Explanation Guide for Suggested Accounting Entries for Agent Pension Plans under GASB Statement Number 68

Suggested Accounting Entries

Each year journal entries are recorded to reflect the results of the most recent annual actuarial valuation. These journal entries affect the net pension liability (asset) and pertain to five main components: employer contributions, pension expense, differences in actuarial experience, differences in assumed and actual investments earnings, and changes in actuarial assumptions. The suggested accounting entries are derived from the annual actuarial valuation. Below are explanations of where to find the information on the actuarial valuation and how to calculate each journal entry.

To record Pension Expense (Income) and Changes in Net Pension Liability (Asset)

Pension Expense (Income)

Under the Pension Expense (Income) and Deferred Outflows/Inflows of Resources section of the actuarial valuation there will be a schedule to calculate the pension expense for the current fiscal year. Pension Expense is debited and Net Pension Liability is credited. The entries are opposite if there is pension income calculated.

Employer Contributions (from prior fiscal year)

The employer contributions that were used in the latest actuarial valuation were from contributions made in the prior fiscal year (i.e. measurement date of June 30, 2025 for a reporting date of June 30, 2026). These employer contributions will have an entry of a debit to Net Pension Liability and a credit to Deferred Outflow of Resources. Employers will also need to record employer contributions subsequent to the measurement date up through the current reporting date. This entry is a debit to Deferred Outflows and a credit to the applicable account as +determined by the employer.

Differences between Expected and Actual Experience

Experience differences pertain to non-investment economic and demographic factors. When actual non-investment economic and demographic factors are positively different than assumed, the experience difference is referred to as an experience gain. An experience loss occurs when actual experience is negatively different than assumed.

A portion of the experience (gain)/loss is recognized in pension expense during the current year. The remaining portion is amortized in a rational method over a closed period equal to the average expected remaining service life of all active and inactive employees in the plan. The remaining average expected service life can vary from year to year depending on the underlying demographic factors considered by the actuary.

Information pertaining to experience (gain)/loss is obtained from the Development of Deferred Outflows and Deferred Inflows section of the actuarial valuation. In the “Original Amount” column are the (gains)/losses that have been established each year. Negative amounts represent experience gains and positive amounts represent experience losses. The entire (gain)/loss established with the most recent actuarial valuation is recorded in the current year. If an experience gain occurs, the resulting entry will be a debit to Net Pension Liability and credit to Deferred Inflows of Resources. If an experience loss occurs, the resulting entry will be a debit to Deferred Outflows of Resources and credit to Net Pension Liability.

The experience (gain)/loss is amortized over the corresponding establishment period stated in the “Original Period” column. The amount in the “Amount Recognized in Expense” column is the amount that is going to be amortized for that year experience (gain)/loss. This amount is reflected in the pension expense (income) schedule located in the Pension Expense (Income) and Deferred Outflows/Inflows of Resources section of the actuarial

valuation. The entries for each year's amortization layer will depend on whether the original amount established was a gain or loss. Amortization of a gain will result in a debit to Deferred Inflows of Resources and credit to Net Pension Liability every year until the amortization period has expired. Amortization of a loss will result in a debit to Net Pension Liability and credit to Deferred Outflows of Resources every year until the amortization period expires.

Differences between Projected and Actual Investment Earnings

When actual investment earnings exceed projected investment earnings, the investment difference is referred to as an investment gain. If the actual earnings are less than projected, the investment difference is referred to as an investment loss. The investment earnings assumption is currently 6.75%.

A portion of the investment (gain)/loss is recognized in pension expense during the current year. The remaining portion is amortized in a rational method over a closed five-year period.

The portion of investment gains to be recognized in future periods will be reflected as a deferred inflow of resources. The portion of investment losses to be recognized in future periods will be reflected as a deferred outflow of resources.

