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GASB Proposes to Amend Governmental Employer Reporting Rules for Participation in an ERISA Multiemployer Plan

The Governmental Accounting Standards Board (GASB) previously issued Statement No. 68, "Accounting and Financial Reporting for Pensions", generally effective for fiscal years beginning on or after June 15, 2014, to change how governmental employers account for their participation in pension plans. As it has been in the process of being implemented, however, some governmental employers participating in nongovernmental, ERISA-covered multiemployer (e.g., collectively bargained) pension plans have found that those plans do not generally provide accounting information in a format consistent with that required under Statement No. 68. Those governmental employers requested relief, and GASB has responded by issuing an exposure draft of a proposed amendment to Statement No. 68.

The deadline for submitting written comments on the Exposure Draft is November 16, 2015. No public hearing is scheduled. If adopted by GASB, the proposed amendments provide that they would be effective for reporting periods beginning after December 15, 2015, but earlier application would be permitted. Of course, the proposed amendments could be modified before being issued as a final Statement.

As proposed, the amended Statement would change the accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement No. 68 (generally, pension plans holding assets in trust) and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan).

The Basis for Conclusions in the proposed amendment indicates that with respect to whether there state or local governmental employers are predominant, the relevant consideration would include whether it would be reasonable to expect coordination to obtain the information that would otherwise be needed for ordinary Statement No. 68 reporting due to the level of involvement of state or local governmental employers.

For plans meeting the criteria of the proposed amendment, pension expenditures should be recognized equal to the employer's required contributions to the pension plan that are associated with the pay periods within the reporting period. A payable should be recognized to the extent it is normally expected to be liquidated with expendable available financial resources (that is, for the unpaid required contributions that are associated with the pay periods within the reporting period). This is in contrast to the usual rule for governmental cost-sharing plans where each participating employer generally reflects a share of the net liabilities of the plan.

In addition, the amended Statement would have different provisions for the Notes to the Financial Statement, Supplementary Information and Notes to the Required Schedule for such multiemployer plans:

- Notes to Financial Statements would include certain plan information, reference to publicly available financial reports, a description of plan terms, and contribution requirements (including whether the employer is subject to any provisions regarding withdrawal from the pension plan).

- Required Supplementary Information would include a schedule of the employer's required contributions for each of the 10 most recent fiscal years.

- Notes to the Required Schedule would include information about factors that significantly affect trends in the amounts reported (for example, changes in the size of the population covered by the benefit terms or changes in required contribution rates).

If you have any questions about these GASB changes, please contact your Groom lawyer.