



# PERiSCOPE

Public Employee Retirement Systems

*New accounting rules for public pension plans in the United States are set to take effect beginning in 2014. Successful implementation of the new rules will require an understanding of a variety of technical concepts regarding the various newly required calculations. This article is the second in a multi-part PERiScope series that will explore these technical topics in detail. See sidebar for more information on past/upcoming technical articles in this series.*

## **GASB 67/68: Relationship between valuation date, measurement date, and reporting date**

Richard Gordon, FSA, EA, MAAA

The Governmental Accounting Standards Board (GASB) in 2012 released new accounting standards for public pension plans and participating employers. These standards, GASB Statements No. 67 and 68, have substantially revised the accounting requirements previously mandated under GASB Statements No. 25 and 27. Required implementation is imminent, with GASB 67 (plan accounting) effective for plan fiscal years beginning after June 15, 2013, and GASB 68 (employer accounting) effective for employer fiscal years beginning after June 15, 2014.

This *PERiScope* article in the GASB 67/68 mini-series explores the relationship between the actuarial valuation date, the measurement date, and the reporting date—critical dates that should be strategically determined in the early planning stages of implementation of GASB 67 and 68. Thoughtful planning now could help prevent a time crunch when under financial reporting deadlines, by ensuring that necessary items, such as actuarial calculations and new disclosure calculations, can be completed and prepared in a timely fashion. The critical dates are defined as follows:

- Valuation date (VD) – the date as of which the actuarial valuation is performed
- Measurement date (MD) – the date as of which the **net pension liability** (NPL) is determined
- Reporting date (RD) – the plan’s and/or the employer’s fiscal year-ending date

Did you know? Milliman’s GASB 67/68 Task Force is releasing a miniseries on technical and implementation issues surrounding GASB 67 and 68. Each article will be released through *PERiScope*. Look for the following articles:

- Depletion date projections
- Long-term expected investment returns and the money-weighted rate of return
- Calculation specifics on individual entry age normal and recognition of deferred inflows/outflows
- Substantively automatic plan provisions
- Balance sheet items and projections from valuation dates to measurement dates
- Calculation of pension expense
- Proportionate share calculations
- Special funding situations

Additionally, a Frequently Asked Questions document will be maintained, with links to relevant miniseries articles as they become available. Visit [www.milliman.com/GASB6768](http://www.milliman.com/GASB6768) for all the latest resources on the new statements.

## GASB 67 timing requirements

Under GASB 67, the pension plan's measurement date must be equal to the reporting date, which is defined as the plan's fiscal year-end.

This in turn means that the net pension liability is determined as of the plan's fiscal year-end. As explained in the introductory GASB 67/68 *PERiSCOPE*, net pension liability is equal to total pension liability (TPL) minus fiduciary net position (i.e., the market value of assets).

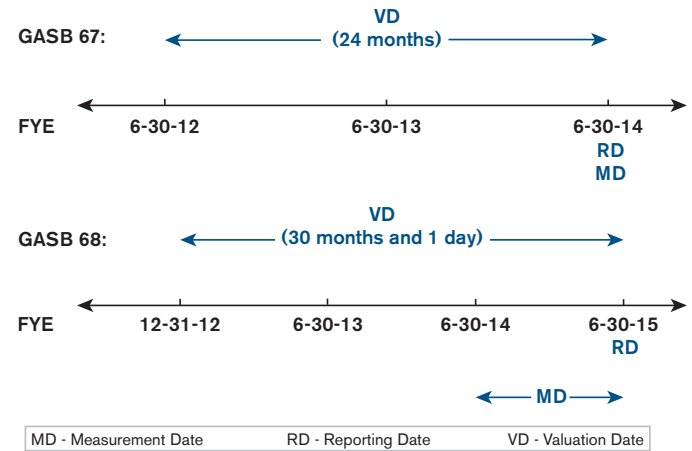
GASB 67 states that the TPL should be determined by either (a) an actuarial valuation as of the pension plan's fiscal year-end, or (b) the use of update, or roll-forward, procedures to the plan's fiscal year-end from an actuarial valuation as of a date no more than 24 months earlier than the fiscal year-end<sup>1</sup> (see *Summary of Timing Options*). If roll-forward procedures are used, any significant changes that occurred between the valuation date and the measurement date need to be reflected in the TPL.<sup>2</sup> Additionally, for financial reporting purposes, actuarial valuations must be performed at least biennially.

