sponsored by the State of Georgia are listed in the Authority section of this policy. Plan administrators are responsible for understanding and applying the extensive GASB pension guidance when preparing their plan financial reports and when providing information to SAO and other participating employers for inclusion in their respective financial reports. Plan administrators should consult with SAO when significant changes in plan accounting or assumptions are anticipated to ensure appropriate handling in the State of Georgia CAFR.

From the plan perspective, the GASB requires pension plans to be reported on the accrual basis of accounting, with investments reported at fair value and unrealized gains and losses reflected in the financial statements. Pension activity and disclosures are calculated in accordance with strictly defined parameters, with biennial actuarial valuations required by the GASB. In the State of Georgia, annual actuarial valuations are obtained for the significant defined benefit pension plans sponsored by the State. All pension plans for which the State has a fiduciary responsibility are presented in the State's CAFR as separate fiduciary funds, each with a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. Additional footnote disclosures are provided for the significant plans. The determination of which plans are significant for disclosure purposes is made by SAO on an annual basis. The two most significant plans currently are the Employees' Retirement System of Georgia (ERS) and the Teachers Retirement System of Georgia (TRS).

From the employer perspective, pension accounting and reporting requirements depend on both the plan type (e.g., cost-sharing multiple-employer defined benefit plan, single-employer defined benefit plan, agent multiple-employer defined benefit plan (agent plan) or defined contribution plan) and the type of fund from which contributions are made. Extensive guidance for each plan type is provided in the GASB literature. The State of Georgia does not sponsor or participate in agent plans. An overview of the accounting and reporting requirements for the other plan types are addressed in this policy. When an employer has more than one plan, all recognition requirements are applied separately for each plan. Pension liabilities and assets relating to different plans may not be offset in the financial statements.

Specific accounting and reporting requirements, for both plans and their participating employers, are addressed below in the Policy Requirements section.

Policy Requirements:

Accounting Requirements

Pension retirement benefits must be accounted for and reported in compliance with GASB standards. From the plan perspective, all defined benefit plans, regardless of type, follow the specialized requirements of GASB Codification Section Pe5, *Pension Plans – Defined Benefit*. Defined contribution plans follow the accounting and reporting requirements for fiduciary funds in general, with certain specific note disclosures as described in Codification Section Pe6, *Pension and Other Postemployment Benefit Plans – Defined Contribution*. From the employer perspective, accounting recognition and disclosure requirements are detailed in Codification Section P20, *Pension Activities – Employer Reporting*. A special-purpose government engaged only in fiduciary activities, such as a public employee retirement system (PERS), should present only the financial statements required for fiduciary funds, including applicable management's discussion and analysis (MD&A), footnotes, and RSI.

The GASB establishes financial reporting standards, not funding standards, and recognizes that governments may have statutory or other requirements related to funding that are outside the GASB parameters. In the State of Georgia, member contribution rates are set by law, and employer contributions are established by the plans' boards of trustees as determined annually in accordance with an actuarial valuation and minimum funding standards as provided by law. The OCGA provides a formula for determining minimum funding amounts but also indicates that the minimum standards are deemed to have been met if the employer contribution is equal to or greater than the annual required contribution as determined in accordance with the provisions of GASB Statements No. 25 (*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*) and No. 27 (*Accounting for Pensions by State and Local Governmental Employers*). Participating employers are required to remit employee contributions withheld from pay and to make employer contributions as determined by the plans' boards of trustees.

This policy focuses on the accounting for and disclosure of pension costs and contributions in compliance with GAAP. The administrators of each State sponsored pension plan and the management of each organization in the State reporting entity are responsible for ensuring that proper accounting procedures are employed and for establishing effective internal controls to ensure compliance with this policy. The administrators are also responsible for complying with State law pertaining to administration of the plans.

Recognition and Measurement

Measurement of defined benefit pension obligations for financial reporting purposes is based on actuarial calculations that comply with GASB defined parameters. The administrators of the plans contract with actuaries to perform these calculations. As specialists, the actuaries provide invaluable recommendations related to valuing pension assets and obligations and perform their calculations in compliance with both actuarial standards of practice and the GASB parameters. The plan administrators, however, are ultimately responsible for the accounting assumptions underlying the calculations. Plan administrators should consult with both their external auditors and SAO when significant changes in plan accounting or assumptions are anticipated to ensure appropriate handling in the CAFR.

Defined Benefit Plan Accounting

From the plan perspective, the requirements for measuring, recognizing, and reporting plan activity apply to all defined benefit plans, regardless of type (i.e., whether the plan is a single-employer, agent multiple-employer, or cost-sharing multiple-employer plan) and regardless of how or when pension benefits provided by the plan are financed.

The financial report of a defined benefit pension plan includes two financial statements and two required schedules of historical trend information, as follows:

- Statement of Plan Net Assets.
- Statement of Changes in Plan Net Assets, showing additions to and deductions from plan assets.
- Schedule of Funding Progress, included as required supplementary information (RSI).
- Schedule of Employer Contributions, included as RSI.

The statement of plan net assets provides information about the fair value and composition of net assets, but does not report the actuarially determined funded status of the plan or projected benefit obligations. The two accrual basis financial statements, taken together, essentially reflect the:

- Fair value of assets contributed, including receivables, generally short-term, for contributions due as of the reporting date and for interest and dividends on investments.
- Fair value of investments.
- Historical cost less accumulated amortization/depreciation of assets used in plan operations.
- Benefit payments and liabilities, including benefits and refunds due and payable at the reporting date in accordance with plan terms and accruals for investment and administrative expenses.
- Net investment income, including gains and losses on investments, interest income, dividend income, other income, and total investment expense.

Funded status information is provided from a long-term, ongoing plan perspective in a historical trend table rather than being recognized in the financial statements. The trend information allows users to assess the progress being made to accumulate sufficient assets to pay benefits when due even though funded status is not recognized in the financial statements. Likewise, the employer contributions schedule provides trend information about the annual required contributions of employers (ARC) as compared to the percentage of the ARC actually contributed. This additional information helps readers understand the changes over time in the funded status of the plan.

