



UNDERSTANDING GASB 68

New Pension Reporting Rules

What is GASB 68?

GASB 68 is a new rule adopted by the Governmental Accounting Standards Board that changes the way government entities that offer defined benefit plans report pension liabilities. This change goes into effect for all annual reporting after **June 15, 2014**.

What's different under the new rule?

Currently, government entities include only the yearly contributions as an expense on their financial statements, and the long-term cost of benefits, called Unfunded Accrued Liability, is included in the notes section of the Comprehensive Annual Financial Report (CAFR). Under GASB 68, government entities will be required to include a new calculation of the long-term cost of benefits, called Net Pension Liability, as a liability on their balance sheet.

The new requirement **does not** change the way MERS calculates how much municipalities need to contribute to cover benefits in any given year.

Why do some municipalities suddenly seem to be in financial trouble?

While the new requirement will provide an accurate picture of all future costs, it may overstate a government entity's current financial challenges, causing confusion and overreaction.

Though a government entity's pension numbers may seem different under the new requirement, the financial situation of the retirement plan has not actually changed.

How is MERS helping its members with the new rule?

The team at MERS is working closely with our members to provide all of the information required to comply with new reporting rules. We will calculate many of the financial numbers our members need and make them available for annual reporting.

MERS is proud of our successful track record of helping our members improve the financial health of their retirement plans. This includes managing reporting changes like GASB 68 and turning around and rehabilitating plans that are struggling financially when they enter MERS.

For more information, visit GASB 68 on the MERS website at www.mersofmich.com.