THOMAS P. DiNAPOLI
COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

GABRIEL F. DEYO
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

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To: **Chief Fiscal Officers**

From: **Division of Local Government and School Accountability**

Subject: **Accounting and Financial Reporting for Pensions as Required by GASB 68 and Updated by GASB 82**

Please provide copies of this bulletin to others who may need this information.

Purpose of Bulletin

The purpose of this bulletin is to provide updated information regarding pension accounting treatment and guidance on how our local governments and school districts can comply with the new requirements, including compliance with generally accepted accounting principles (GAAP), the Annual Update Document (AUD) and ST-3. More specifically, this bulletin will address:

- Reporting requirements, note disclosures, and required supplementary information for GAAP financial statements
- Reporting requirements for the AUD/ST-3
- Sources of needed information
- Auditor Concerns
- Sample Note Disclosures
- Sample Required Supplementary Information (RSI)
- Sample journal entries for AUD filers.

This bulletin does not supersede the May 2015 updated bulletin, *Pension Accounting and Reporting Changes*, issued by the Office of the State Comptroller (OSC) for local government employers in New York State.

Background

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67 *Financial Reporting for Pension Plans* (Statement 67) and Statement No. 68, *Accounting and Financial Reporting for Pensions* (Statement 68), which prescribed new financial reporting requirements for state and local government pension plans and the states and local governments that provide pensions through pension plans that meet certain criteria.[1] The New York State and Local Retirement System (NYSLRS) and the New York State Teachers' Retirement System (TRS) (Systems) meet those certain criteria as cost-sharing, multiple-employer, defined benefit pension plans. As such, all local governments and school districts in New York that participate in either plan are impacted by this change in accounting treatment. Specifically, these Statements will change how local governments calculate and report the costs and obligations associated with pensions in important ways. The intent is to improve the decision-usefulness of reported pension information and to increase the transparency, consistency and comparability of pension information across governments. These Statements do not change how the Systems are funded and much of the information necessary to comply with these requirements will be provided by the Systems.

Statement 67 provides financial reporting guidance to pension plans. It does not apply to the local governments and schools districts that participate in the Systems. The NYSLRS implemented Statement 67 for the fiscal year ended March 31, 2015, while TRS implemented for the fiscal year ended June 30, 2014.

In March 2016, the GASB issued Statement No. 82 *Pension Issues* (Statement 82), which addressed certain issues raised subsequent to the implementation of Statements 67 and 68. Specifically, Statement 82 amended Statements 67 and 68 related to the term covered-employee payroll to require the presentation of covered payroll, which is defined as the payroll on which contributions to a pension plan are based. Statement 82 also clarified that payments made by an employer to satisfy contribution requirements (i.e., employer "pick-ups" related to an election made for tax purposes – 414h) that are 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. An employer's expense and expenditures for those amounts are required to 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 (i.e., as salaries and wages or as fringe benefits).

Effective Date

These reporting requirements for Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2014. The requirements and clarifications provided within Statement 82 are effective for reporting periods beginning after June 15, 2016.

[1] A Length of Service Awards Program (LOSAP) set up in accordance with the requirements of New York State General Municipal Law would constitute a rabbi trust and, therefore, the plan itself would not be subject to Statement 67 and the sponsor would not be subject to Statement 68 requirements.

Accounting and Reporting Requirements

It is important to note that the new requirements will not change the accounting treatment for pensions in the governmental funds. Participating local governments and school districts will continue to recognize pension expenditures equal to the annual amount due and payable to the plans (by apportioning the pension system bill that covers the State fiscal year over the covered fiscal years of the local government employer). The reporting of a portion of the amount of the actuarially required contribution that is amortized with the Systems as a proprietary fund or government-wide statement of net position liability remains unchanged as well. You should refer to the May 2015 updated bulletin, *Pension Accounting and Reporting Changes*, for guidance on governmental fund pension expenditures and liability recognition. The guidance is unchanged with regard to the long-term agreed upon deferrals.[2]

In addition to the previous reporting, Statement 68 will now require that participating local governments and school districts report a net pension liability, pension expense and pension-related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all the employers in the plan. The Statement requires the net pension liability to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. The employers' pension expense recognized each year will reflect the change in their net pension liability beginning and ending balances.

