

**NEW GASB STANDARDS ADDRESSING PUBLIC SECTOR RETIREMENT SYSTEMS: IMPACT ON
FINANCIAL STATEMENTS**

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ABSTRACT

The Governmental Accounting Standards Board (GASB) recently adopted new standards (Statements No. 67 and 68) for accounting and reporting of financial statements for public sector retirement systems. The true cost of public employee pensions will become clearer under these modifications which regulate how pension costs are accounted for and described in financial statements. For the first time liabilities will be reported on the balance sheet. These net pension liabilities are calculated as the difference between the total pension liability (present value of projected benefit payments to employees based on their years of service) and the assets (traditionally investments reported at fair market value) set aside to pay current employees, retirees and beneficiaries. This is vastly different than the manner in which governments presently report liabilities, which are computed as the difference between the contributions they are required to make to a pension plan in a given year versus what is actually funded.

Keywords: *Employee pensions, public pensions, pension liabilities, GASB standards.*