



GASB 68 Information

For 2025 Financial Statement Purposes

Introduction

The Governmental Accounting Standards Board (GASB) has adopted Statements 67, 68, 71, 73 and 82 as they relate to accounting and financial reporting for pensions. GASB Statements 71, 73 and 82 amend certain provisions of GASB 68. Within the context of this document, readers should consider the terminology “GASB Statement 68” to also include Statements 71, 73 and 82.

GASB Statement 67 applies to public pension plans such as the Closed State and Higher Education Pension Plan, Open State and Higher Education Pension Plan, Teacher Retirement Plan, and the Teacher Legacy Pension Plan. The June 30, 2024 TCRS financial statements were presented in accordance with the provisions of GASB 67. The TCRS financial statement for June 30, 2024 can be found at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>

GASB Statement 68 applies to governmental employers and is applicable for fiscal years beginning after June 15, 2014. The concept behind GASB 68 is the separation of “*accounting for pensions*” from “*funding of pensions*”. Prior to implementation of GASB 68, “*accounting for pensions*” and “*funding of pensions*” were closely linked. GASB 68 establishes the accounting and financial reporting standards for pension benefits, while pension fund administrators are responsible for the funding methodology used to finance pension benefit accruals. Accordingly, the TCRS Board of Trustees has adopted a pension funding policy. This policy can be found at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>

Components of GASB 68

There are five main components included in GASB 68 related to accounting entries and disclosures.

First, an employer is to record a *net pension liability (asset)* on the Statement of Net Position when there is a difference between the *total pension liability* and *fiduciary net position*. GASB 68 describes how *total pension liability* is to be calculated. *Total pension liability* is the accrued pension liability for benefits payable to employees (including terminated vested employees) and retirees at the measurement date (i.e. June 30, 2024 for the enclosed materials). *Fiduciary net position* is the value of net assets held by the pension plan at the measurement date (i.e. June 30, 2024 for the enclosed materials). If *total pension liability* is more than net assets, a *net*

pension liability is recorded and presented in the Statement of Net Position. Net pension liability is shown much like long-term debt in the financial statements. Conversely, if *total pension liability* is less than net assets, a *net pension asset* is recorded and presented in the Statement of Net Position.

Second, GASB 68 describes how *pension expense (negative pension expense)* is to be calculated. Under GASB 68, there is no relationship between *pension expense (negative pension expense)* and employer pension contributions. It is important to recognize that employer pension contributions can be more or less than *pension expense (negative pension expense)* in any particular year.

Third, GASB 68 describes how *deferred outflows of resources*, related to pensions, are to be calculated. *Deferred outflows of resources* include actuarial losses related to the differences between expected and actual experience for the pension plan's adopted economic and demographic assumptions, as well as employer contributions. Changes in actuarial assumptions that result in an actuarial loss are included in *deferred outflows of resources*.

Fourth, GASB 68 describes how *deferred inflows of resources*, related to pensions, are to be calculated. *Deferred inflows of resources* include actuarial gains related to the differences between expected and actual experience for the pension plan's adopted economic and demographic assumptions. Changes in actuarial assumptions that result in an actuarial gain are included in *deferred inflows of resources*.

Fifth, GASB 68 describes pension information to be included in the Notes to the Financial Statements and Required Supplementary Information (RSI).

Types of Pension Plans Pursuant to GASB's Definition

Based on GASB definitions, there are two types of pension plans within TCRS: *agent* and *cost-sharing*. All employers participating in TCRS, with the exception of Local Education Agencies (LEAs), do so as *agent plans*. LEAs participate in a *cost-sharing pension plan* for the benefit of employees classified as teachers. However, non-professional employees of LEAs, if members of TCRS, are covered through *agent plans* that are sponsored by their local government.

Information Provided

The following information is provided via the TCRS website located at <https://publicreports.treasury.tn.gov/>:

- Suggested Notes to the Financial Statements and RSI for pension data.
 - Suggested notes for agent plans are provided for participating governmental entities, whether the plan is open or closed to new employees.
 - Closed Plan (State Legacy Plan)
 - New Plan (State Retirement Plan)
 - Political Subdivisions
 - Two sets of suggested notes for cost-sharing plans are provided for LEAs.
 - Closed Plan (Teacher Legacy Plan)
 - New Plan (Teacher Retirement Plan)
- Suggested Accounting Entries required pursuant to GASB 68.
- Explanation Guide for Suggested Accounting Entries for agent plans.
- Explanation Guide for Suggested Accounting Entries for cost-sharing plans or agent plans applying cost-sharing methodologies.
- Change of proportionate share amortization schedules.
- Specific to LEAs for the Teacher Legacy Pension Plan, a Schedule of Pension Amounts showing each LEAs proportionate share of *net pension liability (asset)*, *pension expense (negative pension expense)*, *deferred outflows of resources*, and *deferred inflows of resources*.
 - This Schedule of Pension Amounts will show the LEA's employer contributions, total employer contributions from all LEAs, and the percentage allocation among LEAs.
- Actuarial certification statement and report by the actuarial practice of USI Consulting Group.
- List of governmental employers that do not provide COLAs to retirees.
- List of governmental employers that have closed membership to new employees.
- List of governmental employers that have non-contributory employees.
- Stabilization Reserve Trust Account Balances.

While this information is provided for your convenience, as the employer ***you are responsible for your financial statements***, including application of the GASB 68 provisions. We recommend that you utilize the services of your internal and external auditors to understand the requirements of GASB 68 and determine the appropriate disclosures and accounting entries.