Even though the funded status is not recognized in the financial statements, the measurement of all actuarially determined pension information, including the components presented in RSI, must adhere to the parameters defined by the GASB for financial reporting purposes and must be consistently applied. If the plan's funding is calculated in compliance with the GASB parameters, then the plan must use the same assumptions and methods for financial reporting purposes. However, if funding is calculated using assumptions or methods outside the GASB parameters, then the plan must make separate calculations for financial reporting purposes. The ARC is a financial reporting (not a funding) concept, and by definition is calculated in accordance with the parameters. Therefore, a funding amount calculated using methods or assumptions that do not comply with the parameters (i.e., based on statute or an actuarial basis that is outside the parameters) cannot be called the ARC. Funding in such cases is referred to as the contractually required contribution. The ARC must be calculated using the same financial reporting methods and assumptions that are used for calculating the actuarial accrued liability as presented in the schedule of funding progress.

Refer to the GASB Codification and Chapter 5 of the Comprehensive Implementation Guide for detailed guidance on applying the GASB defined parameters. Those parameters, which must be consistently applied, include standards related to the:

- Benefits included in the actuarial present value of total projected benefits.
- Actuarial assumptions, which are based on actual experience but emphasize expected long-term future trends rather than giving undue weight to recent past experience.
- Economic assumptions, such as an investment return assumption (discount rate) and projected salary increase assumption, with the discount rate based on an estimated long-term investment

yield for the plan, giving consideration to the nature and mix of current and expected plan investments and the basis used to determine the actuarial value of assets.
- Actuarial cost methods, limiting methods to entry age, frozen entry age, attained age, frozen attained age, projected unit credit, or aggregate actuarial cost method. The entry age method is used for the ERS and TRS defined benefit plans.
- Actuarial value of assets, which should generally be market related.
- ARC, which includes the employers' normal cost and provisions for amortizing the unfunded actuarial accrued liability.
- Contribution deficiencies or excess contributions of employers.

In their respective financial reports, participating employers should apply the same methods and assumptions as those used by the plans in which they participate.

Defined Contribution Plan Accounting
Defined contribution plans follow the accounting and reporting requirements for fiduciary funds in general, using the economic resources measurement focus and accrual basis of accounting. Defined contribution plan investments should be reported at fair value.

A plan that has characteristics of both a defined benefit plan and a defined contribution plan requires analysis. If the substance of the plan is to provide a defined benefit in some form (i.e., the benefit is a function of factors other than amounts contributed and amounts earned on contributions), then the standards for defined benefit pension plans apply.

Single-employer Defined Benefit Plans – Employer Accounting
Single-employer requirements apply when the entity with legal responsibility for contributions is the only contributing entity. Thus, entities with a level of legal responsibility for contributions that is lower than 100% are not required to apply the single-employer provisions.

For single-employer defined benefit plans, annual pension cost is equal to the annual required contributions (ARC) to the plan for that year, unless the plan has a net pension obligation (NPO) at the beginning of the year. The ARC is an actuarially determined amount calculated in accordance with GASB defined parameters. The ARC is an accounting concept, ***not*** a GAAP mandated funding amount.

When an employer has an NPO at the beginning of the year, annual pension cost is equal to the ARC, plus one year's interest on the NPO, plus or minus an adjustment to the ARC. The interest is calculated on the beginning balance of the NPO using the investment return rate assumed in calculating the ARC for that year. The adjustment is needed to offset the amount of interest (and principal, if any) already included in the ARC for amortization of past contribution deficiencies or excess contributions. For example, when a contribution deficiency occurs, the next and subsequent ARCs include an amount for amortization of the deficiency. The amount included in the ARC for amortization of the deficiency generally is not precisely determinable. The accounting adjustment is designed to estimate the amortization amount, remove it from the ARC, and add back an appropriate amount for interest on the NPO. The adjustment is deducted from the ARC if the beginning balance of the NPO is positive (cumulative annual pension cost is greater than cumulative employer contributions) or added to the ARC if the NPO is negative. The employer can return to reporting annual pension cost equal to the ARC if the NPO balance is paid in full, plus interest. Refer to the GASB literature for comprehensive guidance on calculating annual pension cost and the ARC.

The employer's NPO includes (a) the pension liability or asset at transition, if any, and (b) the cumulative difference between annual pension cost and the employer's contributions, since adoption of GASB

Statement No. 27. NPO excludes short-term differences and unpaid contributions that have been converted to pension-related debt. A short-term difference is one that the employer intends to settle by the first actuarial valuation date after the difference occurs or, if the first valuation is scheduled within a year, not more than one year after the difference occurs. If the amount remains unsettled at the end of that term, the employer would include the entire unsettled difference in the NPO. An amount for actuarial amortization of the difference would then be included in the next and subsequent ARCs.

Employers making contributions from governmental funds recognize expenditures in the amount contributed to the plan or expected to be liquidated with expendable available financial resources under the modified accrual basis of accounting. A long-term liability for the NPO is recognized only in the governmental activities column in the government-wide statement of net assets if the ARC is not fully funded (i.e., the NPO is positive). If the NPO is negative, it is reported as a prepaid item in the governmental activities column in the government-wide statement of net assets.

Employers making contributions from proprietary funds recognize expense on the accrual basis in an amount equal to the annual pension cost. If there is a difference between annual pension cost and the employer's contributions to the plan, then the NPO is adjusted. When the ARC is under-funded, the NPO is recognized as a long-term liability. If the NPO is negative, it is reported as a prepaid item. Pension liabilities and assets related to different plans may not be offset in the financial statements.

In other words, an employer participating in a single-employer plan must recognize accrual basis expense in the amount of the ARC-based pension cost. Therefore, even if the employer contributed its contractual requirement each year, it must recognize a NPO liability if the cumulative contractual requirements were less than the cumulative ARC and related NPO interest costs.

<u>Multiple-employer Defined Benefit Plans – Employer Accounting</u>

Employers making contributions from governmental funds recognize expenditures for the amounts contributed to the plan or expected to be liquidated with expendable available financial resources (modified accrual basis of accounting). A liability is recognized in the governmental activities column of the government-wide statements only if the employer fails to make the contractually required contributions.

Employers making contributions from proprietary or fiduciary funds recognize expense equal to the annual contractually required contribution. A liability is recognized for any under-funding of the contractual requirement.