Information pertaining to investment (gain)/loss is obtained from the Development of Deferred Outflows and Deferred Inflows section of the actuarial valuation. In the "Original Amount" column are the (gains)/losses that have been established each year. Negative amounts represent gains and positive amounts represent losses. The entire (gain)/loss established with the most recent actuarial valuation is recorded in the current year. If a gain occurs, the resulting entry will be a debit to Net Pension Liability and credit to Deferred Inflows of Resources. If a loss occurs, the resulting entry will be a debit to Deferred Outflows of Resources and credit to Net Pension Liability. The investment (gain)/loss is amortized over five years. This information is reflected in the "Original Period" column. The amounts in the "Amount Recognized in Expense" column is the amount that is going to be amortized for that year's investment (gain)/ loss. This amount is reflected in the pension expense (income) schedule located in the Pension Expense (Income) and Deferred Outflows/Inflows of Resources section of the actuarial valuation. The entries for each year's amortization layer will depend on whether the original amount established was a gain or loss. Amortization of an investment gain will result in a debit to Deferred Inflows of Resources and credit to Net Pension Liability every year until the amortization period has expired. Amortization of an investment loss will result in a debit to Net Pension Liability and credit to Deferred Outflows of Resources every year until the amortization period expires.

Changes of Assumptions

Actuarial assumptions fall into two types: economic and demographic. Economic assumptions impact the amount of future expected benefits while demographic assumptions impact timing and probability of the benefit amount to be paid. Some examples of economic assumptions are: discount rate, salary, cost of living adjustments, etc. Demographic assumptions include: retirement pattern, turnover and mortality rates.

Information pertaining to the assumption changes (gain)/loss is obtained from the Development of Deferred Outflows and Deferred Inflows section of the actuarial valuation. In the "Original Amount" column are the (gains)/losses that were established when assumption changes were made. Negative amounts represent gains and positive amounts represent losses. The entire (gain)/loss determined with the actuarial valuation is recorded in the year established. If a gain occurs, the resulting entry will be a debit to Net Pension Liability and credit to Deferred Inflows of Resources. If a loss occurs, the resulting entry will be a debit to Deferred Outflows of Resources and credit to Net Pension Liability. Changes in assumptions generally only occur if results of the most recent actuarial experience study indicate changes may be necessary. An actuarial experience study is performed every 4 years. The most recent actuarial experience study for TCRS was performed for the period July 1, 2020 through June 30, 2024. In fiscal year 2026, changes of assumptions occurred based on the results of the most recent actuarial study.

The changes of assumption (gain)/loss is amortized over the corresponding establishment period stated in the "Original Period" column. The amounts in the "Amount Recognized in Expense" column is the amount that is going to be amortized for that year's assumption gain or loss. The entries for each year's amortization layer will depend on whether the original amount established was a gain or loss. Amortization of a changes of assumptions gain will

result in a debit to Deferred Inflows of Resources and credit to Net Pension Liability every year until the amortization period has expired. Amortization of a changes of assumptions loss will result in a debit to Net Pension Liability and credit to Deferred Outflows of Resources every year until the amortization period expires.

Net Pension Liability (Asset) Summary

This is a summary of the impact from each of the entry components described above and ties the beginning Net Pension Liability (Asset) to the ending Net Pension Liability (Asset) balance. The change in Net Pension Liability (Asset) should be the sum of the total changes in Deferred Inflows of Resources, Deferred Outflows of Resources and Pension Expense (Negative Pension Expense). The beginning and ending Net Pension Liability (Asset) balances can be found in two sections of the most recent actuarial valuation: 1) Schedule of Changes in Net Pension Liability (Asset), 2) Schedules of Changes in the Net Pension Liability (Asset) and Related Ratios.

Detailed Entries Example

Following is an example of all detailed entries that are combined to develop the "Suggested Accounting Entries" document located on the GASB 68 website. The combined entries for differences between expected and actual experience, differences between projected and actual investment earnings and changes of assumptions are highlighted in blue. The cells highlighted in yellow correspond to the balances that are presented in the "Deferred Outflows of Resources and Deferred Inflows of Resources" section in the "Suggested Notes and RSI" document located on the GASB 68 website.

It is important to note the "Deferred Outflows of Resources and Deferred Inflows of Resources" schedule is a cumulative schedule that shows the remaining balances in those accounts for all remaining years subsequent to the current year. Additionally, GASB 68 requires the differences between projected and actual investment earnings be net and presented as either a net Deferred Outflow of Resources ***or*** a net Deferred Inflow of Resources in the Pension Expense (Negative Pension Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions section of the Suggested Notes and RSI.