In implementing the new Statement, local governments and schools districts should, to the extent practical, report changes made to comply with this Statement as an adjustment of prior periods. Additionally, financial statements presented for the periods affected should be restated. The Statement recognizes that it may not be practical for each local government and school district to determine the amounts of all deferred inflows of resources and deferred outflows of resources related to pensions, as applicable, at the beginning of the period of implementation. Based on the information to be provided by the Systems, OSC believes it will not be practical to determine these amounts; as such, beginning balances for deferred inflows of resources and deferred outflows of resources related to pensions should not be reported. However, since restating all prior periods presented is not practical, the cumulative effect of applying this Statement, if any, should be reported as a restatement of beginning net position for the earliest period restated. In the first period of implementation of this Statement, the financial statements should disclose the nature of any restatement and its effect, including whether the restatement of beginning balances included deferred inflows of resources or deferred outflows of resources, as applicable, as well as explaining the reason for not restating the prior periods presented.

[2] Such deferrals include amortizations, retirement incentives, smoothing plans, etc.

GAAP Reporting

In financial statements prepared on an accrual basis, per Statement 68, local governments and school districts are required to recognize a liability for their proportionate share of the net pension liability. Furthermore, you should recognize your proportionate share[3] of pension expense, as well as deferred outflows of resources and deferred inflows of resources related to pensions.

However, in financial statements prepared on a modified accrual basis, employers should recognize their proportionate share of the collective net pension liability only to the extent the liability is normally expected to be liquidated with expendable available financial resources. Net pension liabilities are normally expected to be liquidated with expendable available financial resources to the extent that benefit payments are due and payable and the Systems' fiduciary net position is not sufficient for payment of those benefits. Based on the funding methodologies used by the Systems, this situation should not occur.

As school districts participate in both Systems, it may be possible for them to report both a net pension asset and a net pension liability. For school districts participating in both Systems, liabilities for net pension liabilities associated with each System may be displayed in the aggregate, and assets for net pension assets associated with each System may be displayed in the aggregate in the financial statements. However, aggregated pension liabilities and aggregated pension assets should not be netted; rather, they should be displayed separately.

Basic Financial Statements – Local governments and school districts preparing financial statements in accordance with GAAP will be required to report their proportionate share of the collective net pension liability as well as their proportionate share of the collective pension expense, deferred outflows,[4] and deferred inflows in the government-wide statements as well as the proprietary fund statements. Attributing the proportionate shares to the proprietary fund statements will be the responsibility of the local government or school district. These shares should be allotted to proprietary funds using an equitable method, such as covered payroll. There is no change in the reporting of the expenditures based on the contractual obligation to the Systems in the governmental fund statements.

[3] Determined using the employer's proportion of the collective net pension liability.

[4] In addition to deferred outflows provided by the Systems, local governments and school districts must also include any contributions made subsequent to the measurement date. This amount must also be included as a reduction of the net pension liability in the subsequent period.

Notes to the Basic Financial Statements – Local governments and school districts[5] are also required to add a note disclosure to the financial statements including a plan description, benefit terms, contribution information and how it is calculated, plan information, significant actuarial assumptions, discount rate including how it was determined and the expected rate of return as well as the effect of a 1 percentage point change in discount rate, employer pension liabilities including measurement and valuation date, pension expense in the current period, deferred inflows and outflows and the effect on expense over the next five years, the employer's proportion including how it was determined and any changes, and the employer's proportionate share of collective net pension liability. Additionally, local governments with component units are required to separately identify amounts associated with the primary government and amounts associated with the discretely presented component units (in the aggregate) in the note disclosures. Similar to attributing proportionate shares to proprietary fund statements, the amounts identified separately should be determined using an equitable method, such as covered payroll.

Required Supplementary Information – Additionally, the financial statements are required to include RSI with 10 years of comparative schedules for the employer's proportion (percentage) of the collective net pension liability, the employer's proportionate share of the collective net pension liability, the employer's covered payroll,[6] the employer's share of the liability as a percentage of covered payroll, and the plan net portion as a percentage of the total pension liability. This schedule is not required to be reported retrospectively, and the amounts should be determined as of the measurement date of the collective net pension liability. While local governments and school districts will be responsible for maintaining this schedule,[7] the information can be compiled from the sources identified later in this bulletin. As such, until a full 10-year trend is compiled, local governments and school districts should present information for those years for which information is available.