An actuarial valuation is performed by taking a snapshot of the pension plan's membership and benefit provisions as of the valuation date. Using this information, as well as the actuarial assumptions in effect for the valuation, the actuary calculates the TPL and other related figures as of such date. To estimate the TPL as of a point in time subsequent to the valuation date, the actuary can use roll-forward procedures to project the TPL from the valuation date to a future date. For GASB 67, such a projection can be performed to project the TPL from the valuation date to the measurement date (i.e., the plan's fiscal year-end), if necessary. Note that while the TPL as of the measurement date may be based on an actuarial valuation up to 24 months earlier, the fiduciary net position must always be the actual market value *as of the measurement date*.

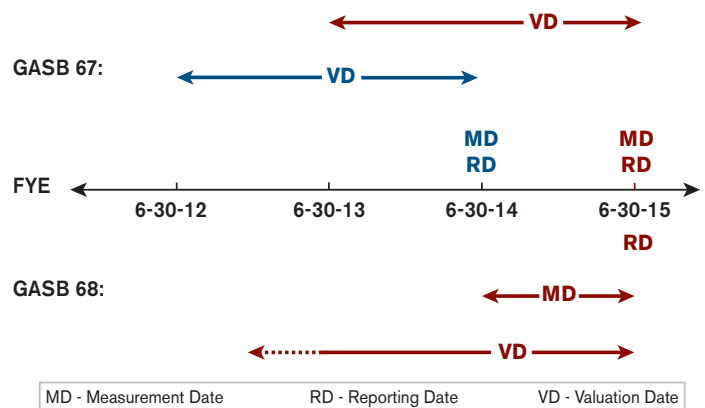
## GASB 68 timing requirements

GASB 68 outlines accounting rules for employers (whereas GASB 67 applies to the plans themselves). Under GASB 68, the reporting date for an employer must be equal to the employer's fiscal year-end. However, in contrast to GASB 67 (where the *plan's* measurement date must be the same as the *plan's* reporting date), GASB 68 allows a measurement date for employers that is no earlier than the *employer's prior* fiscal year-end, i.e., up to one year before the employer's fiscal year-end.<sup>3</sup> If using a roll-forward procedure, the actuarial valuation date can be up to 30 months and one day earlier than the employer's fiscal year-end<sup>4</sup> (see *Summary of Timing Options*). Again, significant changes that occur prior to the measurement date must be reflected. The significance of this provision of GASB 68 is that, even if multiple employers participating in a plan have varying fiscal year-ends, they may all use the TPL reported as of the plan's most recent measurement date, provided that the TPL and the underlying actuarial valuation meet the timing requirements of GASB 68.

### SUMMARY OF TIMING OPTIONS



### EXAMPLE 1: PLAN AND EMPLOYER HAVE SAME FYE ON JUNE 30; ANNUAL ACTUARIAL VALUATIONS ON JUNE 30



## Timing options and examples

### Fiscal year-end June 30, 2014 (only GASB 67 applies)

Under GASB 67, the measurement date and reporting date are fixed due to GASB timing requirements. In Example 1, there would be three potential choices of valuation dates to use for calculating the NPL as of June 30, 2014 (see Example 1, in blue). The choice of which valuation date to use is likely dependent on when the valuation is typically completed. Using the June 30, 2014 valuation would enable the use of the most current census information and eliminate the need to use roll-forward procedures. However, this is likely impractical for plan sponsors and actuaries, as it would require a very compressed timeframe for the valuation to be completed by the financial reporting deadlines. The more probable choices of valuation dates are June 30, 2013 or June 30, 2012. The choice between these two valuation dates likely depends on whether

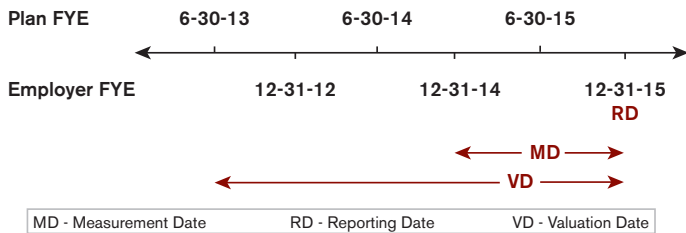
1 See GASB Statement No. 67, paragraph 37.  
 2 Roll-forward procedures will be addressed in a future *PERiSCOPE* article.  
 3 See GASB Statement No. 68, paragraph 20.  
 4 See GASB Statement No. 68, paragraph 22.

the June 30, 2013 actuarial valuation can be completed by the June 30, 2014 fiscal year-end reporting deadline. Either possible valuation date would require the use of roll-forward procedures to project the TPL from the valuation date to June 30, 2014. The more time that has passed since the valuation date, the greater the chance that significant changes might have occurred that would need to be reflected in the TPL.