In other words, accrual basis expense recognition by employers in a multiple-employer plan relates to the contractual requirement as opposed to the ARC. The employer recognizes no liability as long it contributes its contractual requirement each year, even if the contractual requirement is less than the ARC that was calculated for the plan as a whole. The GASB requires a cost-sharing ***plan*** to report (disclose) the ARC. However, the notions of an ARC and NPO do not apply to cost-sharing ***employers***. A cost-sharing employer can, nevertheless, have a net liability to the plan arising from cumulative unpaid contractually required contributions.

<u>Defined Contribution Plan – Employer Accounting</u>

Employers participating in defined contribution plans should recognize annual pension expenditures (in governmental fund financial statements) or expense (in proprietary fund financial statements and government-wide financial statements) equal to their required contributions, in accordance with the terms of the plan. Recognition in the fund financial statements should be on the modified accrual or accrual basis, whichever applies to the funds used to report the employer's contributions. Pension liabilities and assets result from the difference between contributions required and contributions made. Pension liabilities and assets related to different plans should not be offset in the financial statements.

Careful analysis is required for a pension plan that has characteristics of both a defined benefit and a defined contribution plan. If the substance of the plan is to provide a defined pension benefit in some form, the employer should apply the requirements for defined benefit plans.

A defined contribution plan should be reported as a pension or other employee benefit trust fund in an employer's financial report if the employer has a fiduciary responsibility for the plan. Defined contribution plans follow the accounting and reporting requirements for fiduciary funds in general, using the economic resources measurement focus and accrual basis of accounting. Defined contribution plan investments should be reported at fair value.

Special Funding Situations: On-behalf Payments to Pension Plans

On-behalf payments for pension contributions are payments made directly to the pension plans by one entity on behalf of the employees of another entity. Certain organizations in the State reporting entity have made contributions to pension plans on behalf of entities outside the reporting entity. For example, historically, the State Department of Education has made contributions to TRS on behalf of support personnel at public schools of local education agencies (LEA), and the Department of Revenue has made contributions to ERS on behalf of local tax commissioners. In such cases, the entity that is legally responsible for the contributions should comply with all applicable pension requirements for measurement and recognition of expenditures/expense, liabilities, assets, note disclosures, and required supplementary information.

Paying Organizations

If a State organization is legally responsible for on-behalf pension contributions, making payments directly to the plan, then the organization reports (discloses) the payments as pension contributions. These contributions are in addition to the amounts it reports as its employer contributions. If the paying organization is not legally responsible for the pension contribution, then it should classify and report the expenditures/expenses for the payments in the same manner that it accounts for similar grants. For example, if a State organization is not legally responsible for pension contributions of school districts, does not make payment directly to the plan, and classifies its State aid payments to school districts as education expenditures (e.g., Quality Basic Education payments), then the pension components of those payments also would be classified as education expenses/expenditures and not reported as pension expenses/expenditures.

Employer Organizations

If a State organization is not legally responsible for its employer contributions because another entity is legally responsible for them, then the State organization recognizes revenue and expenditures/expense in the amount the pension plan received on its behalf or reported as receivable at the end of the fiscal year.

Basis of Accounting

Funds that operate on a statutory basis must convert their accounting activity to the modified accrual and/or accrual bases of accounting for the Comprehensive Annual Financial Report (CAFR). Proprietary and fiduciary funds that do not operate on a statutory basis use the accrual basis of accounting throughout the year.

- Statutory Basis for Budgetary Compliance Reporting
  On statutory basis accounting records, expenditures for pension obligations are recognized as employer contributions and payments on behalf of other organizations become due to the plans, similar to the modified accrual basis of accounting. Expenditures can be recognized, however,

only if the annual contribution for the year has been appropriated. From a practical standpoint, if contributions are made on a lag basis, then State organizations are not required to accrue the final payment for the fiscal year if 12 months of activity are reflected in the current fiscal year, and this practice is consistently applied. SAO considers the lag difference to be insignificant for financial reporting purposes.

- Converting to Modified Accrual Basis for CAFR Reporting
  For modified accrual reporting, governmental funds recognize expenditures equal to the amount contributed to the plan or expected to be liquidated with expendable available financial resources. Therefore, accrual for contributions that are due and payable as of June 30 and that are expected to be paid with expendable available financial resources would be required at fiscal year-end. Typically no additional accrual is required to convert to the modified accrual basis. However, if a full year of contributions was not recognized under the statutory basis because of an appropriation shortfall and expendable resources are available at year-end, then an accrual is required to recognize the balance of the year's contributions payable to the extent expendable resources are available.

- Converting to Accrual Basis for CAFR Reporting
  For employers with single-employer defined benefit plans, if the amount of modified accrual basis pension expenditures recognized for the year in relation to the ARC is less than (or greater than) annual pension cost, then the difference is added to (or deducted from) the NPO. A positive NPO is reflected as a long-term liability and a negative NPO is reflected as a prepaid item in the governmental activities column of the entity-wide statement of net assets and in proprietary funds and fiduciary funds. Expense is adjusted as necessary to recognize the required year-end NPO balance in the accrual basis statements.

  For employers with cost-sharing multiple-employer defined benefit pension plans, each participating employer recognizes annual pension expense equal to the contractually required contribution to the plan. The employer recognizes a long-term liability for unpaid contributions in the governmental activities column of the entity-wide statement of net assets and in proprietary funds and fiduciary funds to the extent that the contractual requirement is underfunded. If all required contributions are made when due and payable, then the employer does not record a long-term pension liability, and expense under the accrual basis will equal expenditure under the modified accrual basis.

  For employers with defined contribution plans, each participating employer recognizes annual pension expense (in proprietary and fiduciary funds and in the governmental activities column of entity-wide financial statements) equal to its required contributions based on the terms of the plan. The employer recognizes a long-term liability if required contributions are underfunded. If all required contributions are made when due and payable, then the employer does not record a long-term pension liability, and expense under the accrual basis will equal expenditures under the modified accrual basis.

- Accrual Basis for Funds Not Reporting on a Statutory Basis
  Employers using proprietary or fiduciary funds which are maintained on the accrual basis of accounting must recognize ***employer*** expenses and liabilities on the accrual basis as noted above. The fiduciary fund ***plan***, however, does not record liabilities for employers' unfunded contributions because those obligations are the responsibility of the employers. The plan instead records receivables for amounts due from contributors based on formal commitments to pay and payables for benefits and refunds to members when due and payable per the terms of the plan.