Lastly, local governments and school districts are also required to include RSI with 10 years of comparative schedules for the required contribution, actual contribution, any differences between those contributions, covered payroll, and the actual contribution as a percentage of covered payroll. Again, local governments and school districts will be responsible for maintaining this schedule and local governments and school districts should present information for those years for which information is available; however, the information should be determined as of the employer's most recent fiscal year. It is likely that local governments and school districts will have information

[5] Statement 68 requires that information be disclosed for benefits provided through each cost-sharing pension plan in which the employer participates and that disclosures related to more than one pension plan be combined in a manner that avoids unnecessary duplication. As such, employers participating in both NYSLRS and TRS should provide the respective plan information separately, while the notes related to NYSLRS would combine information for Employees' Retirement System (ERS) and Police and Fire Retirement System (PFRS), as appropriate.

[6] Per Statement 82, covered payroll is defined as the payroll on which contributions to a pension plan are based.

[7] Per Statement 68, the RSI should be presented separately for each cost-sharing pension plan through which pensions are provided.

available for 10 years of required contributions, actual contributions, differences between those contributions, covered payroll, and the actual contribution as a percentage of covered payroll in order to provide this comparative schedule upon implementation. It should also be noted that the amounts for prior years should not be restated for the effects of changes that occurred subsequent to the measurement date of that information.

Sample note disclosures and RSI are available in the appendices for guidance.

AUD/ST-3 Reporting

Government-wide statements are not required when local governments file their AUD and when school districts file their ST-3; however, local governments and school districts will continue to report the expenditure based on the contractual obligation to the Systems in accordance with the May 2015 updated bulletin, *Pension Accounting and Reporting Changes*, and will report the proportionate share of the collective net pension liability as part of the supplemental schedules (AUD Schedules K and W; ST-3 Schedules SS-4 and SS-2). Proprietary fund statements for local governments will include the proportionate share of the collective net pension liability and the proportionate share of the collective pension expense, deferred outflows, and deferred inflows. Attributing the proportionate shares to the proprietary fund statements will be the responsibility of the local government. These shares should be allotted to proprietary funds using an equitable method, such as covered payroll. Furthermore, while note disclosures are only required for local governments with proprietary fund liabilities, we encourage other local governments and school districts to include these disclosures. RSI, however, will not be required.

Beginning with fiscal year ending June 30, 2015, the AUD included the following new codes:

Code	Proprietary Funds	K	W
108 – Net Pension Asset – Proportionate Share	X	X	
496 – Deferred Outflows of Resources, Pensions	X		
638 – Net Pension Liability – Proportionate Share	X		X
697 – Deferred Inflows of Resources, Pensions	X		

These codes are also available for ST-3 Schedules SS-4 and SS-2, respectively.

Sample note disclosures and RSI are available in the appendices for guidance.

Sources of Information

As previously mentioned, much of the information necessary to comply with these requirements will be provided by the Systems. When accounting for contractual obligations to the Systems within the governmental funds, local governments and school districts will continue to find that information as part of the Systems' bills. In order to report the costs and obligations associated with pensions, the Systems will assist employers as discussed further below.

New York State and Local Retirement System

NYSLRS will prepare two schedules of employer financial information: a schedule of employer allocations and a schedule of pension amounts. These schedules were recommended in a recently published American Institute of Certified Public Accountants (AICPA) whitepaper (Issues Related to Information for Employer Reporting). NYSLRS will also be providing local governments with GASB reporting information through its employer web portal, where invoices are currently obtained. The portal will include the employer's beginning net pension liability, measurement date, actuarial valuation date, ending net pension liability (as of measurement date), itemized deferred inflows and outflows, proportionate share of the plan's pension expense, sensitivity of the employer's proportionate share of the net pension liability due to changes in the discount rate (i.e., amount at the current discount rate and percentage increase and decrease), net amount of the employer's balances of deferrals related to pensions which will be recognized in pension expense for the next five years and thereafter, and the actuarially determined contribution.

New York State Teachers Retirement System

TRS will also prepare two schedules of employer financial information as recommended by the AICPA: a schedule of employer allocations and a schedule of pension amounts. The schedule of pension amounts will include each participating employer's proportionate share of the net pension liability, deferred inflows of resources and deferred outflows of resources, and pension expense. More specifically, TRS will provide letters to each of its employers with their specific Statement 68 disclosure items. Additionally, there will be a boilerplate document with disclosure items[8] they will need that are the same for all employers. The employer letters will be provided through the employer's secure area on TRS' website, along with a link to the boilerplate document. TRS anticipates that this material will be available annually for school districts by July 15th.

Local Government and School District Responsibility

As previously mentioned, local governments and school districts are responsible for maintaining some information internally. Specifically, each local government or school district is responsible for attributing the proportionate shares to the proprietary fund statements, determining the covered payroll amount, maintaining comparative schedules, accounting for contributions subsequent to the measurement date, presenting information for component units, as well as reporting an adjustment of prior periods.

