

EMPLOYER BULLETIN

GASB STATEMENT NO. 68: ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS

March 2015

New reporting standards for TRS employers are effective for the fiscal year ended June 30, 2015. The new items that employers must report are based on disclosures that TRS and its actuary made in 2014 pursuant to GASB Statement No. 67: Financial Reporting for Pension Plans.

At a later date, TRS will provide the schedules needed by each employer to fulfill Statement No. 68 requirements on the secure Employer Access Area of the TRS website. TRS anticipates that by early summer an employer information bulletin will be available that includes Statement No. 68 note disclosure information.

The information provided to employers will not reflect changes contained in Public Act 98-0599. This act contains significant changes to TRS funding and benefits and was enacted in December 2013. However, an injunction was issued in May 2014 that prevents implementation until its constitutionality is determined by the Illinois Supreme Court.

GASB Statement No. 24, Accounting and Financial Reporting for Certain Grants and Other Financial Assistance, is still effective. In the summer, TRS will provide the “on behalf” disclosure information that is required because the state makes pension contributions to TRS for the employees of TRS employers.

TRS is committed to assisting you with implementing GASB 68 requirements. The information provided in this bulletin is just the first step in an on-going effort to share information regarding the new reporting requirements. In the meantime, if you have questions, please contact the TRS Accounting Department at (888) 877-0890, option 2 or email employers@trs.illinois.gov.

Overview

TRS is a cost-sharing multiple employer retirement plan with a special funding situation. In a special funding situation, an entity that is not the employer is legally responsible for making pension contributions on behalf of employees. The other entity is the state of Illinois. Under GASB Statement No. 68, various changes are required to illustrate the differences in employer and nonemployer responsibility for funding.

The impact of GASB Statement No. 68 to TRS employers differs depending on whether cash or accrual basis accounting is used. The changes affect both financial statements and the notes to the financial statements for employers that follow Generally Accepted Accounting Principles (GAAP) and use accrual basis accounting. Only note disclosure is required for employers using cash basis accounting.

An employer following GAAP will report a liability for a portion of unfunded TRS benefits on its balance sheet. While only approximately 4 percent of the unfunded amount is allocated among over 1,000 employers, an individual employer’s share of the liability may be higher than its other obligations.



The purpose of the new disclosure is to present each employer's proportionate share of the net pension liability (NPL). NPL is the difference between the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service (total pension liability) and TRS fiduciary net position as stated on TRS financial statements.

Basis of allocating the employer share of the net pension liability and other amounts

Employer contributions to TRS will be the basis of allocation. The allocation will be included in the schedule that will be available in the secure area of the TRS website. Employer contributions vary by employer depending on the proportion of teachers paid from federal funds and employer-paid retirement costs. All employer contributions will be included in the allocation: the 0.58 percent employer TRS retirement contribution, employer contributions on federally-funded salaries, early retirement option contributions, excess salary increase contributions, and excess sick leave contributions.

Employer audits

As a result of the new GASB standards, the TRS Employer Services Department has begun auditing selected employers.

The American Institute of Certified Public Accountants (AICPA) has issued guidance regarding implementation of the new standards. The guidance emphasizes the consideration of plan controls over active member census data being provided by reporting entities, specifically focused on the accuracy and completeness of the data. Auditing census data is the responsibility of both TRS auditors and the reporting entity (employer) auditors.

TRS Employer Services staff will test employer census data and controls pertaining to census data reporting processes for active members. TRS will review the following elements of the data: gender, Social Security number, birth dates, dates of hire and years of service, eligible compensation, sick leave days, and termination or retirement dates. Employer Services staff will also test eligibility and compensation for accuracy, completeness, and compliance with Illinois law and TRS Board rules. If you are selected for an employer audit, you will be contacted by TRS Employer Services' staff to schedule the audit.

Special assistant auditors for the State of Illinois Office of the Auditor General also will be conducting site visits to ensure employee payroll and demographic data submitted to TRS is accurate. TRS respectfully asks for your cooperation to ensure that requested records are expeditiously collected and provided.

GASB links and other resources

To learn more about the new GASB standards, please select the links below.

[GASB Statement No. 67](#)

[GASB Statement No. 68](#)

[GASB Statement No. 68 Implementation Guide](#)

[GASB Statement No. 71](#)

[AICPA Whitepaper: Single-Employer and Cost-Sharing Multiple-Employer Plans: Issues Associated with Testing Census Data in an Audit of Financial Statements](#)

[AICPA Whitepaper: Governmental Employer Participation in Cost-Sharing Multiple-Employer Plans: Issues Related to Information for Employer Reporting](#)