

Background

KPERS employer #1 (employer) has a fiscal year-end of June 30. The employer plans to implement GASB 68 during the year ended June 30, 2015, and issues financial statements on the full accrual basis of accounting. The employer has selected the measurement date of June 30, 2014, because the employers’ financial statements need to be issued within 90 days after year-end due to debt covenant compliance requirements. The audited Schedule of Pension Amounts by Employer as of and for the year ended June 30, 2015 will not be available by that date. The employer does not present comparative financial statements.

Based upon a review of KPERS’ comprehensive annual financial report for the fiscal year ended June 30, 2014, the employer determined that the actuarial valuation was not performed as of the measurement date (or KPERS’ year-end), rather it was performed at December 31, 2013 and was rolled forward six months to June 30, 2014. The employers’ information as reported in the audited Schedule of Pension Amounts by Employer as of June 30, 2014 is as follows:

2013 Net Pension Liability	(4)	2014 Net pension liability	(5)	Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense						
				Differences between expected and actual experience	Net difference between projected and actual earnings on pension plan investments	Changes of assumptions	Changes in proportion	Total deferred outflows of resources	Differences between expected and actual experience	Net difference between projected and actual earnings on pension plan investments	Changes of assumptions	Changes in proportion	Total deferred inflows	Proportionate share of plan pension expense	Net recognition of deferred amounts from changes in proportionate share	Total Pension Expense Allocated	Additional Unfunded Liability Payments	Total employer pension expense		
37,882,269		33,641,424		-	-	-	298,625	298,625	(6)	796,836	4,005,117	-	-	4,801,953	(7)	2,586,292	61,955		(8)	2,648,247

The employer amounts as reported in the audited Schedules of Employer and Nonemployer Allocations as of and for the years ending June 30, 2014 and 2013 are as follows:

2014		2013	
Actual Contributions	Allocated %	Actual contributions	Allocated %
\$2,373,909 ⁽⁹⁾	.526478	\$2,116,166	.521514

For the year ended June 30, 2015 and 2014, the employer recorded an accrual for employer contributions payable to the Plan totaling \$136,145(2) and \$124,100 (1), respectively. The employer also paid \$2,367,086(3) in cash employer contributions to the Plan during the year ending June 30, 2015.

Questions

- 1) Is it appropriate to use the June 30, 2014 measurement date if the actuarial valuation was performed as of December 31, 2013? Why? Please explain the GASB requirements in your answer.
- 2) Would your answer to #1 change if the actuarial valuation was dated December 31, 2012, rolled forward to June 30, 2014?
- 3) Prepare the government-wide journal entries to record pension amounts as of and for the year ended **June 30, 2015**
- 4) Assume the pension amounts were as of **June 30, 2015**. How would your entries have changed?
- 5) If the employer had proprietary and governmental funds, how would you allocate the pension amounts among those funds and what guidance does GASB 68 offer as to the allocation methodology among funds?

- 1) Yes, it is appropriate to use the June 30, 2014 measurement date when the actuarial valuation was performed as of December 31, 2013. GASB 68 requires the use of update procedures to roll forward amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's year end. The actuarial valuation date is December 31, 2013, and the employer's year end is June 30, 2015, which is 18 months, well within the required time period.
- 2) The answer would not change, it would still be appropriate because the actuarial valuation is within 30 months of the employer's year end of June 30, 2015. GASB allows biennial valuations, but recommends the valuations be done on an annual basis.
- 3) Entries are as follows:

	DR		CR
June 30, 2014 amounts previously recorded:			
Pension expense	124,100	(1)	
Contributions payable			124,100
(to record year-end accrual for contributions payable to plan)			
June 30, 2015 entries:			
Contributions payable	124,000		
Cash			124,100
(to pay prior year contribution accrual)			
Pension expense	\$ 2,503,231	(8)	
Cash		(3)	2,367,086
Contributions payable		(2)	136,145
(to record contributions made/due to the plan for 2015)			
	\$ 2,503,231		2,503,231
June 30, 2015 year-end entries:			
Beginning net position	\$ 35,508,360		
Deferred outflows - contributions made after the date (BOY)	2,373,909	(9)	
Net pension liability as of 6/30/13		(4)	37,882,269
(to record GASB 68 prior year implementation entries)			
	\$ 37,882,269		37,882,269
Net pension liability as of 6/30/14	\$ 4,240,845	(4 to 5)	
Deferred outflows - contributions after measurement date	129,322	(3-9+2)	
Deferred outflows - others	298,625	(6)	
Deferred inflows - others		(7)	4,801,953
Pension expense**	133,161	(8)	
(to record 2015 year-end entries)			
	\$ 4,801,953		4,801,953

**Note the variance in the entry. The contributions reported in the Schedule of Employer and Nonemployer Allocations will need to be reconciled to the employer's contribution expense. The amounts will not always equal exactly, thus most often there will be small variances that need to be recorded in pension expense.

- 4) The entry to reclassify the contribution expense to a deferred outflow would not be needed, as the fiscal year ended June 30, 2015 contributions would have been included in the schedule.
- 5) GASB Statement No. 68 does not establish specific requirements for the allocation of pension amounts to different funds or departments. Question 37 of Implementation Guide for GASB Statement 68 states that allocation to proprietary funds is necessary. Governments generally use the same allocation methodology for employers participating in cost-sharing plans (i.e. based on actual contributions for KPERS). Allocation results in recognition of additional deferred outflows of resources or deferred inflows of resource related to changes in proportion.