[8] For example, plan description and actuarial assumptions.

Local governments and school districts should follow the guidance provided within the previous sections with regard to each of these responsibilities.

Auditor Concerns

As a result of these accounting changes, and the fact that certain financial statement assertions are dependent on the completeness and accuracy of census data, both participating employer auditors and the Systems' auditors have been faced with a number of challenges. Specifically, participating employer auditors must obtain sufficient appropriate evidence to support their opinions on the employer financial statements while the Systems' auditors must obtain sufficient appropriate evidence regarding the completeness and accuracy of all census data underlying certain financial statement elements of the Systems.

In order to address these challenges, NYSLRS will have census data and the two Statement 68 schedules[9] audited as recommended by the AICPA. As part of this process, the auditors have been in the field testing[10] a representative sample of participating employers' census data by validating certain information to payroll and other human resource records for a selected sample of NYSLRS members. The audit will be a recurring segment of the annual NYSLRS audit with employers being selected using criteria set forth by the AICPA. This will provide the plan auditors with the ability to obtain reasonable assurance and report on the proportions of the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for participating employers. TRS is also having the two Statement 68 schedules[11] audited using the AICPA criteria. The work performed by the Systems' auditors can assist the employers' auditors in determining the sufficiency and appropriateness of necessary audit evidence. In other words, the employers' auditors can rely on the opinion of the Systems' auditors for allocation calculations.

Additional Information

If you have questions pertaining to the accounting guidance described in this bulletin, please contact the State Comptroller's regional office that serves your local government. If you have questions pertaining to the information provided by the retirement system, visit the NYSLRS' website at http://www.osc.state.ny.us/retire/employers/ or contact NYSLRS at NYSLRS_GASB@osc.state.ny.us.

[9] Schedule of Employer Allocations and Schedule of Pension Amounts by Employer.

[10] This testing supports the allocation of total pension liability reported in the annual financial statements and Statement 68 schedules.

[11] Schedule of Employer Allocations and Schedule of Pension Amounts by Employer.

Appendix A – Note Disclosures

Most of the data below will be provided by NYSLRS through their GASB on-line portal including links to audited financial statements and GASB schedules. Local government employers should update any applicable pension note disclosures in accordance with the guidance provided in this bulletin. Sample note disclosures for Statement 68 can be found below.

General Information about the Pension Plan

Plan Description

The *[insert unit name]* of *[insert local government name]* participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) which are collectively referred to as New York State and Local Retirement System (the System). These are cost-sharing multiple-employer defined benefit retirement systems. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The *[insert unit name]* of *[insert local government name]* also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Benefits Provided

The System provides retirement benefits as well as death and disability benefits.

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 10 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with 10 or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

Special Plans

The 25-Year Plans allow a retirement after 25 years of service with a benefit of one-half of final average salary, and the 20-Year Plans allow a retirement after 20 years of service with a benefit of one-half of final average salary. These plans are available to certain PFRS members, sheriffs, and correction officers.

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after 10 years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 ERS and PFRS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first $50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for 10 years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed $18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

Contributions

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first 10 years of membership, and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) who generally contribute 3 percent of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	ERS	PFRS
Year	$______	$______
Year	______	______
Year	______	______

- Chapter 260 of the Laws of 2004 of the State of New York allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:
- For State fiscal year (SFY) 2004-05, the amount in excess of 7 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5 percent of employees' covered pensionable salaries.
- For SFY 2007-08, the amount in excess of 10.5 percent of employees' covered pensionable salaries.

This law requires participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2008. [The total unpaid liability at the end of the fiscal year was $_______, of which $ is reported in the Proprietary Funds and $_______ in the Schedule of Non-Current Governmental Liabilities.]

- Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:
- For State fiscal year 2010-11, the amount in excess of the graded rate of 9.5 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.

- For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- For subsequent State fiscal years in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.
- *[Additional amortization information, and/or other programs (i.e., alternate contribution stabilization program) the local government participates in should be included here as well.]*

This law requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program. [The total unpaid liability at the end of the fiscal year was $_______, of which $____ is reported in the Proprietary Funds and $_______ in the Schedule of Non-Current Governmental Liabilities.]

