



# North Carolina Office of the State Controller

## Financial Reporting Update

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### **GASB 73 Effective for FY 2016 (paragraphs 115-122 only) and FY 2017**

**February 9, 2016**

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes accounting and financial reporting standards for defined benefit pensions and defined contribution pensions that are provided to employees of state and local governments that are not within the scope of GASB Statement 68 (i.e., circumstances in which pensions are provided through pension plans that are not administered through trusts). This Statement also made minor technical changes to GASB Statements 67 and 68 (see GASB 73, paragraphs 117 through 122).

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary, to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts (i.e., do not meet the criteria specified in GASB 68) should not be considered pension plan assets. Specifically, an employer in a pension plan not administered by a trust would report a total pension liability rather than a net pension liability. The discount rate should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). A long-term rate cannot be used since there are no assets restricted to the degree necessary to be considered pension plan assets.

The requirements of GASB 73 are effective as follows:

- Fiscal years beginning after June 15, 2015 (i.e., fiscal year ending June 30, 2016)
  - Requirements that address financial reporting for assets accumulated for purposes of providing pensions that are not administered through trusts.
  - Requirements for pension plans and pensions that are within the scope of GASB Statements 67 or 68 (i.e., amendments to GASB 67 and 68).
- Fiscal years beginning after June 15, 2016 (i.e., fiscal year ending June 30, 2017)
  - Requirements that address accounting and financial reporting by employers (and governmental nonemployer contributing entities) for pensions that are not within the scope of Statement 68 (i.e., the Special Separation Allowance, see below).

North Carolina General Statute ([G.S. 143-166.41](#)) provides a special separation allowance (SSA) for law enforcement officers (LEOs) employed by a State department, agency, or institution who retire prior to age 62. This allowance is a single-employer defined benefit pension plan that is administered by each individual State agency, university, and community college with participating LEOs. The SSA has no assets accumulated in a trust that meet the criteria specified by GASB Statement 68. Therefore, GASB 73 applies to the SSA. Funds for this allowance are appropriated annually in the budget of the affected agency (i.e., pay-as-you-go basis).



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The Office of the State Controller (OSC) will be responsible for year-end reporting of the SSA for the State primary government (i.e., State agencies). To implement GASB 73 for the SSA, OSC will obtain a single actuarial valuation for the State primary government (excluding universities and community colleges) as of December 31, 2015. Update procedures will be used to roll forward the total pension liability to June 30, 2016. OSC will begin reporting the SSA for the State primary government in fiscal year 2017. Universities and community colleges with participating LEOs will need to evaluate whether the SSA should be reported in their separately issued financial statements. If so, the university or community college will need to obtain actuarial valuations for the SSA.

To gain additional understanding of GASB 73, please refer to the following resources:

- The GASB webpage from which you may access a PDF file of GASB 73 as well as other GASB pronouncements – [GASB Pronouncements](#)
- GASB News Release – [Summary of Statement No. 73](#)

Thank you for your time and attention to this important change. Questions regarding this specific update should be directed to Virginia Sisson at 919-707-0530 or [Virginia.sisson@osc.nc.gov](mailto:Virginia.sisson@osc.nc.gov).