Disclosure Requirements

Because of the long-term nature of defined benefit pension plans, financial statements alone cannot provide sufficient information to meet financial reporting objectives. Therefore, the GASB established a financial reporting framework that includes both note disclosures, which are integral to the financial statements, and additional schedules of historical trend information. The historical schedules are presented as RSI immediately after the notes to the financial statements.

A summary of disclosure requirements is presented below. Refer to the GASB literature for comprehensive requirements. The chart in the Attachment provides specific Codification paragraph references to the detailed employer disclosures required under each defined benefit plan reporting situation.

<u>Plan Disclosures</u>

Pension plans are required to make specific disclosures in the notes to the financial statements or as RSI immediately following the notes. The requirements for defined benefit plans are significantly more extensive than those for defined contribution plans.

Defined Benefit Plans

The notes to the financial statements of a defined benefit pension plan should include the following disclosures when the financial statements are presented in a standalone plan financial report or solely in the financial report of an employer. Defined benefit plans sponsored by the State issue separate standalone financial statements.

- Plan description
    - Identification of the plan as a single-employer, agent multiple-employer, or cost-sharing multiple-employer defined benefit plan and the number of participating employers and other contributing entities.
    - Classes of employees that are covered and current membership, including number of retirees and beneficiaries currently receiving benefits, terminated members entitled to but not yet receiving benefits, and current active members. Also disclose if the plan is closed to new entrants.
    - Brief description of benefit provisions, including policies related to automatic or ad hoc postretirement benefit increases, and the authority under which benefit provisions are established or amended.
- Summary of significant accounting policies related to basis of accounting, including policies on recognition of contributions, benefits paid and refunds paid. Also describe how fair value of investments is determined.
- Contributions and reserves
    - Authority under which obligations of members, employers, and other contributing entities to contribute to the plan are established or may be amended.
    - Funding policy, including a brief description of how contributions are determined (for example, by statute, actuarial valuation, or in some other manner) and how the costs of administering the plan are financed. Legal or contractual maximum contribution rates are required to be disclosed, if applicable.
    - Required contribution rates of active plan members, in accordance with the funding policy.
    - Description of the terms of any long-term contracts for contributions to the plan and disclosure of amounts outstanding at the reporting date.
    - Balances in the plan's legally required reserves at the reporting date if applicable.
- Funded status and funding progress
    - Information about the funded status of the plan as of the most recent actuarial date, calculated in accordance with the GASB parameters, including the valuation date, actuarial value of

assets, actuarial accrued liability, total unfunded actuarial accrued liability (UAAL), funded ratio, annual covered payroll, and ratio of the UAAL to annual covered payroll.
    - Information about the actuarial methods and assumptions used in the valuation on which the ARC and funded status are based, including:
        - Disclosure that the required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.
        - Disclosure that the projection of benefits for financial reporting purposes *does not* explicitly incorporate the potential effects of legal or contractual funding limitations.
        - Regarding the ARC for the current year and funded status as of the most recent valuation date – disclosure of the actuarial cost method; method used to determine the actuarial value of assets; assumptions for the inflation rate, discount rate, projected salary increases, and postretirement benefit increases (if the economic assumptions are year-based or based on select and ultimate rates, then the initial and ultimate rates must be disclosed); and disclosure of the amortization method, amortization period, and whether the period is open or closed.
- Concentration of credit risk and identification of investments representing 5% or more of plan net assets (excluding investments issued or guaranteed by the US government, in mutual funds, in external investment pools, or in other pooled investments).

Defined benefit plans are also required to present, as RSI, a schedule of funding progress and a schedule of employer contributions immediately after the notes. The schedule of funding progress must include the funded status information noted above for each of the past six consecutive fiscal years of the plan, with all actuarially determined information calculated in accordance with the parameters and presented as of each actuarial valuation date. The schedule of employer contributions also includes information for each of the past six consecutive fiscal years of the plan. The schedule includes the dollar amount of the ARC for each year, calculated in accordance with the parameters and the percentage of that ARC that was recognized in the plan's statement of changes in plan net assets for that year as contributions from employers. The RSI schedules must also disclose factors that significantly affect the identification of trends in the amounts reported, such as changes in benefit provisions, size or composition of the population covered, or actuarial methods and assumptions. Prior year amounts should not be restated.

Defined Contribution Plans
The following disclosures are required in the standalone financial statements of defined contribution plans:
- Plan description, including
    - Identification of the plan as a defined contribution plan and disclosure of the number of participating employers and other contributing entities.
    - Classes of employees covered and the total current membership.
    - Brief description of plan provisions and the authority under which they are established or amended.
    - Contribution requirements (e.g., rates in dollars or as percentage of salary) of members, employers, and other contributing entities and the authority under which they are established or amended.
- Summary of significant accounting policies related to basis of accounting, fair value of plan assets (unless reported at fair value), and how fair value is determined.
- Concentration of credit risk and identification of investments representing 5% or more of plan net assets (excluding investments issued or guaranteed by the US government, in mutual funds, in external investment pools or in other pooled investments).

Participating Employer Disclosures
Employers that participate in pension plans are also required to disclose information about the pension plans in which they participate, if significant. The most significant plans in which State organizations participate are the ERS and TRS multiple-employer defined benefit pension plans and the Regents Retirement Plan defined contribution plan. A summary of disclosure requirements for these plan-types follows. State organizations do not currently participate in a single-employer defined benefit pension plan. For general information about the additional single-employer disclosures, refer to the summary provided below under the heading "Plan Sponsor/Employer Disclosures." The GASB literature also provides comprehensive guidance about employer disclosures for single-employer plans.

Defined Benefit Plans
The following disclosures are required for significant defined benefit pension plans in which the employer participates, regardless of plan type:

- Plan description
  - Name of the plan, administrator of the plan, and identification of the plan as a multiple-employer or single-employer defined benefit plan.
  - Brief description of plan benefits and the authority under which they are established or amended.
  - Whether the plan issues a standalone financial report, and if so, how to obtain it.
- Funding policy
  - Authority under which contributions of members, employers, and other contributing entities are established or may be amended.
  - Required contribution rates of active members.
  - Required contributions of employers –
    - The contribution rates in dollars or as a percentage of covered payroll, including legal or contractual maximum rates.
    - The required contribution amounts in dollars, with the percentages of those amounts that were contributed, for the current and two previous years.
    - Description of how the employer rate is determined (e.g., by statute, contract, actuarially or on a pay-as-you-go basis).

