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CALCULATING THE COLLECTIVE NET PENSION LIABILITY

GASB STATEMENT NO. 68

EMPLOYER EDUCATIONAL VIDEO SERIES

KOREN HOLDEN, PROJECT MANAGER

Understanding the New GASB Reporting Terminology

- » The adoption of GASB Statement Nos. 67 & 68 requires familiarity with a new financial reporting vocabulary
- » New terms include the following:
 - **Total Pension Liability** or TPL
 - **Pension Plan's Fiduciary Net Position** or the Plan's Net Position
 - **Collective Net Pension Liability** or Collective NPL (as determined according to GASB No. 67)

Total Pension Liability

Details of the Calculation

- » **Total Pension Liability**—The portion of the actuarial present value of projected benefit payments that is
 - Attributed to past periods of member service but reflects
 - » Projected service
 - » Projected salary growth
 - » Anticipated benefit increases
 - Determined under the Entry Age Normal Cost Method

Total Pension Liability

Details of the Calculation

- » Projections of benefit payments are required to
 - Be based on the benefit terms and legal agreements existing at the pension plan's fiscal year-end
 - Incorporate the effects of projected
 - » Salary changes, if the pension formula incorporates compensation levels
 - » Service credits, if pension formula incorporates periods of service
 - » Automatic postemployment benefit changes
 - » Ad hoc postemployment benefit changes, if they are considered to be substantively automatic

Total Pension Liability

Details of the Calculation

- » Projection of benefit payments are required to
 - Use assumptions which are made in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board (unless otherwise specified)
 - Incorporate the following demographic and economic assumptions:
 - » Rates of withdrawal
 - » Rates of retirement
 - » Rates of disability
 - » Mortality rates
 - » A discount rate at which to discount the projected benefits to the current period

Total Pension Liability

Details of the Calculation

- » The calculation of the Total Pension Liability is required to
 - Use a discount rate determined as prescribed by GASB; to discount the actuarial present value of all the projected benefits
 - Recognize the portion of the Total Present Value of Benefits attributed only to past periods of member service

Total Pension Liability

Timing of the Calculation

- » The Total Pension Liability should be determined by
 - An actuarial valuation as of the measurement date (no earlier than the end of the employer's prior fiscal year),
 - » Performed at least every two years, with more frequent valuations encouraged

OR

- The use of update procedures to roll forward to the measurement date, amounts from an earlier actuarial valuation
 - » Performed no more than 30 months and one day prior to the employer's most recent year-end
- » PERA performs annual actuarial valuations

Pension Plan's Fiduciary Net Position

» Pension Plan's Fiduciary Net Position—

- The pension plan's net assets at fair value
- Determined using the same valuation methods used by the pension plan for purposes of preparing its statement of fiduciary net position

Collective Net Pension Liability

Total Pension Liability

Minus

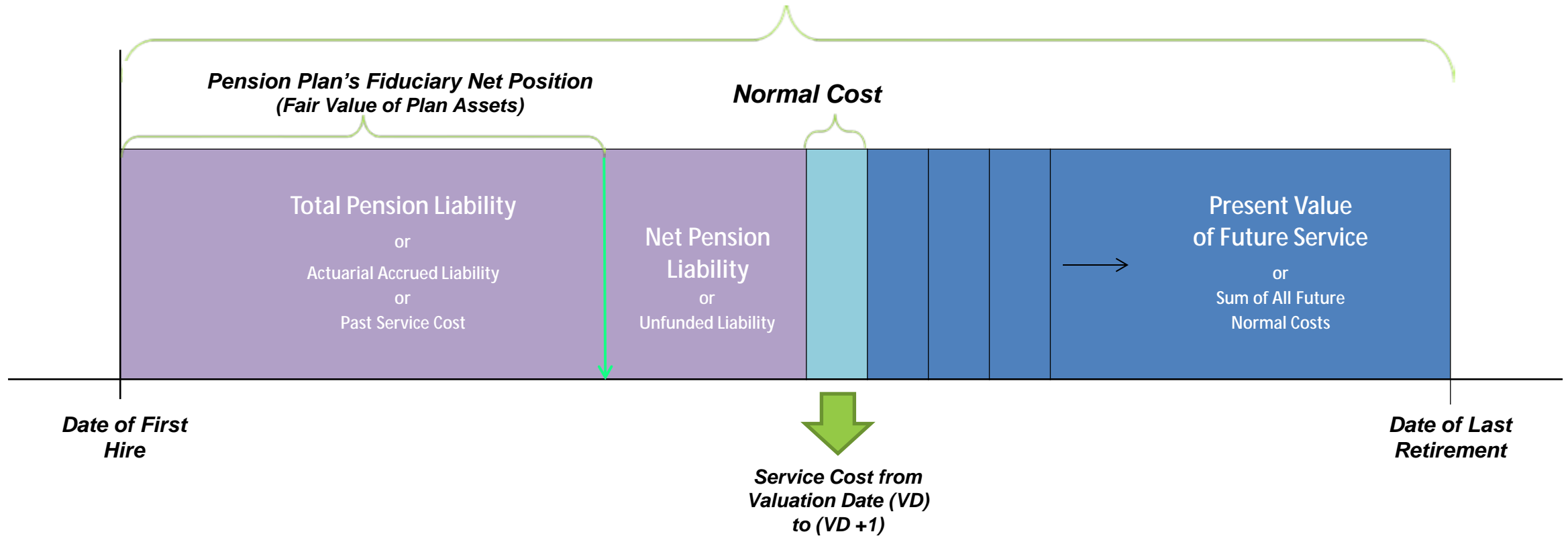
Pension Plan's Fiduciary Net Position

Equals

Collective Net Pension Liability

Collective Net Pension Liability

Total Present Value of Benefits
(Projected Benefits Discounted at GASB Defined Discount Rate)



Additional Information

- » Paragraphs 35-46, in GASB Statement No. 67
- » Paragraphs 48, 59-62, 64-66, 68-70, and 77, regarding Cost-Sharing Employers in GASB Statement No. 68
- » Colorado PERA's **GASB Reporting Standards** web page
- » Please feel free to email Colorado PERA's GASB Work Group at **GASBMail@copera.org**