GASB 68 Talking Points

The Government Accounting Standards Board (GASB) approved two statements (GASB 67 and 68) in 2012 that changed the way public retirement systems (i.e.TFFR) and employers (i.e. school districts, cities, counties, and the state) account for and disclose pension information.

- GASB changes were designed to improve pension information and increase transparency, consistency, and comparability of pension information.
- New GASB requirements do not affect TFFR's funded ratio, or statutory contribution requirements. New requirements do not change the actual pension liability – only where and how pension costs are accounted for in financial statements.
- GASB 68 requires the entities that are actually making the pension contributions (i.e. school districts) to report their proportionate share of the collective net pension liability, regardless of whether the entities are legally required to fund the plan. The ND Legislature has the legal authority to set member and employer contribution rates, and employers are liable for paying those contributions required by law.
- Participating employers/school districts were required to include the new GASB 68 requirements beginning in their June 30, 2015 financial statements.
- TFFR provides most of the required GASB 68 information needed by employers/school districts including actuarial and financial calculations, template footnote disclosures, and audited schedules. Allocation % and $ amounts are calculated based on annual covered payroll. School districts should work closely with their financial auditors on implementation.
- The presence of a large number on the employer/school district balance sheet which represents unfunded pension costs could give the incorrect impression that school districts have a large debt that must be paid immediately. That is not the case. Pension costs are paid off over long periods – much like home mortgages – through regular contributions paid to the retirement plan.
- While it is unknown whether the new GASB statements will affect a particular employer/school district's bond rating, most rating agencies already consider unfunded pension liabilities as debt-like instruments, and have historically incorporated pension information into their analysis of a government's ability to meet its debt obligations.
- Steps are being taken to reduce TFFR's net pension liability. Increased member and employer contributions, benefit changes, and solid investment performance is expected to show positive funding results. Due to legislative action, TFFR's long term funding outlook is positive, and benefits are secure for past, present and future ND educators.
- Additional GASB information is available in the Employer section of the TFFR website.

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