Because the State's cost-sharing, multiple-employer defined benefit plans issue standalone publicly available financial statements, no further disclosures or RSI are required by the individual participating employers. If standalone statements were not available, each participating employer would need to present RSI with funded status, employer contributions, and related notes for the plan as a whole to provide information helpful to understanding the scale of information as it relates to the employer as one participating employer.

Defined Contribution Plans
The following disclosures are required for significant defined contribution plans to which employers are required to contribute:

- Name of the plan, administrator of the plan, and identification of the plan as a defined contribution plan.
- Brief description of the plan provisions and the authority under which they are established or amended.
- Contribution requirements (e.g., rates in dollars or as percentage of salary) of members, employers, and other contributing entities and the authority under which they are established or amended.
- Contributions actually made by members and the employer.

Special Funding Situations: On-behalf Payments
If a State organization is not legally responsible for its employer contributions because another entity is legally responsible for them, then the employer organization discloses the name of the plan that covers its employees and the name of the entity that makes the contributions on its behalf.

Plan Sponsor/Employer Disclosures
The State of Georgia includes pension plans that it sponsors, and for which it has fiduciary responsibility, in its financial reporting entity. The financial statements of those plans are therefore included in the State's CAFR as pension or other employee benefit trust funds. Footnote and RSI disclosures for pension plans that are significant to the State reporting entity are also included if required. All pension plans significant to the State financial reporting entity issue standalone financial statements that are publicly available. The State is therefore allowed to present reduced footnote disclosures and RSI in its CAFR.

Defined Benefit Plans
The State considers the ERS and TRS multiple-employer defined benefit plans to be significant for disclosure purposes. In addition to the participating employer disclosures summarized above, the plan sponsor/employer must also provide the following reduced disclosures for multiple- or single-employer defined benefit plans:

- Number of participating employers and other contributing entities.
- Summary of significant accounting policies related to basis of accounting, including policies on recognition of contributions, benefits paid and refunds paid and also describing how fair value of investments is determined.
- Description of the terms of any long-term contracts for contributions to the plan and disclosure of amounts outstanding at the reporting date.
- Concentration of credit risk and identification of investments representing 5% or more of plan net assets (excluding investments issued or guaranteed by the US government, in mutual funds, in external investment pools, or in other pooled investments).

Although the State does not currently sponsor or participate in a single-employer defined benefit pension plan, the following additional disclosures would be required if that changed:

- For the current year, annual pension cost and the dollar amount of contributions made. If the employer has an NPO, also disclose the components of annual pension cost (ARC, interest on the NPO, and adjustment to the ARC), the increase or decrease in the NPO, and the NPO at the end of the year.
- For the current year and each of the two preceding years, annual pension cost, percentage of annual pension cost contributed for each year and NPO at the end of the year.
- Information about the funded status of the plan as of the most recent valuation date, including the actuarial valuation date, actuarial value of assets, actuarial accrued liability, total unfunded actuarial liability (or funding excess), funded ratio, annual covered payroll, and ratio of the unfunded actuarial liability (or funding excess) to annual covered payroll.
- Information about actuarial methods and assumptions used in the valuation on which the ARC, annual pension cost, and funded status and funding progress are based, including:
    - Disclosure that the required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.
    - Disclosure that the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

- Identification of the actuarial methods and significant assumptions used to determine the ARC for the current year and the funded status as of the most recent valuation date, including:
    - The actuarial cost method.
    - The method used to determine the actuarial value of assets.
    - The assumptions for the inflation rate, investment return, projected salary increases, and postretirement benefit increases. If the economic assumptions are year-based or based on select and ultimate rates, then the initial and ultimate rates must be disclosed.
    - The amortization method, amortization period, and whether the period is closed or open.

An employer with a single-employer plan must also present a schedule of funding progress, showing each element of funded status, as RSI immediately following the notes to the financial statements. The schedule must present the funded status for the most recent and two preceding actuarial valuations, calculated in compliance with the GASB parameters. The schedule must also disclose factors that significantly affect the identification of trends in the amounts reported, such as changes in benefit provisions, size or composition of the population covered, or actuarial methods and assumptions. Prior year amounts should not be restated.

Defined Contribution Plans
The Regents Retirement Plan is a defined contribution plan with significant employer contributions and therefore is presented in the State's footnote disclosures from the employer perspective. The State does not have fiduciary responsibility for the assets of this plan, so the plan financial statements and related footnote disclosures from the plan perspective are not included in the CAFR.

However, as plan sponsor with fiduciary responsibility for the ERS 401K Plan and as a participating employer in the plan, the State would be required to provide the following reduced plan disclosures, in addition to the employer disclosures summarized above, should SAO determine that the ERS 401K Plan has become significant to the State reporting entity:

- Number of participating employers and other contributing entities.
- Summary of significant accounting policies related to basis of accounting, fair value of plan assets (unless reported at fair value), and how fair value is determined.
- Concentration of credit risk and identification of investments representing 5% or more of plan net assets (excluding investments issued or guaranteed by the US government, in mutual funds, in external investment pools or in other pooled investments).

General Accounting Procedures:

Identifying Transactions
SAO includes the financial statements for each State-sponsored pension plan for which it has fiduciary responsibility in the fiduciary plans section of its annual CAFR. Footnote disclosures are provided for plans that are considered significant for entity-wide CAFR reporting purposes. The two most significant defined benefit pension plans sponsored by the State are the ERS and TRS plans. The ERS plan is one plan within the Employees' Retirement System which also includes several smaller plans. The determination of which pension plans are significant for disclosure purposes is made by SAO on an annual basis.

Several accounts are provided in the State Chart of Accounts (SCOA) for recording pension related activity. Payroll-based calculations for both employee and employer contributions to ERS and TRS are provided by the statewide Human Capital Management system (HCM) for users of that system. Employer organizations are responsible for verifying, correcting and reporting employee pension information provided to the plans in which they participate and for remitting contributions when due.

