

Office of Statewide Reporting and Accounting Policy
State of Louisiana
Division of Administration

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GOVERNOR



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COMMISSIONER OF ADMINISTRATION

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MEMORANDUM OSRAP 17-17

TO: Fiscal Officers

FROM: Afranie Adomako, CPA
Director of Management and Finance

SUBJECT: Implementation of Governmental Accounting Standards Board (GASB) Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* and GASB Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*

GASB 78 - Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans

Prior to the issuance of GASB 78, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees were provided with pensions through pension plans that were administered through trusts and met the following criteria in GASB 68 paragraph 4:

- 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, and
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator.

Concerns were raised regarding the scope and applicability of Statement 68 as it relates to pensions provided through certain multiple-employer defined benefit pension plans (for example, certain cost-sharing pension plans that are not state or local governmental plans) and to state and local governmental employers whose employees are provided with such pensions.

GASB 78 amends and narrows the scope of GASB 68 by excluding cost-sharing multiple-employer defined benefit pension plans that meet the criteria in GASB 68 paragraph 4 (above), as well as, the following conditions:

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

The statement establishes requirements for recognition and measurement of pension expense/expenditures, liabilities, note disclosures, and required supplementary information for pensions that have the characteristics described above.

It is effective for reporting periods beginning after December 15, 2015. However, it will not affect any of the pension plans presented in the State's Comprehensive Annual Financial Report (CAFR) because the state pension plans do not meet the GASB 78 criteria.

GASB 82 - Pension Issues

This statement addresses certain issues that have been raised with the implementation of the following standards:

Statement No. 67, Financial Reporting for Pension Plans,
Statement No. 68, Accounting and Financial Reporting for Pensions, and
Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets.

Payroll

This statement amends Statements 67 and 68 to revise the definition of covered-employee payroll. Previously, covered-employee payroll was defined as **the total gross payroll of employees that are provided with pensions through the pension plan**. It included non-pensionable pay such as overtime, fringe benefits, per diem paid to board members, pay of DROP employees, payout of annual leave upon termination and on-call pay, etc.

GASB 82 revises the definition of covered-employee payroll as **the payroll on which contributions to a pension plan are based**, which does not include non-pensionable pay as described above. The revised definition should be used in the schedules of required supplementary information and in ratios that use that measure.

Assumptions

This Statement clarifies that a deviation (as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board) from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of GASB Statements 67, 68, or 73 for the selection of assumptions used in determining the total pension liability and related measures.

Employer-Paid Member Contributions

This Statement clarifies that payments made by an employer to satisfy contribution requirements identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

GASB Statements 78 and 82 can be found on GASB's website at the following web address: <http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176160042391>. You may contact Ms. Deborah Zundel at (225) 342-0710 or via email at Deborah.Zundel@la.gov with any questions regarding these statements.

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