# Instructions for Posting the Net Pension Liability

**FISCAL YEAR 2019**
**GaDOE FINANCIAL REVIEW SECTION**

Georgia Department of Education

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# 2019 INSTRUCTIONS FOR POSTING THE NET PENSION LIABILITY

Step A - Accumulating the Resources

Begin by obtaining/downloading the following:

- TRS Sample Note Disclosure
- ERS Sample Note Disclosure PSERS Sample Note Disclosure
- TRS, ERS and PSERS entity-specific employer packets
- Determine the amount of contributions to the plan:
    - FY 2018 (July 1, 2017 – June 30, 2018)
    - FY 2019 (July 1, 2018 – June 30, 2019)
      (Should be based on billing period/information. The contributions accumulated should be for the billing periods July through June)
- On-Behalf Payment Allocation from GaDOE (will include PSERS and TRS)
- Department of Audits and Accounts notes template
- GaDOE financial statement mappings – download not only the actual statements, but the links to obtain the Expenditure allocation breakdown on Exhibit B. It will be imperative that the allocations are mapped correctly.
- School District's 2018 released Audit Report, or if the 2018 Audit Report has not been released, the final revision of the Department of Audits financial statement template or the School District's final revision of the 2018 journal entries to record the pension activity for TRS, ERS and PSERS,
- Allocation percentages by function of the TRS and ERS payments provided by GaDOE, or prepare another mechanism for determining the allocations to the functional expenditure categories that will be necessary for the adjustments to the pension expense.
- Allocation percentages by function of the TRS and PSERS state support functional allocation provided by GaDOE, or prepare another mechanism for determining the allocations to the functional expenditure categories that will be necessary for the adjustments to the pension expense for the state support entries.
- FY 2019 GASB Allocation worksheets provided by GaDOE, or prepare another mechanism for documenting the actual amounts and percentages allocated to the functional expenditure categories for the journal entries recording or adjusting pension expense.

Step B – Recording the Journal Entries

Using the journal entries provided by TRS, ERS, PSERS and the school district's ending pension activity balances from their finalized 2018 financial statements, enter the activity on the Department of Audits financial statement template or use spreadsheet provided by GaDOE. The difference is the packets provided by TRS, ERS and PSERS do not include the account numbers that the school districts will use to post the activity,

either on the general ledger or the excel templates provided by DOAA. The sample Fund 902 (Pension Activity – Districtwide) journal entries located on Financial Review's webpage do contain the account numbers to be used when posting the pension activity.

The amounts provided in the journal entries for the current year activity of the pension plan are based on the Schedule of Employer Portion. All amounts are traceable to that document included in the actuarial report for each pension plan. Please see the actuarial reports published on the TRS and ERS websites.

All entries will be posted in the Fund 902 account. The adjustments to pension expense should not be run through payroll, and will not affect the contribution amounts paid for employees. It is recommended for fiscal year 2019, that the school districts ***do not post the activity directly*** on the general ledger/DE 46, but post on the template used for financial statement preparation. However, if your school district is comfortable with posting the activity directly to the general ledger, the DE46 Error Checking should accept all the information as posted. Adjustments will be required to reclassify amounts on the financial statements (Exhibit B) located on the My GaDOE secure webportal.

**NOTE: The TRS and ERS packets will no longer include the first two entries to restate beginning net position. Even though these entries are not included in the packets from the retirement systems, the entries will be required to tie in beginning net position by the entity. Because those two entries should be completed first, the Entry #3 listed below will be the 1st Entry provided by the retirement plan. The entries will be numbered in the same manner as the initial year.**

See the updates to the LUA State Chart of Accounts for correct account numbers to utilize in the following entries.