The Suggested Accounting Entries **do not** include an entry to net the cumulative investment earnings since the netting is for presentation purposes only. It will be your entity's responsibility to determine if an entry will be booked to reflect the netting of aggregate investment earnings deferred outflows and deferred inflows for presentation purposes. If an entry is booked, it will need to be reversed in the subsequent year.

See below example:

Suggested Accounting Entries for Consideration
Measurement Date of June 30, 2025
Measurement Period of July 1, 2024 thru June 30, 2025
Suggested entries applicable for the fiscal year ended June 30, 2026

Please note, debit entries are shown as positive numbers and credit entries are shown as negative numbers. Suggested entries have been aggregated into the two entries below. Additionally, there is a summary of the change in Net Pension Liability (Asset). There is also guidance regarding the aggregation and reporting of differences between projected and actual earnings on pension plan investments as a net deferred outflow of resources or a net deferred inflow of resources.

Accessibility Note for Screen Readers

These financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). Users of screen readers should be aware that certain accounting conventions may be announced differently by assistive technology.
Under GAAP, negative numbers are presented in parentheses and zeros are presented as dashes. While most screen readers will read dashes and numbers in parentheses as "dash," "negative," "minus," or "in parentheses,", if needed, users may need to adjust their screen reader's verbosity or punctuation settings to improve clarity when reviewing these statements.

1. To record Pension Expense (Negative Pension Expense) and Changes in Net Pension Liability (Asset).

EXAMPLE EMPLOYER	Pension Expense	Net Pension Liability	Deferred Inflows of Resources	Deferred Outflows of Resources
Pension Expense	$29,866	($29,866)		
Employer Contributions from FY 2025		9,605		(9,605)
Difference in Actuarial Experience		19,942	36,861	(56,803)
Difference in Investment Earnings		57,079	20,416	(77,495)
Changes in Assumptions		32,171	-	(32,171)
Net Journal Entry – Debit/(Credit)	$29,866	$88,931	$57,277	($176,074)

2. To record Employer Contributions subsequent to the measurement date.

	Debit	Credit
Employer contributions during the fiscal year ending June 30, 2026	Deferred Outflows	Entity to Determine

Net Pension Liability (Asset) Summary

Net Pension Liability (Asset) beginning of year (June 30, 2024)	$**93,558**
Deferred Inflows of Resources	57,277
Deferred Outflows of Resources	(176,074)
Pension Expense (Negative Pension Expense)	29,866
Net Pension Liability (Asset) end of year (June 30, 2025)	$4,627

Difference between Projected and Actual Earnings on Pension Plan Investments

GASB 68 requires differences between projected and actual pension plan investment earnings in different measurement periods to be aggregated and reported as a net deferred outflow of resources related to pensions or as a net deferred inflow of resources related to pensions.

The net difference between projected and actual earnings on pension plan investments in the deferred outflows of resources and deferred inflows of resources related to pensions section of the Suggested Notes and Required Supplementary Information (RSI) has been aggregated and reported as a net deferred outflow or a net deferred inflow. The Suggested Accounting Entries **do not** include an entry to net the cumulative investment earnings since the netting is for presentation purposes only. It will be your entity's responsibility to determine if an entry will be booked to reflect the netting of aggregate investment earnings deferred outflows and deferred inflows for presentation purposes. If an entry is booked, it will need to be reversed in the subsequent year.

Posting the Suggested Accounting Entries will result in the following Investment Deferred Outflows of Resources and Deferred Inflows of Resources balances.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on pension plan investments	$133,281	$165,836

Stabilization Reserve Trust Reporting and Disclosure Changes for Employers who have Elected a Hybrid Plan with Cost Controls

This portion and any related reporting disclosures are only applicable if the employer has elected a Hybrid Plan with Cost Controls.

Prior to July 1, 2018, employers that elected 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 GASB and Actuarial Information Public Reports site under the General tab by reporting fiscal year.