- Chapter 105 of the Laws of 2010 of the State of New York authorizes local governments to make available a retirement benefit incentive program with an estimated total cost of $________, of which $______ was charged to expenditures in the Governmental Funds and $________ to expenses in the Proprietary Funds in the current fiscal year. The cost of the program will be billed and paid over five years beginning February 1, 2012.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At Month DD, 20XX, the *[insert local government name]* reported a liability of $_______ for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The *[insert local government]'s* proportion of the net pension liability was based on a projection of the *[insert local government]*'s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At Month DD, 20XX, the *[insert local government]*'s proportion was _______ percent, which was an increase of _______ from its proportion measured as Month DD, 20XX.

For the year ended Month DD, 20XX, the *[insert local government]* recognized pension expense of $_______. At Month DD, 20XX, the *[insert local government]* reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Changes of Assumptions		
Net difference between projected and actual earnings on pension plan investments		
Changes in proportion and differences between LG contributions and proportionate share of contributions		
LG contributions subsequent to the measurement date		
Total		

$_______reported as deferred outflows of resources related to pensions resulting from *[insert local government]* contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended Month DD, 20XX. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended [Month Day]:	
20XX	$_______
20XX	$_______
20XX	$_______
20XX	$_______
20XX	$_______

Actuarial Assumptions

The total pension liability at March 31, 20XX was determined by using an actuarial valuation as of April 1, 20XX, with update procedures used to roll forward the total pension liability to March 31, 20XX. The actuarial valuation used the following actuarial assumptions:

	ERS	PFRS
Inflation	X.X%	X.X%
Salary increases	X.X	X.X
Investment rate of return (net of investment expense, including inflation)	X.X	X.X

Annuitant mortality rates are based on April 1, 2005 – March 31, 2010 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 20XX are summarized below:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	
International equity	
Private equity	
Real estate	
Absolute return strategies	
Opportunistic portfolio	
Real assets	
Bonds and mortgages	
Cash	
Inflation-indexed bonds	

Discount Rate

The discount rate used to calculate the total pension liability was X.X%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the *[insert local government]*'s proportionate share of the net pension liability calculated using the discount rate of X.X percent, as well as what the *[insert local government]*'s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (X.X percent) or 1-percentage point higher (X.X percent) than the current rate:

	1% Decrease (X.X%)	Current Assumption (X.X%)	1% Increase (X.X%)
_________'s proportionate share of the net pension liability			

Pension plan fiduciary net position

The components of the current-year net pension liability of the employers as of March 31, 2015, were as follows:

(Dollars in Thousands)	Employees' Retirement System	Police and Fire Retirement System	Total
Employers' total pension liability	$		
Plan net position	$		
Employers' net pension liability	$		
Ratio of plan net position to the employers' total pension liability	%	%	%

Payables to the pension plan

[If the local government or school district reported payables to the defined benefit pension plan, it should disclose the amount of the payables, significant terms related to the payables and a description of what gave rise to the payables here].

Appendix B – Required Supplementary Information

SCHEDULE OF THE LOCAL GOVERNMENT’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

NYSLRS Pension Plan
Last 10 Fiscal Years*
(Dollar amounts in thousands)

	20X9	20X8	20X7	20X6	20X5	20X4	20X3	20X2	20X1	20X0
___________’s proportion of the net pension liability (asset)										
___________’s proportionate share of the net pension liability (asset)										
___________’s covered payroll										
___________’s proportionate share of the net pension liability (asset) as a percentage of its covered payroll										
Plan fiduciary net position as a percentage of the total pension liability										

* The amounts presented for each fiscal year were determined as of the System’s measurement date.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, local governments and school districts should present information for those years for which information is available.

SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS

NYSLRS Pension Plan
Last 10 Fiscal Years*
(Dollar amounts in thousands)

	20X9	20X8	20X7	20X6	20X5	20X4	20X3	20X2	20X1	20X0
Contractually required contribution										
Contributions in relation to the contractually required contribution										
Contribution deficiency (excess)										
___________'s covered payroll										
Contributions as a percentage of covered payroll										

* The amounts presented for each fiscal year were determined as of the fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, local governments and school districts should present information for those years for which information is available.

