**Note X – Defined Benefit Pension Plans – Non-qualifying Trust**

These instructions address the requirements for local governments whose pension plans must comply with GASB Statement 73 because they are not administered through a trust that meets the criteria of paragraph 4 of GASB Statement 68.

For these plans, a pension trust fund cannot be reported as a fiduciary fund in the financial statements. The activity should be rolled into the general fund for financial statement reporting

The following should be disclosed in the notes to the financial statements and supplementary information, as applicable.

The total (aggregate for all pensions, regardless of the type of pension plans and whether or not the plans are administered through qualifying trusts) of the employer’s pension liabilities, pension assets (only applicable to plans administered through qualifying trusts), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense/expenditures for the period associated with pension liabilities should be disclosed if the total amounts are not otherwise identifiable from information presented in the financial statements.

Example:

The following table represents the aggregate pension amounts for all plans for the year 20XX:

|  |  |
| --- | --- |
| **Aggregate Pension Amounts – All Plans** | |
| Pension liabilities | $ |
| Pension assets | $ |
| Deferred outflows of resources | $ |
| Deferred inflows of resources | $ |
| Pension expense/expenditures | $ |

The information identified in the following paragraphs should be disclosed for benefits provided through **each** single-employer pension plan in which the employer participates. Disclosures related to more than one pension plan should be combined in a manner that avoids unnecessary duplication.

In circumstances in which the employees of a primary government and its component units are provided with pensions through the same pension plan, the note disclosures in the reporting entity’s financial statements should separately identify amounts associated with the primary government (including its blended component units) and those associated with its discretely presented component units.

**Pension Plan Description**

The following information should be disclosed about the pension plan through which benefits are provided:

1. The name of the pension plan, identification of the public employee retirement system or other entity that administers the pension plan, and identification of the pension plan as a single-employer pension plan.
2. A brief description of the benefit terms, including (1) the classes of employees covered; (2) the types of benefits; (3) the key elements of the pension formulas; (4) the terms or policies, if any, with respect to automatic postemployment benefit changes, including automatic COLAs, and ad hoc postemployment benefit changes, including ad hoc COLAs; and (5) the authority under which benefit terms are established or may be amended. If the pension plan is closed to new entrants, that fact should be disclosed.
3. The number of employees covered by the benefit terms, separately identifying numbers of the following:

(1) Inactive employees (or their beneficiaries) currently receiving benefits

(2) Inactive employees entitled to but not yet receiving benefits

(3) Active employees.

1. The fact that there are no assets accumulated in a qualifying trust. Each of the 3 qualifying criterion that the plan does not meet should be disclosed.
2. Identification of the authority under which requirements for the employer to pay pensions as the benefits come due are established or may be amended. Also, the amount paid by the employer for pensions as the benefits came due during the reporting period, if not otherwise disclosed.

Note to Preparer:

Firefighters’ Pension Fund ([RCW 41.16.050](http://apps.leg.wa.gov/rcw/default.aspx?cite=41.16.050)) – The state contributes 25% of taxes on fire insurance premiums to these plans and is considered a non-employer contributing entity. The amount of these contributions received (BARS account 3360691) should be disclosed. This is not considered a special funding situation.

**Information about the Total Pension Liability**

**Assumptions and Other Inputs**

Significant assumptions and other inputs used to measure the total pension liability, including assumptions about inflation, salary changes, and ad hoc postemployment benefit changes (including ad hoc COLAs) should be disclosed. With regard to mortality assumptions, the source of the assumptions (for example, the published tables on which the assumption is based or that the assumptions are based on a study of the experience of the covered group) should be disclosed. The dates of experience studies on which significant assumptions are based also should be disclosed. If different rates are assumed for different periods, information should be disclosed about what rates are applied to the different periods of the measurement.

With regard to the discount rate, the rate applied in the measurement and the source of that rate should be disclosed. Measures of the total pension liability calculated using (1) a discount rate that is 1-percentage-point higher than the current discount rate and (2) a discount rate that is 1-percentage-point lower than the current discount rate.

Example:

|  |  |  |  |
| --- | --- | --- | --- |
|  | 1% | Current | 1% |
|  | decrease | Disc. Rate | increase |
|  | 3% | 4% | 5% |
| Total Pension Liability | 825,000 | 750,000 | 660,000 |

**Changes in the Total Pension Liability**

For the current reporting period, a schedule of changes in the total pension liability should be presented. The schedule should separately include the information indicated below.

1. The beginning balance of the total pension liability
2. The effects during the period of the following items, if applicable, on the total pension liability:

(1) Service cost

(2) Interest on the total pension liability

(3) Changes of benefit terms

(4) Differences between expected and actual experience in the measurement of the total pension liability

(5) Changes of assumptions or other inputs

(6) Benefit payments

(7) Other changes, separately identified if individually significant.

