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CALCULATING THE COLLECTIVE NET PENSION LIABILITY
GASB STATEMENT NO. 68
EMPLOYER EDUCATIONAL VIDEO SERIES
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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
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
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.
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

\[ \text{Minus} \]

Pension Plan’s Fiduciary Net Position

\[ \text{Equals} \]

Collective Net Pension Liability
Collective Net Pension Liability

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

- Total Pension Liability
- Pension Plan’s Fiduciary Net Position (Fair Value of Plan Assets)
- Normal Cost
- Service Cost from Valuation Date (VD) to (VD +1)
- Present Value of Future Service
- or Sum of All Future Normal Costs

- Date of First Hire
- Date of Last Retirement

- Normal Cost
  - or Net Pension Liability
  - or Actuarial Accrued Liability
  - or Past Service Cost

- Past Service Cost
- or Unfunded Liability

- 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 GASBM@copera.org