Accounting Transactions and Journal Entries

The State Chart of Accounts (SCOA) includes the following accounts for recording pension activity:

Account	Account Description	Account Definition	Usage Notes
136000	Contributions Receivable	Amounts due from employers, employees, or other contributors to retirement systems, risk management funds, or other programs funded by contributions.	This account is used by the plan for contribution amounts that are due but not yet received.
215000	Accrued Payroll Withholdings and Employer's Share	Amounts withheld from employees' salaries and employers' share.	This account is used in the statewide Human Capital Management system. The 2155xx subaccounts are used for the employer share of payroll related contributions.
222000	Benefits Payable	Amounts owed to private persons or to organizations on behalf of private persons for benefits (e.g. employee health insurance benefits and retirement benefits).	This account is used by the plan for benefit amounts due and payable per the terms of the plan but not yet paid.
345000	Reserved for Pension Benefits	Resources legally or contractually restricted for the payment of pension/annuity benefits.	This account is used by the plan for amounts of net assets designated by the plan's board of trustees for specific purposes (captioned as designations)
444000	Contributions - Employee	Contributions made by employees toward their retirement (pension) plan.	This account is used only by retirement systems.
445000	Contributions - Employer	Contributions made by employers toward the retirement (pension) plan of their employees.	This account is used only by retirement systems.
515000	Retirement	Employer's contributions to employee retirement plans or systems.	This account is used by participating employers for payments to the plan.
695000	Pension Benefits	Payments to pension plan participants, including pension benefits, death benefits and benefits due on termination of employment.	This account is used by the plan for payments to participants or their beneficiaries.
696000	Refund of Contributions	Refunds of contributions to pension plan participants.	This account is used by the plan for refunds to participants or their beneficiaries.

Pension plans record transactions related to plan activities using the economic resources measurement focus and the accrual basis of accounting. Specific journal entry guidance in this policy is limited to employer contributions to the plans because those transactions have an impact on both employer expenditure/expense recognition and plan financial statements. Journal entries for other plan transactions are based on the general guidance provided throughout the Accounting Policy Manual for similar activity. For example, from a plan perspective:

- Member contributions received or receivable are accounted for similarly to other revenues or receivables.
- Benefits/refunds paid or payable and general administrative expenses are accounted for similarly to other expenses or payables.
- Pension plan investments, and earnings and losses on those investments, are accounted for at fair value similarly to other investments.
- Capital assets used for plan operations are accounted for at historical cost, net of amortization or depreciation, similarly to other capital assets.
- Etc.

Users of the statewide HCM system should refer to the Module 4 – Benefits section of the HCM User Productivity Kit (UPK) training tool for instructions on processing and reviewing activity related to pension benefits (sao.georgia.gov > Systems > Human Capital Management > HCM Training). Users of other human resources/payroll systems should have processes in place that are similar to the HCM processes.

Following are journal entry examples to recognize the financial statement impacts of employer contributions to pension plans, from both the employer perspective and the plan perspective.

Employer Perspective – Contribution Related Journal Entries
On the statutory and modified accrual bases of accounting, employers recognize pension expenditures/expenses generally as contributions become due and payable to the plan.

To record $8,000 of employer contributions and $2,000 of on-behalf contributions paid or payable to a plan, regardless of pension plan type (assumes that required amounts were appropriated if applicable):

Debit	$8,000	Retirement Expenditure/Expense (515000)
Credit	$8,000	Cash (100000 – 103000) or Accrued Employers Contribution (2155xx)

Debit*	$2,000	Grants (707000)
Credit	$2,000	Cash (100000 – 103000) or Accounts Payable (200000 or other appropriate payable account)

* If the payer is legally responsible for contributions to the plan, then this amount must be reported (disclosed) as pension expense in the financial statements.

For defined contribution and multiple-employer defined benefit plans: If the above amounts represent the full year's required contributions, appropriated if applicable and to be liquidated with expendable available financial resources, then no additional entries are required to convert to the accrual basis of accounting. Otherwise, additional amounts must be accrued to recognize the full year's required contribution under the accrual basis.

To record a liability for $5,000 of underfunded required contributions under the accrual basis for defined contribution or multiple-employer defined benefit plans:

For employer contributions related to the entity's employees –

Debit	$5,000	Retirement (515000)
Credit	$5,000	Other Noncurrent Liabilities (288000 reclassifying the current portion to 2155xx)

For legally obligated on-behalf contributions related to employees of other entities –

Debit*	$5,000	Grants (707000)
Credit	$5,000	Other Noncurrent Liabilities (288000 reclassifying the current portion to 200000 or other appropriate current payable account)

* This amount must be reported (disclosed) as pension expense in the financial statements.

For single-employer defined benefit plans: If the amounts recognized under the statutory and modified accrual bases equal the ARC-based annual pension cost and there is no accrual basis beginning NPO balance, then no additional entries are required to convert to the accrual basis of accounting. Otherwise, an adjustment must be recorded to set the NPO to the appropriate level at year-end. If the year-end balance is a negative NPO (cumulative net over contribution of the ARC), then any previously reported liability should be reduced to zero, and any additional negative NPO should be reported as prepaid item.

To increase a negative NPO by $5,000 for cumulative contribution deficiencies relative to the ARC:

Debit	$5,000	Retirement Expenditure/Expense (515000)
Credit	$5,000	Other Noncurrent Liabilities (288000 reclassifying the current portion to 2155xx)

To increase a positive NPO by $5,000 for cumulative excess contributions relative to the ARC:

Debit	$5,000	Other Prepaid Items (157000)
Credit	$5,000	Retirement Expenditure/Expense (515000)

<u>Pension Plan Perspective – Contribution Related Journal Entries</u>

The plan does not record a liability for the employers' unfunded obligations because the commitment for pension liabilities and benefit expense/expenditures is the responsibility of the employers, whereas the stewardship of plan assets is the responsibility of the trustee/administrator. The plan records receivables for amounts due from contributors based on formal commitments to pay. Evidence of a formal commitment may include an appropriation by the organization's governing body for a specified contribution or a consistent pattern of making payments after the plan's reporting date in accordance with an established funding process that attributes the payments to the preceding plan year.

To record $8,000 of employer contributions and $2,000 of on-behalf contributions received or formally due to a pension plan, regardless of pension plan type:

Debit	$8,000	Cash (100000 – 103000) or Contributions Receivable (136000)
Credit	$8,000	Contributions – Employer (445000)
Debit	$2,000	Cash (100000 – 103000) or Contributions Receivable (136000)
Credit*	$2,000	Contributions – Employer (445000)

* The plan should be able to distinguish employer contributions from on-behalf contributions.

