

GASB 68

Frequently Asked Questions

Q: Can you please explain why our proportionate share has increased significantly in one year compared to previous years?

A: Unfunded Actuarial Liability (UAL) amounts ballooned 54% for OPSRP and 38% for Tier 1/Tier 2; consequently, so did each employer's proportionate share. A major cause for the increase in the Net Pension Liability (NPL, the GASB 68 term for UAL) was the Oregon Supreme Court's *Moro* decision. The effects of the *Moro* decision, which reversed a significant portion of the reduction the 2013 Oregon Legislature made to future system Cost of Living Adjustments (COLA) through Senate Bills 822 and 861, were reflected in the December 31, 2014 actuarial valuation. This reversal increased benefits projected to be paid compared to those developed in the December 31, 2013 actuarial valuation, and consequently increased plan liabilities.

Another cause for the increase in NPL was the reduction of the discount rate (investment return assumption) from 7.75% for the June 30, 2015 Measurement Date, to 7.50% for the June 30, 2016 Measurement Date

Q: How is each employer's proportionate share calculated?

A: Each employer's proportionate share is calculated based on the employer's Total Present Value of Contribution Effort compared to all employers. An employer's Total Present Value of Contribution Effort is the sum of the employer's Present Value of Future Normal Costs (PVFNC) + OPSRP UAL allocated to the employer + the employer's net Tier 1/Tier 2 UAL (Tier 1/Tier 2 UAL less the employer's side account, if any). This information is included in the memo from our consulting actuaries and available on our internet site; the memo is titled, [Introduction to GASB 68 for Oregon PERS Employers](#).

Q: When are individual employer GASB 68 schedules available?

A: We expect that final, audited schedules will be available in early March each year. The schedules and supporting exhibits will be posted to the PERS website, with an e-mail notification sent to employers.

Q: I have a side account, but it isn't showing on my GASB 68 schedule as an asset. Why?

A: Side accounts are assets of the PERS Trust, not of the individual employer. As such, they are included at the system-wide level in the calculation of the Net Pension Liability (NPL). However, the method the PERS actuary uses to calculate employers' proportionate share of the NPL does give employers credit for their side accounts, by deducting the value of the side account from the employer's projected future contribution effort. That reduction in projected future contribution effort means a lower proportionate share of the system NPL. The end result is that the side account is reflected not as an increase in assets, but as a decrease in liabilities.

Q: Why are side accounts treated that way? Shouldn't the employer making the lump-sum payment get credit for it?

A: The employer does get credit for it; it's just in the form of a reduced liability rather than an increase in assets.

Oregon PERS is a multiple-employer cost-sharing plan under GASB 68, meaning that all system assets, including side accounts, are available to pay benefits to all members. Side accounts only provide rate relief to the employer that funded the account, but the funds themselves don't belong to that employer and are not earmarked exclusively to pay benefits to that employer's retirees. PERS' actuary, auditor, and staff believe that the current methodology correctly treats side accounts as system assets, while ensuring that the individual employers funding the side accounts receive a correlating reduction in their share of the NPL.

Q: Do I have to use the GASB 68 information PERS provides if I don't agree with it?

A: No. GASB does not require that plans provide information to assist employers in complying with GASB 68, nor does it require employers to use plan-provided information when it's offered. Employers that disagree with the methods used by PERS, its actuary, or its external auditor to develop employer GASB 68 schedules are free to develop their own figures using whatever method is acceptable to their own auditors.

Q: What are side accounts, transition liabilities/surpluses, and pre-SLGRP liabilities/surpluses? I see these terms in the GASB 68 material PERS has provided but I don't know if they apply to me.

A: **Side accounts** are established when an employer elects to make a lump-sum payment to reduce its contribution rates. Side accounts are assets of the PERS Trust, but they only provide rate relief to the individual employer that funded the account.

Transition liabilities/surpluses are established when a local government employer elects to join the State and Local Government Rate Pool (SLGRP). The individual employer's funded status is compared to the funded status of the pool at the time of the employer's entry. If the employer is better-funded than the pool, the employer will have a transition surplus. If the employer is less well-funded than the pool, the employer will have a transition liability. The transition liability or surplus acts as an addition to or reduction from the employer's pooled contribution rate. A transition liability protects the other participants in the pool by ensuring the pool doesn't take on a newly pooled employer's excess liability. A transition surplus protects the individual employer by ensuring that it doesn't lose assets to the pool.

Pre-SLGRP liabilities/surpluses are similar to transition liabilities/surpluses in that they are the result of a change in pooled status. Prior to formation of the SLGRP, all state agencies and community colleges were pooled by statute, and local governments had the option of pooling with other local governments. The SLGRP replaced the state/community college pool, which had an unfunded liability at the time, and the local government pool, which had an actuarial surplus at the time. The state/community college pool's UAL remained with those entities as a pre-SLGRP liability. The local government pool's surplus remained with participating local governments as a pre-SLGRP surplus.

Q: Can I get my side account balance, contributions, or other information from PERS on a fiscal-year basis?

A: No. PERS posts earnings and reconciles side accounts, member accounts, and other reserves on a calendar-year basis. Actuarial valuations are also performed on a calendar-year basis. GASB 68 information is based on calendar-year data, rolled forward to fiscal year-end.

Further questions? E-mail us at PERS.GASB.Questions@pers.state.or.us