

Statement 68 – "When is there a Special Funding Situation"?

- ➔ A "non-employer contributing entity" is legally responsible for making contributions directly to a pension plan on behalf of a government and
 - ➔ The amount of the contribution is not based on, or dependent on, events unrelated to pension
- or
- ➔ The non-employer contributing entity is the only entity legally required to contribute

Statement 68 – "When is there a Special Funding Situation"? *(cont'd)*

- Notes:
1. The fact that a decision of one legislature cannot bind a subsequent legislature is not an indication that the contributing entity does not have a legal obligation to make the contribution. Implementation Guide Q&A 25-26.
 2. An historical pattern of appropriating resources to a pension plan is not equivalent to a legal obligation to make contributions. Implementation Guide Q&A 27-28.

Statement 68 – "When is there a Special Funding Situation"? *(cont'd)*

3. Federal grant reimbursements are generally not a special funding situation, since the contributions generally do not go directly to the pension plan. Implementation Guide Q&A 29.
4. If the non-employer contributing entity's obligation is defined to be a specified percentage of the actuarially determined contribution of the employer, is that dependent upon events unrelated to pension? No. Implementation Guide Q&A 31.

Statement 68 – Special Funding Situations

- ➔ School's financial statement (example assumes State paying 100%).
 - ➔ Full pension expense
 - ➔ The amount of net pension liability and pension related deferrals – "0"
- ➔ School's notes
 - ➔ Full amount of net pension liability
 - ➔ Employer's percentage of net pension liability – "0"
 - ➔ Respective share of net pension liability – "0/100"

Statement 68 – Special Funding Situations for the State

- ➔ Financial statements (example assumes State paying 100%).
 - ➔ "Proportionate share" of schools' net pension liability and deferrals (separately from state employer) – "100%"
 - ➔ "Proportionate share" of pension expense but labeled as school aid
- ➔ Notes
 - ➔ Similar to those of an employer
- ➔ Required supplementary information
 - ➔ Share of liability
 - ➔ Actual and required contributions
- ➔ Also see Implementation Guide Q&A 230-248.

Determination of Responsibility

In our experience, the determination often involves any or all of the following (in the case of a statewide plan):

- ➔ State's Attorney General
- ➔ State's Auditor/Comptroller
- ➔ State's Board of Accounts
- ➔ Plan's Internal and External Auditor
- ➔ Plan's Chief Financial Officer
- ➔ Plan's Board
- ➔ Plan's Counsel

Determination of Responsibility

Example: cost-sharing plan – questions arising because plan was in transition from variable employer contribution rate to single contribution rate. Eventually board promulgated rules clarifying the transition.

Responsibility for Reporting for Other Non-Employers in Other than "Special Funding Situations"

- ➔ A state not in special funding situation makes a direct contribution to a cost-sharing plan to improve the plan's overall funded status.
- ➔ Each employer would have to recognize revenue for that contribution. The amount of revenue recognized would include contributions from the entity to separately finance liabilities of an individual employer, as well as a proportionate share of the contributions for other (general) purposes. Implementation Guide Q&A 148-149.