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GASB 82 Aims to Improve Financial Reporting Consistency for Public Retirement Systems

GASB Statement 82, an amendment of GASB Statements No. 67, No. 68, and No. 73, modifies the presentation of "covered payroll" and "pick-up" contributions. In addition, it clarifies the unacceptability of assumptions that deviate from the requirements of the earlier statements.

Background

Stakeholders had raised questions about GASB Statements No. 67 *Financial Reporting for Pension Plans*, No. 68 *Accounting and Financial Reporting for Pensions*, and No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, which define certain standards for accounting and financial reporting for state and local governmental pension plans. In response, the Governmental Accounting Standards Board (board) evaluated a number of issues, including:

a) Presentation of payroll-related measures in required supplementary information

b) Pensions provided through certain multiple-employer defined benefit pension plans (such as Taft-Hartley plans and plans with similar characteristics)

c) Timing of the measurement of the net pension liability

d) Presentation of a funding benchmark

e) Treatment of administrative expense

f) Classification of employer-paid member contributions

g) Selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice

After issuing separate guidance on the issue of multiple employer plans and concluding that no further information was needed about certain items (c, d, and e), the board concluded that the payroll presentation information, classification of employer-paid member contributions (“pick-up contributions”) and assumption issues would benefit from additional guidance.

GASB Statement 82

Newly released GASB Statement 82 responds to these three issues.

Payroll Presentation

GASB Statement 82 substitutes “covered payroll” for “covered-employee payroll.” Covered-employee payroll was the total payroll of employees provided with pensions through the pension plan, regardless of what elements of payroll counted in the determination of pension benefits. Covered payroll in the revised standard is the portion of compensation paid to employees on which contributions to a pension plan are based. This is intended to include the payroll of participants in a deferred retirement option program (DROP) during the DROP period, regardless of whether such individuals are considered “active” employees. Importantly, it also spares retirement system administrators and their actuaries from having to add components of pay that do not count toward the calculation of members’ pension benefits back into payroll data from which such amounts have often been carefully excluded solely for the purpose of creating financial reporting data.

Pick-up Contributions

GASB Statement 82 makes it clear that employee contributions that are picked up by the employer should be reported in a manner that is consistent with how they are designated in accordance with the pension plan’s terms. An employer seeking to use a different classification would need to amend the terms of the plan to achieve that result. Thus, for Statement 67 purposes, the contributions would be classified as plan member contributions. The board also determined that an employer’s payments for contributions identified under the terms of the plan as employee contributions should not be characterized as pension expense for financial reporting under Statement 68. Thus, for purposes of Statement 68, the contributions would also be classified as employee contributions. It also requires recognition of these amounts in the period for which the contribution is assessed and classification in the same manner as other, similar non-pension compensation (for example, as salaries and wages or as fringe benefits).

Selection of Assumptions

GASB Statement 82 clarifies that a statement containing a deviation from the guidance found in applicable Actuarial Standards of Practice (ASOPs) for the selection of assumptions used in determining the total pension liability and related measures will not be considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73. In particular, disclosure by the signing actuary of such a deviation will disqualify the report from fulfilling the requirements of the Statements.

Effective Date

The changes in Statement 82 are generally effective for periods beginning after June 15, 2016. However, the requirements related to deviations from ASOPs in the selection of assumptions are effective in the first reporting period for which the measurement date used is on or after June 15, 2017. Earlier application is encouraged.

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