

City of Alexandria, Virginia

Pension Accounting Standards

City Council Meeting
December 8, 2015



What is GASB?



- Governmental Accounting Standards Board
 - Established in 1984 to establish generally accepted accounting principles (GAAP) for state and local governments
 - A private, non-governmental organization
 - Establishes standards of governmental accounting and financial reporting to benefit the issuers, auditors and users of financial reports

New Pension Standard GASB 68



- Balance Sheet to include Net Pension Liability
- No significant change in the liability itself
- Impact on Net Position (Assets compared to Liabilities)
- Liability has always been there
- All local governments must make this change

GASB 68



- Not expected to impact our bond ratings
- Analysts already interpret pension
- Ratings Criteria includes
 - Net Pension Liability as a % of Operating Revenues will be a ratings criteria
- 3.00+ = “Watch”
- Alexandria is below 1.00

The Big Change



- Then
 - Prior to GASB 68 pension liability was disclosed in the footnotes to the financial statements, but did not impact the bottom line

- Now
 - Pension liability not covered by plan assets recognized as a liability on the face of the financial statements – the net pension liability (NPL)
 - Additional footnote information

Why do this?



- Coincides with the growing national focus on the condition of state and local pension funds
- Provides additional details about pensions
- **Does not change** overall economic position
- Other Post Employment Benefits will be addressed in a future CAFR

Applicability of Pension Standards



- Applies to employers and non-employer contributing entities that have a legal obligation to make contributions directly to a pension plan

Post - GASB 68



- New term – Net Pension Liability

Value of Benefits earned by pension members

Less: value of pension Plan investments

Equals: Net Pension Liability

The Balance Sheet



- Total Assets
 - Less: Total Liabilities
 - Equals: Net Position
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- New liability reflected on the balance sheet reduces the City's Net Position
 - Displays a reduction of Assets in excess of Liabilities

The Bottom Line



- The better funded the pension, plan the smaller the liability.
- Even for well funded plans, the liability could be the largest number on the balance sheet.
- Does not change City's funding strategies to continue to fund as required.

The End Result



- For comparison purposes, FY 2014 is restated to reflect GASB 68
- Allows for a comparison of FY 2015 to FY 2014, post GASB 68
- Provides a better illustration of the impact

The FY 2014 Balance Sheet pre-GASB 68



Total Assets:	\$1.412 billion
Total Liabilities/Deferrals:	<u>\$0.950 billion</u>
Total Net Position:	<u>\$0.462 billion</u>

The FY 2014 Balance Sheet Restated for GASB 68



Total Assets:	\$1.412 billion
Total Liabilities/Deferrals:	<u>\$1.111 billion</u>
Total Net Position:	<u><u>\$0.301 billion</u></u>

The FY 2014 Balance Sheet Restated for GASB 68



FY 2014 Net Position =	\$462 million
FY 2014 Restated Net Position =	<u>\$301 million</u>
Reduction of Net Position =	\$161 million

Liability Comprised of:

VRS Plan	\$103 million
City Plans	\$ 58 million

FY 2014 and FY 2015 Balance Sheet



	FY 2014 (Restated)	FY 2015
Total Assets	\$1.412 billion	\$1.457 billion
Total Liabilities/Deferrals	\$1.11 billion	\$1.141 billion
Total Net Position	\$0.301 billion	\$0.316 billion

- Overall increase in net position of \$15 million
- \$20 million increase in Capital Assets net of debt
 - Land purchases for waterfront
 - Completion of US I Transitway
 - Completion of George Mason Capacity addition