### Fiscal year-end June 30, 2015 (both GASB 67 and 68 apply)

For fiscal year-end June 30, 2015 (see Example 1, in red) both GASB 67 and 68 will apply. For plans and employers that have the same fiscal year-end, the GASB 68 (employer) measurement date would generally be the same as the reporting date, to coincide with the respective GASB 67 dates. However, there is also the possibility of choosing a measurement date that is up to a year earlier than June 30, 2015. Choosing a measurement date of June 30, 2014 would potentially allow the use of the results from the GASB 67 reporting at the June 30, 2014 fiscal year-end.<sup>5</sup> Note that this would not be allowed if the June 30, 2012 valuation was rolled forward to June 30, 2014, since that valuation date would fall more than 30 months and one day earlier than June 30, 2015. Once a measurement date is chosen, it must be applied consistently from year to year, so thoughtful planning for employer accounting is critical.

### EXAMPLE 2: PLAN WITH 6/30 FYE, EMPLOYER WITH 12/31 FYE; ANNUAL ACTUARIAL VALUATIONS ON 6/30

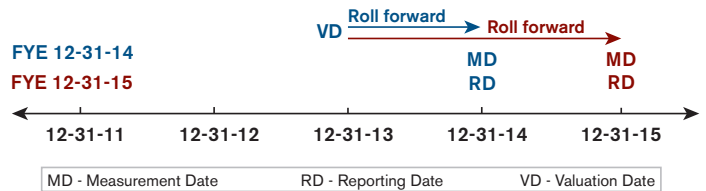


For pension plans with a different fiscal year-end than employers, the measurement date determination is an important consideration. In Example 2, consider the employer's December 31, 2015 fiscal year-end, the initial year of GASB 68 implementation. Information on the plan's net position (i.e., market value of assets) may not be available on the employer's fiscal year-end dates, but rather only available as of the plan's fiscal year-end dates. Even if asset information is available as of December 31, employers may wish to select a measurement date that coincides with the plan's fiscal year-end, so that all necessary information will be available in a timely fashion or so as to avoid unnecessary extra work. If a June 30, 2015 GASB 68 measurement date is chosen, then it would be allowable to use any of the June 30, 2013, 2014, or 2015, valuation dates as the basis for measuring the TPL.

5 See GASB 68 Implementation Guide, Q37.

This publication is intended to provide information and analysis of a general nature. Application to specific circumstances should rely on separate professional guidance. Inquiries may be directed to: [periscope@milliman.com](mailto:periscope@milliman.com).

### EXAMPLE 3: BIENNIAL ACTUARIAL VALUATIONS ON DECEMBER 31 IN ODD-NUMBERED YEARS



Plans that perform biennial rather than annual actuarial valuations would need to use the same actuarial valuation for two successive fiscal year-end dates. In Example 3, valuations are performed in odd-numbered years. Most likely the December 31, 2013 valuation would be used to determine both the TPL as of December 31, 2014, (the initial fiscal year of GASB 67 implementation) and also the TPL as of December 31, 2015. The December 31, 2015 valuation would most likely *not* be used for fiscal year-end December 31, 2015, since the valuation might not be completed by the financial reporting deadlines; instead, the 2015 valuation would likely be used for fiscal years ending 2016 and 2017.

### Implementation considerations

Once the GASB 67/68 timing rules for actuarial valuation dates and measurement dates are understood, choosing between the potential dates becomes the key decision. Coordination between the plan sponsor, employer(s), and actuary will be necessary to ensure that all information and calculations are available to meet financial reporting deadlines.

The valuation date choice is likely to be contingent upon the date that the valuation is completed relative to the fiscal year-end reporting deadline. Rather than creating a compressed timeframe by using a valuation date equal to the reporting date, for many plans it will likely make more sense to use an earlier valuation date and apply roll-forward techniques.

The choice of measurement date for employer accounting purposes is likely dependent on whether or not the plan and the employer have the same fiscal year. It also may depend on actuarial valuation completion timeframes as well as the expected completion timeframes for the new GASB disclosure items and Required Supplementary Information. Once decided, the measurement date should remain consistent from year to year.

For more information, contact your Milliman consultant and check back for *PERiSCOPE* articles to assist with implementation.

Richard Gordon FSA, EA, MAAA, is a consulting actuary in the Philadelphia office of Milliman. Contact him at [rick.gordon@milliman.com](mailto:rick.gordon@milliman.com).