Example Employer
12345

Detailed Entries Example for Fiscal Year 2026

Summary of Journal Entries Detailed Below	Pension Expense		Net Pension Liability		Deferred Outflows		Deferred Inflows	
Current Year Beginning Balance				93,558	566,126			294,919
Pension Expense Net Entry	29,866			29,866				
Prior Year Contribution Beginning Balance in DO					9,605			
Employer Contributions Net Entry			9,605			9,605		
Differences in Experience Net Entry			19,942			56,803	36,861	
Differences in Investment Earnings Net Entry			57,079			77,495	20,416	
Change in Assumptions Net Entry			32,171			32,171		
Ending Balance *	29,866			4,627	399,657			237,642

	Pension Expense		Net Pension Liability		Deferred Outflows		Deferred Inflows	
Pension Expense	**29,866**			**29,866**				
Employer Contributions (Prior Year)			**9,605**			**9,605**		

Differences in Experience	Pension Expense		Net Pension Liability		Deferred Outflows		Deferred Inflows	
Beginning Balance					236,571			108,667
2026 (Current Year)			6,126					6,126
2026 Amortization				1,225			1,225	
2025 Amortization			41,276			41,276		
2024 Amortization			784			784		
2023 Amortization				1,712			1,712	
2022 Amortization				21,918			21,918	
2021 Amortization				8,251			8,251	
2020 Amortization			3,212			3,212		
2019 Amortization			2,048			2,048		
2018 Amortization				9,682			9,682	
2017 Amortization			9,483			9,483		
2016 Amortization				199			199	
	-	-	62,929	42,987	236,571	56,803	42,987	114,793
Ending Balance for DO/DI			19,942		179,768	-	-	71,806
Net Journal Entry - Debit/(Credit)			**19,942**		**(56,803)**		**36,861**	**-**

Difference in Investment Income	Pension Expense		Net Pension Liability		Deferred Outflows		Deferred Inflows	
Beginning Balance					210,776			186,252
2026 (Current Year)			90,889					90,889
2026 Amortization				18,178			18,178	
2025 Amortization			166			166		
2024 Amortization			66,391			66,391		
2023 Amortization				93,127			93,127	
2022 Amortization			10,938			10,938		
2021 Amortization								
2020 Amortization								
2019 Amortization								
2018 Amortization								
2017 Amortization								
2016 Amortization								
	-	-	168,384	111,305	210,776	77,495	111,305	277,141
Ending Balance for DO/DI			57,079		133,281	-	-	165,836
NET DEFERRED INFLOWS For presentation in Notes *								**32,555**
Net Journal Entry - Debit/(Credit)			**57,079**		**(77,495)**		**20,416**	**-**

Change in Assumptions	Pension Expense		Net Pension Liability		Deferred Outflows		Deferred Inflows	
Beginning Balance					118,779			
2026 (Current Year)								
2026 Amortization								
2025 Amortization								
2024 Amortization								
2023 Amortization			27,217			27,217		
2022 Amortization								
2021 Amortization								
2020 Amortization								
2019 Amortization			4,954			4,954		
2018 Amortization								
2017 Amortization								
2016 Amortization								
	-	-	32,171	-	118,779	32,171	-	-
Ending Balance for DO/DI					86,608	-	-	-
Net Journal Entry - Debit/(Credit)			**32,171**		**(32,171)**		**-**	**-**

*** Netting of Investment Deferred Inflows and Investment Deferred Outflows**

The Suggested Accounting Entries do not include an entry to net the cumulative investment earnings since the netting is for presentation purposes only. It will be your entity's responsibility to determine if an entry will be booked to reflect the netting of aggregate investment earnings deferred outflows and deferred inflows for presentation purposes. If an entry is booked, it will need to be reversed in the subsequent year. Below are the ending account balances after taking into account netting for Investment Earnings presentation in the Suggested Notes and RSI.

	Pension Expense		Net Pension Liability		Deferred Outflows		Deferred Inflows	
Ending Balances per Summary above	29,866	-	-	4,627	399,657	-	-	237,642
Netting of Differences in Investment Earnings						133,281	133,281	
Balances presented in Suggested Notes and RSI	29,866	-	-	4,627	266,376	-	-	104,361

Please Note: The examples above are for illustrative purposes only. These examples will not be updated annually.

There may be rounding differences between the entries above and the corresponding illustrative Suggested Accounting Journal Entries and Suggested Notes and RSI documents.