The State of Pension Funding and Underfunding
David A. Vaudt—GASB Chair

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What are the Fundamental Principles of the New Pension Standards?

- Views the cost within the context of an ongoing, career-long employment relationship
- Uses an accounting-based versus funding-based approach to measure and report any net pension liability on the statement of net position
Portion of the total pension liability not covered by plan assets will be recognized as a liability on the face of the financial statements—the net pension liability.

Cost-sharing plans—participating employers/nonemployer contributing entities report proportional share of the collective net pension liability.

Discounting at the long-term expected rate of return is limited to the extent that assets are expected to be available to cover future benefit payments—remainder discounted at the municipal bond rate.

Now only one actuarial valuation approach permitted (entry age, as a level percentage of payroll).
GASB Pension Standards - The Big Changes

- Asset smoothing is eliminated from the measurement of the liability
- Amortization is eliminated for most changes in the liability and greatly shortened for others
- More robust note disclosures
- Much more extensive required supplementary information (RSI) schedules