- **Entry #1 (no longer included in the pension packets)** – To record beginning deferred outflow of resources for FY 18 contributions based on GASB 71. The contributions reclassified were those contributions during the measurement period July 1, 2017 – June 30, 2018. This is because the true expense during the measurement period of the pension liability is the proportionate share of the pension plan's expense. The contributions are not considered the true expense. This amount was calculated by the school district in fiscal year 2017 and was recorded on district-wide financial statements. The entry should be posted for the amount of contributions that was reclassified to Deferred Outflows of Resources as of June 30, 2018. This amount was also reported in the Notes to the Financial Statements under each applicable retirement system for the school district. If your school district recorded the pension activity to the general ledger in fiscal year 2018, entry #1 will not apply. The beginning balances should roll forward on your general ledger and you will need to move the pension related balances to Fund 902.

  ***Debit*** Deferred Outflows of Resources – 0315
  ***Credit*** Beginning Net Position

**Entry #2 (no longer included in the pension packets)** – To record beginning proportionate share of net pension liability. The amount that will be recorded is the liability as of June 30, 2018. This amount will be the ending liability balance per the 2018 audit report and should also tie to the ending amount provided by TRS/ERS for fiscal year 2018.

***Debit*** Beginning Net Position
***Debit*** Deferred Outflow of Resources – Pension Plan – 0317
***Credit*** Deferred Inflow of Resources – Pension Plan – 0517
***Credit*** Collective Proportionate Share of the Net Pension Liability – 0592

NOTE: The entry to tie beginning net position will be posted on the DOAA template to Beginning Net Position.

- **Entry #3 (first entry provided in TRS and ERS pension packets)** – To record current year activity. All of the accounts and amounts for will be obtained from the actuarial information provided by TRS/ERS. The entry provided will not include LUA state chart of account numbers. The school districts should use the Fund 902 sample journal entries provided to match up the account numbers.
    - The entry will include debits and credits to Deferred Outflows and Deferred Inflows, depending on the fluctuations in the actuarially determined pension liability. If the net investment decreases, the liability increases and deferred outflows increase. If the net investment increases, the liability decreases and the deferred inflows increase. Other possible changes to the liability include differences between expected and actual experience and changes in the assumptions related to the pension plan.
    - The pension plan (TRS and ERS) will provide an amount of the current year contributions for the measurement period. The measurement period was July 1, 2017 through June 30, 2018. Remember: The amount credited to the Deferred Outflow of Resources – District Contributions (0315) should agree to the amount posted in Entry #1. If the amount provided in the TRS/ERS packet does not agree to the amount of contributions reclassified to Deferred Outflow in the prior year, the district should analyze the variance to determine if significant. If insignificant, the variance can be allocated to the Current Year Pension Expense amount. If the variance is significant, please contact the Financial Review office or the district auditor. **NOTE: If the variance is not corrected, the Deferred Outflows – District Contributions will not reconcile with the amount posted for the district contributions to the pension plan during the reporting period (FY 2019). It is recommended that the Deferred Outflow of Resources is updated and any insignificant variance is offset to Pension Expense – Instruction.**
    - One consideration when posting the current year activity of the pension plan is how to post the pension expense. For school districts, pension

expense is recorded using an object code, but presented on the district-wide financial statements at the functional level. The district can determine a reasonable allocation, or the district can use the percentages provided by GaDOE. To determine the percentages of pension expense allocated by function, GaDOE used the FY 2018 DE46 financial data submitted by each school district to determine the percentage of benefit expense posted to each functional category.

***Debit/Credit*** Deferred Outflow of Resources – Pension Plan - 0317
***Debit/Credit*** Deferred Inflow of Resources – Pension Plan - 0517
***Debit*** Pension Expense **(based on functional allocation)**

The direction of the entry depends on the actuarial changes to the net pension liability

***Debit/Credit*** Proportionate Share of Collective Net Pension Liability - 0592
***Credit*** Deferred Outflow of Resources – District Contributions (removal of prior year Deferred Outflows) – 0315 (Should agree with Entry #1)