Access to Census Data by Participating Agent Plans

Census data used in the actuarial calculations of the GASB 68 pension data was previously made available to you through Employer Self Service. If for some reason you need this census data again, please contact TCRS at TCRS.Information@tn.gov or contact RetireReadyTN at 1-800-922-7772 from 8:00 AM to 7:00 PM CST, say “TCRS”, then “Employer”.

Additional Information Specific to Cost-Sharing Plans (LEAs)

Two sets of Suggested Notes to the Financial Statements and RSI are being provided to LEAs. One set will relate to the Closed Teacher Legacy Pension Plan, and the other set will relate to the Teacher Retirement Plan which became effective for teachers hired on or after July 1, 2014.

Additional Information Specific to Agent Plans

If a governmental employer does not provide cost-of-living adjustments (COLA) to retirees, the COLA language, within the “benefits provided” paragraph and the “actuarial assumptions table”, should be omitted.

If a governmental entity has closed membership to new employees, the *Notes to the Financial Statements* should denote this and the effective date of closure.

If a governmental entity has non-contributory employees, the “contributions” paragraph should be adjusted to reflect this.

Lists of governmental employers that do not provide COLAs to retirees, have closed membership to new hires or have non-contributory employees are provided as separate schedules to this report. The schedules are located on the General tab portion of the GASB 68 website.

Measurement Date and Actuarial Valuation Date

GASB gives governmental employers some flexibility as to the measurement date of *net pension liability (asset)* and *pension expense (negative pension expense)*. Accordingly, the measurement date for the enclosed data is June 30, 2024 for inclusion in your June 30, 2025 financial statements. The pension data is the result of the June 30, 2024 actuarial valuation. Therefore, auditors will audit pension data for the period July 1, 2023 to June 30, 2024.

The measurement date for your June 30, 2026 financial statements will be June 30, 2025. The pension data will be the result of a June 30, 2025 actuarial valuation.

Schedule of Changes in *Net Pension Liability (Asset)*

Since there were not any changes of assumptions or changes in the benefit terms during the period of July 1, 2023 to June 30, 2024, there is nothing to report for these items in the schedule of changes in Net Pension Liability (Asset) within the enclosed material this year.

Covered Payroll

Information regarding covered payroll in the *Schedules of Required Supplementary Information* is based on the earnable compensation reported to TCRS.

Fair Value of Assets

The *Fiduciary Net Position* at June 30, 2024 is based on fair value, in accordance with generally accepted accounting principles.

Schedule of Employer Contributions

The provided *Schedule of Employer Contributions* reflects your agency's contributions in relation to the actuarially determined contribution as of June 30, 2024. You will need to add the employer contributions as of June 30, 2025 which includes both contributions in relation to the actuarially determined contribution and contributions to separately finance specific liabilities for employees who have returned to work under a TCRS Return to Work program. By contributing the required Actuarially Determined Contribution, you can show the contribution deficiency (excess) as zero on the *Schedule of Employer Contributions*, with the exception of the Closed Agent Plan (State Legacy Plan), as of June 30, 2025.

Additional Contribution Information Specific to Closed Agent Plans (State Legacy Plans)

The State of Tennessee may make additional contributions to the State Legacy Pension Plan on occasion. The additional contributions are allocated to employers based on the employer's proportionate share of contributions to the State Legacy Pension Plan relative to the contributions of all participating state and higher education agencies. If the State of Tennessee makes additional contributions to the State Legacy Pension Plan, you will need to add the additional contributions to the employer contributions as of June 30, 2025. The additional contributions will be shown as contribution excess in the *Schedule of Employer Contributions*.

Actuarial Services Provided to TCRS

USI Consulting Group is the actuarial practice engaged by TCRS to perform the following actuarial services:

- Preparation of annual actuarial data required by GASB 68

- Perform annual actuarial valuations to calculate the *actuarially determined contribution (ADC)*.
- Perform an actuarial experience study every four years to establish economic and demographic assumptions to be utilized in the annual actuarial valuation. Additional information regarding the assumption changes adopted by the TCRS Board of Trustees and utilized in the June 30, 2024 actuarial valuation will be required in the *Notes to the Financial Statements* and the *RSI*.

Stabilization Reserve Trust Reporting and Disclosure Changes

Prior to July 1, 2018, employers that participated in the Hybrid Retirement Plan with Cost Controls (Hybrid) paid a statutory contribution rate of 4% of salary for each employee in TCRS. The contributions greater than the Actuarially Determined Contribution (ADC) rate were placed in a “stabilization reserve” account within the pension trust and the excess contributions are considered pension assets that directly offset the net pension liability.

Effective July 1, 2018, contributions greater than the ADC are placed in a Stabilization Reserve Trust SRT account separate from the TCRS Pension Trust.

In accordance with the Governmental Accounting Standards Board (GASB) Implementation Guide No. 2017-1, Implementation Guidance Update-2017, Questions 4.4-4.11, these amounts in the separate SRT cannot be included in pension plan assets and used to offset the net pension liability of the government. Instead, they should be reported as restricted assets of the employer. Please follow applicable GASB guidance for reporting these amounts.

Amounts deposited to the “stabilization reserve” prior to July 1, 2018 will still be reflected as plan assets. A schedule reflecting the balances held for each entity in the SRT will be provided on the TCRS GASB 68 site under the General tab by reporting fiscal year. The GASB 68 site is accessible at <https://publicreports.treasury.tn.gov/>.

Contact Information

If you or your auditors have any questions about the information we have provided or the information in the actuarial report, please feel free to contact:

- Whitney Perkins, Senior Accounting Business Analyst at Treasury.FinancialStrategies@tn.gov

To ensure your questions are handled promptly and efficiently, all communication regarding the GASB 68 pension information should be directed to the staff listed above.