Year-End Accounting Procedures

<u>Plan Administrators</u>

Plan administrators must provide SAO with the following in accordance with the annual year-end reporting calendar:

- An actuarial valuation for each defined benefit plan administered.
- Audited plan financial statements.

- Information listing participating employers, contributions by employer, and contributions by State organizations made on behalf of other organizations. Both required and actual contribution amounts must be provided for each participating employer and each other contributing entity.

Actuarial assumptions must be reviewed as part of each valuation cycle, in consultation with the plan actuary. Although the actuary, as a recognized specialist, makes recommendations about appropriate valuation assumptions, the final decision on assumptions is made by the plan administrator. Therefore, it is critical that the administrator have a thorough understanding of the actuarial assumptions and the financial reporting implications of changes in those assumptions. The administrator should maintain supporting documentation to explain significant changes in key assumptions. Consultation with both SAO and the plan's external auditor is strongly recommended before making any significant changes to actuarial assumptions.

Participating Employers
Employer organizations must provide the required employer and other on-behalf contributions information to SAO in accordance with the annual year-end reporting calendar. Organizations provide information by recording activity appropriately per the SCOA if using the statewide financial system and by completing the "Retiree Benefits – Pension and Other Postretirement Benefits (OPEB)" form for year-end reporting. Organizations instead may provide an independently audited financial statement that complies with the requirements of this policy; however, these organizations may be required to complete the year-end form to supplement information in their statements. If necessary, organizations that issue audited standalone financial statements may contact SAO for assistance in developing the language for their year-end financial statement disclosures.

Plan Sponsor
SAO compiles the information provided by the plan administrators and participating employers, presents the audited plan financial statements in the fiduciary funds sections of the CAFR and prepares required disclosures for the State from the perspectives of both participating employer and plan sponsor. As stated above, disclosures in the State CAFR may be presented at a reduced level because the plans sponsored by the State issue standalone, publicly available financial reports.

Authority:

- GASB Statement No.25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*
- GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*
- GASB Statement No. 50, *Pension Disclosures*
- GASB Codification §N50, *Nonexchange Transactions*
- GASB Codification §P20, *Pension Activities – Employer Reporting*
- GASB Codification §Pe5, *Pension Plans – Defined Benefit*
- GASB Codification §Pe6, *Pension and Other Postemployment Benefit Plans – Defined Contribution*
- GASB Comprehensive Implementation Guide Chapter 5, *Pensions – Employer and Plan Accounting and Reporting*
- OCGA Title 47, *Retirement and Pensions*

Applicability:

This policy applies to all organizations included in the State of Georgia reporting entity. Personnel with accounting and reporting responsibilities at these organizations must be knowledgeable of this policy. Organizations that administer pension plans, either defined benefit or defined contribution plans, must be knowledgeable of both this policy and the detailed underlying guidance in the GASB literature.

Definitions:
The GASB pension guidance provides an extensive glossary of terms used in the measurement, accounting, and reporting of pension activity. The most commonly used terms are included below. Refer to the GASB literature for additional terms and definitions.

Actuarial Accrued Liability, Actuarial Liability, Accrued Liability, or Actuarial Reserve – That portion, as determined by a particular actuarial cost method, of the actuarial present value of pension plan benefits and expenses which is not provided for by future normal costs.

Actuarial Assumptions – Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and government provided pension benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the actuarial value of assets; characteristics of future entrants for open group actuarial cost methods; and other relevant items.

Actuarial Present Value – The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of actuarial assumptions. For purposes of pension standards, each such amount or series of amounts is:

a. Adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.),
b. Multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and
c. Discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Cost Method or Funding Method – A procedure for determining the actuarial present value of pension plan benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a normal cost and an actuarial accrued liability.

Actuarial Gain (Loss) or Experience Gain (Loss) – A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Actuarial Valuation – The determination, as of a valuation date, of the normal cost, actuarial accrued liability, actuarial value of assets, and related actuarial present values for a pension plan.

Actuarial Value of Assets or Valuation Assets – The value of cash, investments and other property belonging to a pension plan, as used by the actuary for the purpose of an actuarial valuation.

Annual pension cost – A measure of the periodic cost of an employer's participation in a defined benefit pension plan.

Annual required contributions of the employer(s) (ARC) – The employer's periodic required contributions to a defined benefit pension or OPEB plan, calculated in accordance with the parameters.

***Closed amortization period (closed basis)* –** A specific number of years that is counted from one date and, therefore, declines to zero with the passage of time. For example, if the amortization period is initially 30 years on a closed basis, 29 years remain after the first year, 28 years after the second year, and so forth.

Contribution deficiencies (excess contributions) – The difference between the annual required contributions (ARC) of the employers and the employers' actual contributions in relation to the ARC.

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 and are not attributed individually to the employers. A single actuarial valuation covers all plan members and the same contribution rate(s) applies for each employer.

Covered payroll **–** For pensions, all elements included in compensation paid to active employees on which contributions to a pension plan are based. For OPEB, annual compensation paid to active employees covered by an OPEB plan. If employees also are covered by a pension plan, the covered payroll should include all elements of compensation on which contributions to the pension plan are based. For example, if pension contributions are calculated on base pay including overtime, covered payroll includes overtime compensation.

Defined benefit pension plan **–** A pension plan 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 usually is a function of one or more factors such as age, years of service, and compensation.

Defined contribution plan – A pension or OPEB plan having terms that (a) provide an individual account for each plan member and (b) specify how contributions to an active plan member's account are to be determined, rather than the income or other benefits the member or his or her beneficiaries are to receive at or after separation from employment. Those benefits will depend only on the amounts contributed to the member's account, earnings on investments of those contributions, and forfeitures of contributions made for other members that may be allocated to the member's account. For example, an employer may contribute a specified amount to each active member's postemployment healthcare account each month. At or after separation from employment, the balance of the account may be used by the member or on the member's behalf for the purchase of health insurance or other healthcare benefits.

Discount rate – See investment return assumption (discount rate).

Employer's contributions **–** Contributions made in relation to the annual required contributions of the employer (ARC). For OPEB, an employer has made a contribution in relation to the ARC if the employer has (a) made payments of benefits directly to or on behalf of a retiree or beneficiary, (b) made premium payments to an insurer, or (c) irrevocably transferred assets to a trust, or equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employers or plan administrator.

