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**COLLECTIVE DEFERRALS – A SMOOTHING MECHANISM**  
***GASB STATEMENT NO. 68***  
***EMPLOYER EDUCATIONAL VIDEO SERIES***

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# Collective Deferrals

- » Collective deferred outflows of resources increases the net position
  - Amortized over time
- » Collective deferred inflows of resources decreases the net position
  - Amortized over time

# Deferral Recognition – Changes in Assumptions

- » What is deferred:
  - Changes in actuarial assumptions
    - » Economic: discount rate, salary growth, price inflation, etc.
    - » Demographic: rates of mortality, disability, withdrawal, retirement, etc.
- » Effect of changes in actuarial assumptions:
  - Changes in assumptions which increase the net pension liability result in a collective deferred outflow
  - Conversely, changes in assumptions which decrease the net pension liability result in a collective deferred inflow

# Deferral Recognition – Experience Gains/Losses

- » What is deferred:
  - Experience gains/losses
    - » Actual salary, inflation, benefit increases vs. the assumption
    - » Actual rates of mortality, disability, withdrawal, retirement vs. the assumption
- » Effect of experience gains/losses:
  - An experience loss increases the net pension liability and results in a collective deferred outflow
  - Conversely, an experience gain decreases the net pension liability and results in a collective deferred inflow

# Deferral Recognition – Expected vs. Actual Investment Earnings

- » What is deferred:
  - Difference between expected and actual earnings on investments
- » Effect of investment earnings variation
  - Investment earnings less than the assumed rate of return will increase the net pension liability and result in a collective deferred outflow
  - Conversely, investment earnings greater than the assumed rate of return will decrease the net pension liability and result in a collective deferred inflow

# Amortization of Deferrals

- » Amortization of collective deferrals:
  - Any rational and systematic method is acceptable
    - » Straight-line method
  - All deferrals must be amortized over a closed period
    - » Requires maintaining of “layers” for each individual year

# Amortization of Deferrals

- » An amortization period equal to the expected remaining service life of all active and inactive employees is used for:
  - Changes in future assumptions
  - Experience gains/losses
- » A five-year amortization period is used for:
  - Difference between the projected and actual earnings on investments



# Amortization of Deferrals

- » Annually, Colorado PERA's actuary will
  - Maintain the layers of existing collective deferral balances
  - Calculate any new collective amortizations
  - Calculate the average expected remaining service life

# Financial Statement Presentation

	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Financial Statement Presentation
<b>Changes in Actuarial Assumptions</b>	\$15,000,000 Yr. 2 \$15,000,000	\$9,000,000 Yr. 6 \$9,000,000	Deferred Inflows and Outflows Report Separately
<b>Experience Gains/Losses</b>	\$7,500,000 Yr. 2 \$4,000,000 Yr. 3 \$2,500,000 Yr. 5 \$1,000,000	\$12,500,000 Yr. 1 \$7,000,000 Yr. 4 \$4,500,000 Yr. 6 \$1,000,000	Deferred Inflows and Outflows Report Separately
<b>Difference Between Expected and Actual Earnings on Investments</b>	Yr. 2 \$150,000,000 Yr. 4 \$100,000,000	\$150,000,000 Yr. 3 \$200,000,000 Yr. 5 \$150,000,000 Yr. 6 \$50,000,000	Deferred Inflows and Outflows are Combined

# Employer Proportionate Share of Collective Deferrals

	Deferred Outflows of Resources	Deferred Inflows of Resources	Financial Statement Presentation
<b>Changes in Actuarial Assumptions at Collective or Plan Level</b>	\$15,000,000	\$9,000,000	Deferred Inflows and Outflows Report Separately
<b>Employer's Proportion</b>	1.025%	1.025%	
<b>Net Employer's Proportionate Share of the Collective Changes in Assumptions</b>	\$153,750	\$92,250	Deferred Inflows and Outflows Report Separately

# Additional Information

- » Paragraphs 14 and 21 GASB Statement No. 67
- » Paragraphs 52, 53, 71, 74, 80, 294 in GASB Statement No. 68
- » Implementation Guide for GASB 67: Question 24
- » Implementation Guide for GASB 68: Questions 177, 178, 188, 189, 190, 191, 192
- » Colorado PERA's ***GASB Reporting Standards*** web page
- » Please feel free to email Colorado PERA's GASB Work Group at **[GASBMail@copera.org](mailto:GASBMail@copera.org)**