



State of North Carolina

Department of State Treasurer

RICHARD H. MOORE
TREASURER

*State and Local Government Finance Division
and the Local Government Commission*

T. VANCE HOLLOMAN
DEPUTY TREASURER

Memorandum #1108

October 6, 2008

TO: Local Government Finance Officials and Their Independent Auditors

**FROM: Sharon Edmundson, Director
Fiscal Management Section**

**SUBJECT: GASB Statement No. 50- *Pension Disclosures: An amendment of GASB
Statements No. 25 and No. 27***

This memorandum serves as an alert to local government auditors and finance officials to certain issues in Statement No. 50 of the Governmental Accounting Standards Board (GASB), which will most likely impact the presentation of pension plan disclosures in financial statements for the fiscal year ended June 30, 2008.

Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB), which in turn improves transparency and the usefulness of the information provided on pension plans. Local governments in North Carolina have been presenting pension information in conformity with LGC recommendations as presented in its Illustrated Financial Statements, which already include some of the requirements under Statement No. 50. Therefore, the issues discussed in this memo are only those requiring new reporting treatment. Specifically, Statement No. 50 requires the following additional information:

- Defined pension plans and sole and agent employers should include in their notes to the financial statements, a reference linking the funded status disclosure in the notes to the financial statement to the required schedule of funding progress in the required supplementary information (RSI).
- For defined benefit pension plans and sole and agent employers, if applicable, notes to the financial statements should disclose legal or contractual maximum contribution rates. In addition, if relevant, they should disclose that the maximum contribution rates have not been explicitly taken into consideration in the projection of pension benefits for financial accounting measurement purposes.
- Defined benefit pension plans and defined contribution plans are required to disclose in the notes to the financial statements the methods and assumptions used to determine the fair value of investments, if the fair value is based on other than quoted market prices.
- Cost-sharing employers are required to include in the note disclosure the required contribution rates of the employer(s) in dollars and the percentage of that amount contributed for the current year and each of the two preceding years; how the contractually required contribution rate is determined; or that the cost-sharing plan is financed on a pay-as-you-go basis.

- Cost-sharing plans that do not issue a publicly available stand-alone plan financial report prepared in accordance with the requirements of Statement 25, as amended, and where the plan is not included in the financial report of another entity, require that each employer in the plan present as RSI the schedule of funding progress and employer contributions for the plan (and notes to these schedules). Each employer also should disclose that the information presented relates to the cost-sharing plan as a whole, of which the employer is one participating employer, and should provide information helpful for understanding the scale of the information presented relative to the employer.

The Illustrated Financial Statements of both the City of Dogwood and Carolina County have been updated with the additional disclosure requirements for their respective Law Enforcement Officers' Special Separation Allowance plans. The required additional paragraphs are as follows:

City of Dogwood- Law Enforcement Officers' Special Separation Allowance

"4. Funded Status and Funding Progress.

As of December 31 2006, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$50,700. The covered payroll (annual payroll of active employees covered by the plan) was \$147,000, and the ratio of the UAAL to the covered payroll was 34.5 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits."

Carolina County- Law Enforcement Officers' Special Separation Allowance

"4. Funded Status and Funding Progress.

As of December 31 2006, the most recent actuarial valuation date, the plan was 92.4 percent funded. The actuarial accrued liability for benefits was \$1,023,886, and the actuarial value of assets was \$946,071, resulting in an unfunded actuarial accrued liability (UAAL) of \$77,815. The covered payroll (annual payroll of active employees covered by the plan) was \$2,324,632, and the ratio of the UAAL to the covered payroll was 3.3 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits."

If you have any questions, please contact Amy Szalaj at 919-807-2385 or Amy.Szalaj@nctreasurer.com.