1. The ending balance of the total pension liability

Example:

**Changes in the Total Pension Liability**

|  |  |
| --- | --- |
| Plan Name | Total Pension Liability |
| **Balances at 1/1/20XX** | $ |
| **Changes for the year:** |  |
| Service Cost |  |
| Interest |  |
| Changes in benefit terms |  |
| Differences between expected and actual experience |  |
| Changes of assumptions |  |
| Benefit payments |  |
| Other changes |  |
| **Net changes** |  |
| **Balance at 12/31/20XX** |  |

In addition to the information required above, the following information should be disclosed, if applicable:

a. The measurement date of the total pension liability, the date of the actuarial valuation on which the total pension liability is based, and, if applicable, the fact that update procedures were used to roll forward the total pension liability to the measurement date

b. A brief description of changes of assumptions or other inputs that affected measurement of the total pension liability since the prior measurement date

1. A brief description of changes of benefit terms that affected measurement of the total pension liability since the prior measurement date
2. The amount of benefit payments in the measurement period attributable to the purchase of allocated insurance contracts, a brief description of the benefits for which allocated insurance contracts were purchased in the measurement period, and the fact that the obligation for the payment of benefits covered by allocated insurance contracts has been transferred from the employer to one or more insurance companies

f. A brief description of the nature of changes between the measurement date of the total pension liability and the employer’s reporting date that are expected to have a significant effect on the total pension liability, and the amount of the expected resultant change in the total pension liability, if known

1. The amount of pension expense recognized by the employer in the reporting period
2. The employer’s balances of deferred outflows of resources and deferred inflows of resources related to pensions, classified as follows, if applicable:
3. Differences between expected and actual experience in the measurement of the total pension liability
4. Changes of assumptions or other inputs

(3) Amounts associated with transactions subsequent to the measurement date of the total pension liability

Example:

At December 31, 20XX, the (city/county/district) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  |  |  |
| --- | --- | --- |
| Plan Name | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ | $ |
| Changes of assumptions | $ | $ |
| Payments subsequent to the measurement date | $ | $ |
| TOTAL\* | $ | $ |

\* Total should agree to amounts presented in the financial statements.

A schedule presenting the following:

(1) For each of the subsequent five years, and in the aggregate thereafter, the net amount of the employer’s balances of deferred outflows of resources and deferred inflows of resources in subparagraph (h) above that will be recognized in the employer’s pension expense

(2) The amount of the employer’s balance of deferred outflows of resources that will be recognized as a reduction of the total pension liability

Example:

Deferred outflows of resources related to pensions resulting from the (city/county/district’s) payments subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ended December 31, 20XX (next year). Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

|  |  |
| --- | --- |
| Year ended  December 31: | Plan Name |
| 20X1 | $ |
| 20X2 | $ |
| 20X3 | $ |
| 20X4 | $ |
| 20X5 | $ |
| Thereafter | $ |

**Required Supplementary Information (RSI)**

The required supplementary information identified below, as applicable, should be presented separately for each single-employer pension plan through which pensions are provided. The information should be determined as of the measurement date of the total pension liability and may be presented in a single schedule. If a primary government and one or more of its component units provide pensions through the same single employer or agent pension plan, required supplementary information in the reporting entity’s financial statements should present information for the reporting entity as a whole.

**A 10-year schedule of changes in the total pension liability that separately presents the following for each year:**

1. The beginning balance of the total pension liability.
2. The effects during the period of the following items, if applicable, on the total pension liability:

(1) Service cost,

(2) Interest on the total pension liability,

(3) Changes of benefit terms,

(4) Differences between expected and actual experience in the measurement of the total pension liability,

(5) Changes of assumptions or other inputs,

(6) Benefit payments,

(7) Other changes, separately identified if individually significant.

1. The ending balances of the total pension liability

**A 10-year schedule presenting the following for each year:**

(a) The total pension liability,

(b) The covered payroll,

(f) The total pension liability as a percentage of covered payroll.

The above two schedules can be combined. See sample [Schedule of Changes in Total Pension Liability and Related Ratios](http://www.sao.wa.gov/local/BarsManual/Documents/GAAP_p4_RSI-SingleEmployer.xlsx).

**Notes to RSI**

The fact that there are no assets accumulated in a trust that meets the criteria of a qualified plan should be presented as a note to the schedule. In addition, information should be presented about factors that significantly affect trends in the amounts reported (for example, changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions). The amounts presented for prior years should not be restated for the effects of changes, for example, changes of benefit terms or changes of assumptions that occurred subsequent to the measurement date of that information.