

# GASB 68 – Accounting and Financial Reporting for Pension

Audit Committee Meeting

Dec 1, 2015

Presented by

Accounting & Financial Reporting  
Department

# Overview

- Pension expense  $\neq$  annual employer contributions (per plan rates)
- New financial line items on balance sheet
  - Net pension asset/liability
  - Deferred outflow/inflow of resources
    - Changes in actuarial assumptions
    - Changes in economic and demographic experience
    - Difference between actual and expected investment earnings
    - Changes in proportionate share (cost-sharing plans)
    - Employer contributions made subsequent to the plan's measurement date, but before the Port's fiscal year end (i.e. July 1 to Dec 31 for DRS plans)
- Other revenue from special funding situation (WA State subsidy)
- Net position
  - Restricted = Net pension asset
  - Unrestricted = Net pension liability

Pension expense no longer ties to employer's contributions to the plan.

# Defined Benefit Pension Plans

Type of defined benefit pension plan	Plan administrator(s)	No. of plans	GASB Standards	Annual employer contribution	Report unfunded pension liability	Pension expense = Employer contribution
Multiple-employer cost-sharing	Washington State Department of Retirement Systems (DRS)	4	GASB 68	\$11 M to \$12 M	Yes	No
Multiemployer (Taft-Hartley plans)	Various union pension trust(s)	16	ED: Project No. 34-3E	\$6 M to \$7 M	No	Yes
Single-employer	Port of Seattle - Warehousemen's Pension Trust (WPT)	1	GASB 67 and 68	\$1.5 M	Yes	No

*ED = Exposure draft*

*DRS plans include PERS 1, PERS 2/3, LEOFF 1 AND LEOFF 2*

**GASB 68 applies to DRS and WPT pension plans.**

# 2014 Restatement

Plans	% of Plan	Before - 2014 Pension Expense	GASB 68 - 2014 restated financials (in millions)						
			Income Stmt		Balance Sheet				
			Pension Expense	Other Revenue	Pension Asset	Pension Liability	Deferred Outflow (Prepaid expense)	Deferred Inflow (Unearned revenue)	Beg Bal of Net Position
PERS 1	0.84%	\$ 3.9	\$ 4.6			\$ 42.4	\$ 2.1	\$ 5.3	\$ (44.8)
PERS 2/3	1.00%	\$ 4.7	\$ 3.7			\$ 21.1	\$ 3.8	\$ 22.3	\$ (40.6)
LEOFF 1	0.07%		\$ (0.1)		\$ 0.9			\$ 0.3	\$ 0.4
LEOFF 2	1.02%	\$ 1.5	\$ (1.1)	\$ 0.5	\$ 13.8		\$ 0.8	\$ 7.4	\$ 5.0
WPT	100%	\$ 1.5	\$ 0.4			\$ 11.1	\$ 0.2		\$ (12.9)
<b>TOTAL</b>		<b>\$ 11.6</b>	<b>\$ 7.5</b>	<b>\$ 0.5</b>	<b>\$ 14.7</b>	<b>\$ 74.6</b>	<b>\$ 6.9</b>	<b>\$ 35.3</b>	<b>\$ (92.9)</b>

Note: WPT Pension expense is classified as nonoperating expense.

**Net Position (equity) is reduced by \$92.9M as one-time restatement and Pension Expense is decreased by \$3.6M under GASB 68.**

# 2015 Preliminary Financials

Plans	% of Plan	Before - 2015 Pension Expense*	GASB 68 - 2015 financials (in millions)					
			Income Stmt		Balance Sheet			
			Pension Expense*	Other Revenue	Pension Asset	Pension Liability	Deferred Outflow* (Prepaid expense)	Deferred Inflow (Unearned revenue)
PERS 1	0.87%	\$ 4.2	\$ 4.2			\$ 45.6	\$ 2.5	\$ 2.5
PERS 2/3	1.09%	\$ 5.4	\$ 5.3			\$ 38.8	\$ 9.7	\$ 10.4
LEOFF 1	0.07%		\$ (0.2)		\$ 0.9			\$ 0.1
LEOFF 2	1.07%	\$ 1.6	\$ (0.8)	\$ 0.3	\$ 11.0		\$ 1.9	\$ 3.5
WPT	100%	\$ 1.5	not available yet					
<b>TOTAL</b>		<b>\$ 12.7</b>	<b>\$ 8.5</b>	<b>\$ 0.3</b>	<b>\$ 11.9</b>	<b>\$ 84.4</b>	<b>\$ 14.1</b>	<b>\$ 16.5</b>

\* Figures are estimated based on annualized 2015 financial information available through 9/30/15

- 2015 vs. 2014: 2015 included a \$5.2M deferred outflow from changes in actuarial assumptions and changes in experience. Thus, this two years comparison does not suggest a trend in Pension Expense reduction.

**Pension Expense is decreased by \$3.9M under GASB 68.**



**QUESTIONS?**