

Proposed Accounting Standards to Affect South Carolina Retirement Plans

The Governmental Accounting Standards Board (GASB) has released two proposals for revised accounting and financial reporting standards related to public pension plans. These “exposure drafts” would change the way public pension plans calculate and report the costs and obligations of the plans. Additionally, the new standards would require employers participating in the plans to report in their financial statements their share of the pension plan costs and obligations effective for fiscal years beginning after June 15, 2013.

What will the Exposure Drafts change?

- Require employers to recognize a portion of the unfunded pension liability
- Require the pension fund to use a different method of calculating its unfunded liability, which will make it appear much larger than it does today
- Completely disconnect the accounting for pensions from the funding of pensions
- Add additional requirements to financial statements

What does this mean for employers?

- Employers will now have to report a large and frequently changing liability which may distort the employer’s financial statements
- Most, if not all, employers will appear insolvent
- Employers may have difficulty explaining the liability to governing boards and taxpayers
- Audit costs will most likely increase

What does this mean for the Retirement Systems?

- We will provide educational and instructional information to each employer
- We will provide necessary financial information to employers on each employer’s fiscal year end
- We will need to obtain the the value of our assets and roll forward the pension liability for each fiscal year end

Our staff will provide education and guidance to participating employers to ensure smooth implementation of the proposed standards once they are finalized and approved by GASB. We are committed to helping participating employers as we all go through this transition process together.



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