- **Entry #4 (second entry provided by TRS if your district utilized state support)** – Special Funding Situation - To record pension revenue and expense for state support. This entry is necessary to record the special funding situation with TRS. The TRS plan will provide an entry that indicates an amount to debit expenses and credit revenues to record the on-behalf pension expense and revenue related to the pension plan. **Please note:** The entry provided by TRS is not the entry that the district needs to post. The district will post the **difference** between the amount recorded at the fund level for TRS and the amount that the pension plan requires the district to report. The difference can be posted two ways. The first method is to only post the difference of the 2019 On Behalf Payment entry posted by the district to its General Fund for TRS and the amount shown on the TRS retirement package. The alternative method is to post two entries. The first entry will reverse the 2019 Fund Level On Behalf Payments entry for TRS in Fund 902 and second entry will record the amount shown on the TRS retirement package for fiscal year 2018. (Please see the FY 19 GASB 68 Allocation Worksheets for journal entry examples.)

    - **Example 1**: A school district records in the General Fund a revenue and expenditure totaling $14,000. This represents the amount of contributions that GaDOE paid to TRS on-behalf of the school district in FY 2019 and should be recorded at the fund level (Fund 100 – General Fund). The pension plan's measurement period is through June 30, 2018. During that fiscal year, TRS reports the actuarially determined expense that should be recognized in relation to the liability of the portion that GaDOE is obligated. That expense is reported at $8,000. The TRS pension packet provided to the school district includes an entry that debits expenditures

and credits revenue for $8,000. The entry required by the school district to correctly report the pension expense on the district-wide financial statements is as follows:

| | | |
|---|---|---|
| Debit – On-Behalf Revenue | $6,000 | |
| Credit – On-Behalf Expenses | | $6,000 |

- The entry is actually a debit to revenue and a credit to expenses to reduce the amount recorded at the fund level. The entry will depend on the entry posted at the fund level.

- **Example 2:** Same information as example 1.

| | | |
|---|---|---|
| Debit– On-Behalf Revenue | $14,000 | |
| Credit – On-Behalf Expenses | | $14,000 |

*This entry reverses the on-behalf entry made on the fund level.*

| | | |
|---|---|---|
| Debit – On-Behalf Expenses | $8,000 | |
| Credit – On-Behalf Revenue | | $8,000 |

*This entry posts the 2018 on behalf payment to the pension plan, per the pension plan packet provided by TRS.*

- The net effect of these two entries is the same as Example 1, but may be easier for districts to follow.

- **Entry #5 (second or third entry provided in pension packet, depending on if your district had state support)** – To record pension expense for paragraph 54 and 55 deferred balances arising in prior measurement periods. All of the accounts and amounts for will be obtained from the actuarial information provided by TRS/ERS.
  - The entry will include a debit and/or credit to Deferred Outflows and Deferred Inflows, depending on the changes in proportion and contributions in prior measurement periods (paragraphs 54 and 55 of GASB Statement 68) for the beginning deferred outflows and/or beginning deferred inflows. If the contributions for prior measurement periods increases for beginning deferred outflows, the pension expense increases and deferred outflows decreases. If the contributions for prior measurement periods decreases for beginning deferred outflows, the pension expense deceases and the deferred outflows increases.

***Debit/Credit*** Deferred Inflow of Resources – paragraph 54 and 55 - 0517
***Debit/Credit*** Deferred Outflow of Resources – paragraph 54 and 55 - 0317
***Debit/Credit*** Pension Expense (based on functional allocation)

- **Entry #6 (last entry provided in pension packets)** – To record deferred outflows of resources for contributions subsequent to measurement date. The rationale for this entry is that an expense incurred by the employer after the **measurement date** (which for our purposes is June 30, 2018) should be considered a prepayment of future obligations, therefore those expenses should be reclassified to Deferred Outflows of Resources. The school districts will reclassify the contributions billed by the pension plan during the next measurement period of July 1, 2018 through June 30, 2019.
    - The district will need to determine the contributions billed by the pension plan during the measurement period of July 1, 2018 through June 30, 2019. The amount to be reclassified is the actual payments to the plan for those months. Do not consider the accruals.