Appendix C – Sample Journal Entries

The following sample journal entries are intended to illustrate GAAP-compliant accounting recognition in the AUD for pension expenditures and liabilities associated with a calendar year-end town. While much of the available guidance relates to full accrual accounting, with the exception of certain funds, OSC does not require local governments and school districts to use full accrual accounting in filing their AUDs. As such, the guidance provided below is intended to provide an example of how GASB Statement 68 impacts the individual fund statements filed by a local government as part of its AUD. Furthermore, these sample journal entries are based on the following assumptions:

- A NYSLRS bill totaling $150,000 is due on February 1, 2016. The NYSLRS bill paid for 2014 totaled $140,000.
- The NYSLRS bill was prepaid on December 15, 2015 ($124,500 attributed to governmental funds and $25,500 attributed to the proprietary fund; governmental funds would have recognized $93,375 as an expenditure and $31,125 as a prepaid asset – consistent with our May 2015 updated bulletin, *Pension Accounting and Reporting Changes*).
- In 2015, the town determined covered payroll amounts as follows:
    - General - $500,000 (49% of total)
    - Highway - $345,000 (34% of total)
    - Water Enterprise - $170,000 (17% of total)

Additionally, the following information was provided by NYSLRS:

	NYSLRS
Net Pension Liability (Asset) – Beginning (4/1/2014)	$ 131,016
Net Pension Liability (Asset) – Ending as of Measurement Date (3/31/15)	$ 97,946
Deferred Outflows – as of Measurement Date	
Differences Between Expected and Actual Economic Experience	$ 3,135
Changes in Assumptions	$ 0
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ 17,012
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	$ 5,333
Deferred Inflows – as of Measurement Date	
Differences Between Expected and Actual Economic Experience	$ 0
Changes in Assumptions	$ 0
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ 0

Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	$ 0
Pension Expense	$ 88,642
Proportionate Share of Plan Pension Expense	
Net Amortization of Deferred Amounts from Changes in	
Proportion and Differences Between Employer Contributions	$ 1,333
and Proportionate Share of Contributions	$ 89,975
Total Pension Expense	

Governmental Fund(s) Entry

a) To record the net pension liability of $81,295 allocated to the governmental funds ($97,946 x .83 (49% general and 34% highway)) based on the assumed covered payroll percentages[12]):

Account	Debit	Credit
W129 Total Non-Current Govt Liabilities	$ 81,295	
W638 Net Pension Liability – Proportionate Share		$ 81,295

Proprietary Fund(s) - First Year Entries

a) To record a prior period adjustment to establish the beginning net pension liability of $22,273 allocated to the water enterprise fund ($131,016 x .17) based on the assumed covered payroll percentages:[13]

Account	Debit	Credit
EW924 Net Assets-Unrestricted	$ 22,273	
EW638 Net Pension Liability – Proportionate Share		$ 22,273

b) To record a prior period adjustment to establish deferred outflows of $23,800 allocated to the water enterprise fund ($140,000 x .17). This amount represents the 2014 contributions paid subsequent to the measurement date.

Account	Debit	Credit
EW496 Deferred Outflows of Resources, Pensions	$ 23,800	
EW924 Net Assets-Unrestricted		$ 23,800

c) To recognize pension expense and to record the change in net pension liability and deferred outflows/inflows through the measurement date of March 31, 2015.

Account	Sub Account	Debit	Credit
EW638 Net Pension Liability – Proportionate Share[14]		$ 5,622	
EW496 Deferred Outflows of Resources, Pensions[15]		$ 1,700	

[12] Percentages were assumed to be comparable for 2014.

[13] Percentages were assumed to be comparable for 2014.

[14] The difference between the beginning and ending net pension liability in the water enterprise fund ([$131,016 - $97,946] x .17).

[15] The change in current year contributions subsequent to the measurement date; the difference between the current year contribution and the prior year deferred outflow ([$150,000 x .17] - $23,800).

EW496 Deferred Outflows of Resources, Pensions[16]		$ 4,332	
EW522 Expenses	$ 13,846	$ 13,846	
EW9010.8 State Retirement, Employee Benefits			$ 25,500
EW200 Cash			

Proprietary Fund(s) - Second Year Entry

a) To recognize pension expense and to record the change in net pension liability and deferred outflows/inflows through the measurement date of March 31, 2016, allocated to the water enterprise fund based on 2016 covered payroll amounts.

Account[17]	Sub Account	Debit	Credit
EW638 Net Pension Liability – Proportionate Share		$ XXX	
EW496 Deferred Outflows of Resources, Pensions		$ XXX	
EW697 Deferred Inflows of Resources, Pensions		$ XXX	
EW522 Expenses		$ XXX	
EW9010.8 State Retirement, Employee Benefits	$ XXX		
EW200 Cash			$ XXX

[16] NYSLRS reported figures ($25,480 x .17). Note: the entries for Deferred Outflows of Resources – Pensions were separated for illustration purposes.

[17] While the cash account will always remain a credit as part of this entry, the remaining accounts in this example may show a debit or credit balance. This will be dependent upon the change from year to year.