

## **GASB-68 Possible Media Q&As**

- **What is GASB?**

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local governments.

- **What is GASB Statement No. 68?**

This statement by GASB separates the guidance to be used for pension funding and financial reporting. This new guidance makes a clear shift from a funding-based approach to an accounting-based approach for financial reporting. There is no change to the funding guidance. Specifically, it requires employers who present their financial statements in accordance with Generally Accepted Accounting Principles (GAAP) to report their net pension liability (unfunded liability) in the financial statements instead of in the notes to the financial statements. It was issued in June, 2012 and is effective for fiscal years beginning after June 15, 2014.

- **What are GAAP basis employers?**

GAAP is used by accountants to guide them in recording and reporting of financial information. GAAP comprises a broad set of principles that have been developed by the accounting profession and the Securities and Exchange Commission (SEC). Employers that present their financial statements in accordance with GAAP use accrual basis accounting. So for example, revenue is earned and recognized upon product delivery or service completion, without regard to the timing of cash flow.

- **When does GASB Statement No. 68 go into effect?**

It is effective for fiscal years beginning after June 15, 2014.

- **How many employers will be affected by this new guidance?**

Of the approximately 1,200 employers who have employees that are members of INPRS, less than 10% present their financial statements on a GAAP basis and will be directly impacted. Employers who present their financial statements on a non-GAAP (regulatory, etc.) basis will receive direction from the Indiana State Board of Accounts (SBoA) as to how this may impact their financial statements. Also, all employers are subject to the possibility of being selected to have their pension census data audited by INPRS' auditor, McGladrey.

- **Is there any impact on INPRS members?**

There is no impact for members of the Indiana Public Retirement System (INPRS).

- **Does this mean employers' contributions rates will go up?**

No. The GASB Statement No. 68 does not impact the funding policies of pension plans.

- **What was the purpose of this statement?**

The purpose of the statement is to improve transparency, consistency, and comparability of pension information across governments.

- **Is this new guidance in response to the fact that many public retirement funds have high rates of unfunded liabilities?**

No. The main driver of this statement was to better align government pension information with what has been disclosed in the private sector for many years.

## **GASB-68 Possible Media Q&As**

- **Does this mean INPRS is in trouble financially? What is its unfunded liability?**

No. In fact, Indiana now has the lowest burden per household to fully fund public pensions in the country and the second lowest combined pension and long-term debt liability as a percentage of GDP in the country. The funded status of PERF (80.2%) and TRF '96 (93.8%) rank the systems better than the 2013 national average of 75% estimated by Wilshire Consulting for 134 state pension plans. This despite INPRS' conservative 6.75 percent assumed rate of return.

- **Does INPRS have to follow this guidance?**

GASB Statement No. 67 applies to systems like INPRS and will be implemented as of the end of INPRS fiscal year, June 30, 2014.