***Debit*** Deferred Outflow of Resources - 0315
***Credit*** The functional expense categories of the pension expense aid during July 1, 2018 through June 30, 2019

- **Entry #7 (optional)** – this entry may be necessary to correct for variances between the Deferred Outflows – District Contributions entry posted by the school district in the previous year and the amount reported by TRS and/or ERS. Please consider significance of variance and reasonableness of entry when determining whether or not an additional entry is necessary. When correcting the Deferred Outflows or Deferred Inflows balances, the offset is current year Pension Expense, allocated by functional category.

Step C – Preparing the Required Supplementary Information

There are 3 components to the Required Supplementary Information:

- The Schedule of the District's Proportionate Share of the Net Pension Liability
    - This schedule will include the pension information from the measurement period of June 30, 2018 as the balance at June 30, 2019. While the column heading is 2019, it is actually 2018 data. A footnote will be included on the Schedule that indicates the measurement period.
    - The school district will be required to provide the district's covered employee payroll. All other components will either be provided or calculated.
- The Schedule of District Contributions

    - This schedule will include the contribution information as of June 30, 2019.
    - The school district will be required to provide both the district's contributions for the year and the covered payroll.
- Notes to the Required Supplementary Information
    - This information includes the actuarial details of the Changes in Assumptions and the Method and Assumptions used in the calculations of the actuarially determined contributions. This information is entirely provided by TRS/ERS.

Step D – Preparing the Notes to the Financial Statements

The notes template will be provided by the Georgia Department of Audits and Accounts. TRS has provided a sample of how the notes disclosure for the pension activity should be presented.

The following are sections of the note disclosure that will be updated due to the implementation of GASB 68:

- Summary of Significant Accounting Policies
    - Basis of Accounting
    - Description of Deferred Outflows and Inflows of Resources
- Retirement Plans
    - This note disclosure will agree to the sample provided by TRS and will be prepared using the entity specific data provided by the retirement plan.
- On-Behalf Payments
    - This note disclosure will be updated to include a footnote indicating the amount reported is at the fund level, and the on-behalf expense reported at the district-wide level is discussed in the retirement plan note.

Update to LUA State Chart of Accounts for the Pension Liability Activity

- Fund 902 – Pension Activity - Districtwide
  - Fund to be used to account for the pension activity for GASB 68 reporting requirements.
- 0315 – Deferred Outflow of Resources – District Contributions
  - An account that represents the entity's contributions to the cost sharing benefit pension/opeb plan subsequent to the measurement date and before the end of the employer's reporting period.
- 0317 – Deferred Outflow of Resources – Pension/OPEB Plan
  - An account that represents the actuarial changes in the district's proportionate share of the governmental nonemployer cost sharing benefit pension/opeb plan.
- 0517 – Deferred Inflow of Resources – Pension/OPEB Plan
  - An account that represents the actuarial changes in the district's proportionate share of the governmental nonemployer cost sharing benefit pension/opeb plan.
- 0592 – Proportionate Share of Net Pension/OPEB Liabilities
  - An account that represents the district's proportionate share of the unfunded net pension/opeb liability of the governmental nonemployer cost sharing benefit pension plan.
- 0717 – Net Position – Unrestricted Net Pension/OPEB Obligation
  - An account that represents the district's balance of Net Position related to the district's proportionate share of the unfunded pension/opeb liability of the governmental nonemployer cost sharing benefit pension plan.
- 27900 – Pension/OPEB Expense
  - Account to be used to record pension expense activity for TRS, ERS, PSERS and any local retirement systems for GASB 68 reporting requirements for the school districts or to record OPEB expense activity for SHBP and any local other post- employment benefits for GASB 75 reporting requirements.. District-wide activity only. (Fund 9xx only)