Funded ratio **–** The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Funding excess – The excess of the actuarial value of assets over the actuarial accrued liability.

Funding policy **–** The program for the amounts and timing of contributions to be made by plan members, employers, and other contributing entities (for example, state government contributions to a local government plan) to provide the benefits specified by a pension or OPEB plan.

Investment return assumption (discount rate) – The rate used to adjust a series of future payments to reflect the time value of money.

Market-related value of plan assets – A term used with reference to the actuarial value of assets. A market-related value may be fair value, market value (or estimated market value), or a calculated value that recognizes changes in fair value or market value over a period of, for example, three to five years.

Multiple-employer plan – See cost-sharing multiple-employer plan.

Net pension obligation (NPO) – The cumulative difference 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.

Normal Cost or Normal Actuarial Cost – That portion of the actuarial present value of pension plan benefits and expenses which is allocated to a valuation year by the actuarial cost method.

Open amortization period (open basis) – 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.

Pay-as-You-Go – A method of financing a pension plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

Pension benefits – Retirement income and all other benefits, including disability benefits, death benefits, life insurance, and other ancillary benefits, except healthcare benefits and termination benefits, that are provided through a defined benefit pension plan to plan members and beneficiaries after termination of employment or after retirement. Postemployment healthcare benefits are considered other postemployment benefits, whether they are provided through a defined benefit pension plan or another type of plan.

Pension expenditures/expense – The amount recognized by an employer in each accounting period for contributions to a pension plan.

Pension liabilities – The amount recognized by an employer for contributions to a pension plan less than pension expenditures/expense.

Pension-related debt – 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 sole or agent employer (ARC) or the actuarially determined required contributions of a cost-sharing employer. Payments generally are made in accordance with installment contracts that usually include interest. Examples include contractually deferred contributions and amounts assessed to an employer upon joining a multiple-employer plan.

Pension and other employee benefit trust fund – A fund used by a governmental entity to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans. They are used to account for the accumulation of assets for the purpose of paying benefits when they become due in accordance with the terms of the plan; a pension plan included in the financial reporting entity of the plan sponsor or a participating employer.

Plan assets – Resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employers or plan administrator, for the payment of benefits in accordance with the terms of the plan.

Plan members – The individuals covered by the terms of a pension or OPEB plan. The plan membership generally includes employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits.

Postemployment – The period between termination of employment and retirement as well as the period after retirement.

Projected Benefits – Those pension plan benefit amounts which are expected to be paid at various future times under a particular set of actuarial assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. That portion of an individual's projected benefit allocated to service to date, determined in accordance with the terms of a pension plan and based on future compensation as projected to retirement, is called the credited projected benefit.

Public employee retirement system – A state or local governmental entity entrusted with administering one or more pension plans; also may administer other types of employee benefit plans, including postemployment healthcare plans and deferred compensation plans. A public employee retirement system also may be an employer that provides or participates in a pension plan or other types of employee benefit plans for employees of the system.

Select and ultimate rates – Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8 percent for year 20W0, 7.5 percent for 20W1, and 7 percent for 20W2 and thereafter, then 8 percent and 7.5 percent are select rates, and 7 percent is the ultimate rate.

Single-employer plan – A plan that covers the current and former employees, including beneficiaries, of only one employer.

Sponsor – The entity that established the plan. The sponsor generally is the employer or one of the employers that participate in the plan to provide benefits for their employees. Sometimes, however, the sponsor establishes the plan for the employees of other entities but does not include its own employees and, therefore, is not a participating employer of that plan. An example is a state government that establishes a plan for the employees of local governments within the state, but the employees of the state government are covered by a different plan.

Standalone plan financial report – A report that contains the financial statements of a plan and is issued by the plan or by the public employee retirement system that administers the plan. The term standalone is used to distinguish such a financial report from plan financial statements that are included in the financial report of the plan sponsor or employer (pension or other employee benefit trust fund).

Unfunded Actuarial Accrued Liability, Unfunded Actuarial Liability, Unfunded Accrued Liability, or Unfunded Actuarial Reserve – The excess of the actuarial accrued liability over the actuarial value of assets.

Attachment

Summary of Employer Disclosures by Defined Benefit Plan Type

This chart from GASB Codification Section P20 provides specific Codification paragraph references to the employer disclosures required under each defined benefit plan reporting situation.

P20—Pension Activities—Employer Reporting
Nonauthoritative Discussion
Illustrations of Disclosures
P20.902
Illustration 1, P20.902

Manner in Which the Plan Is Reported		Sole Employer				Agent Employer				Cost-Sharing Employer			
		Employer Reporting		Reporting of PTF in the Employer's Report		Employer Reporting		Reporting of PTF in the Employer's Report		Employer Reporting		Reporting of PTF in the Employer's Report	
Employer Report Includes Pension Trust Fund (PTF)	Plan Issues Stand-alone Report	Notes	RSI	Notes	RSI	Notes	RSI	Notes	RSI	Notes	RSI	Notes	RSI
YES	YES	P20.117 and .118		Pe5.124a(1), .124b, .124c(4), .124e	Pe5.125–132 (Reduced)[1]	P20.117 and .118	P20.119[3]	Pe5.124a(1), .124b, .124c(4), .124e		P20.117		Pe5.124a(1), .124b, .124c(4), .124e	
YES	NO			Pe5.124 (Full)	Pe5.125–132 (Full)[2]			Pe5.124 (Full)	Pe5.125–.132 (Full)[4]			Pe5.124 (Full)	Pe5.125–.132 (Full)[2]
NO	YES		P20.119[1]										
NO	NO										P20.120		

[1] Comprises a schedule of funding progress for at least three valuations.
[2] Comprises a schedule of funding progress and a schedule of employer contributions for each of the past six consecutive fiscal years of the plan and RSI notes.
[3] Comprises a schedule of funding progress for at least three valuations for the employer's *individual* plan.
[4] Comprises a schedule of funding progress and a schedule of employer contributions for each of the past six consecutive fiscal years of the plan and RSI notes for the *aggregate* (all employers) plan.

[GASBS 27, ¶198, Illustration 1; GASBS 50, ¶59, Illustration 1]