

**Gains and Losses on Pensions, Other Retirement  
Benefits or Other Post Employment Benefits  
Assumption Changes**

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### Version History

Version Number	Date	Description of Change	Effective TFM
1.0	6/6/2011	Original version.	TFM S2-10-02

## **Gains and Losses on Pensions, Other Retirement Benefits or Other Post Employment Benefits Assumption Changes**

### **Background**

Effective in fiscal year 2010, a Gains/Losses on long-term assumptions line was added to the Statement of Net Cost. The line was added to implement Statement of Federal Financial Accounting Standard No. 33 (SFFAS), Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates.

Statement of Federal Financial Accounting Standard No. 33 requires that gains and losses from changes in assumptions long-term obligations be highlighted on the Statement of Net Cost. Highlighting the gains and losses will provide more transparent information regarding the underlying costs associated with these liabilities. The standard applies to agencies that report liabilities and expenses for federal employee pensions, other retirement benefits (ORB), and other postemployment benefits (OPEB) including veterans' compensation, in general purpose financial reports. The Statement does not apply to the Federal Employees Compensation Act program. (Reference: SFFAS No. 33)

The standard also requires disclosure of the components of the expense associated with federal employee pension, ORB, and OPEB liabilities in the notes to the financial statements. Such disclosure will provide useful information for analysis. The information will be comparable across agencies and between postemployment and retirement programs. Notes to the financial statements are not addressed in this scenario.

The FY 2010 and FY 2011 Statement of Net Cost crosswalk prepared by the USSGL Division, included a new line (Line 4: (Gains)/Losses on pension, ORB or OPEB Assumption changes) to implement SFAS No. 33. USSGL Accounts, 7190, Other Gains, and 7290, Other Losses, was crosswalked to the line with a footnote, indicating to only report the portion of the balance in the account related to the change in long-term assumptions used to estimate actuarial liabilities. All other amount balances recorded in the accounts should be reported on the appropriate lines on the Statement of Net Cost.

To clearly capture the gains and losses amount and to eliminate the crosswalk footnote, the USSGL Division created four new USSGL Accounts to capture amounts related to the gains and losses on changes in long term assumptions. The accounts are illustrated in this scenario.

## **Gains and Losses on Pensions, Other Retirement Benefits or Other Post Employment Benefits Assumption Changes**

### **USSGL ACCOUNTS Effective FY 2012**

**Account Title:** Gains on Changes in Long-Term Assumptions – From Experience  
**Account Number:** 7171  
**Normal Balance:** Credit

**Definition:** The gain on the change in long-term assumptions from experience used to estimate Federal employee pension, other retirement benefit, and other postemployment benefit liabilities, including veteran's compensation. This account excludes amounts related to Federal Employees Compensation Act program.

**Justification:** The USSGL Statement of Net Cost crosswalk was revised to display costs related to gains and losses from changes in long-term assumptions displayed separately from other costs on the statement. The change included adding a new line (4) to the Statement of Net Cost, effective fiscal 2010. SFFAS No. 33, Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from changes in Assumptions and Selecting Discount Rates and Valuation Dates (paragraph 1) indicates this change. (Reference: OMB Circular No. A-136, August 2010). Furthermore, actuarial gains and losses should be broken into two subcomponents (1) from experience and (2) from assumption changes.

**Account Title:** Losses on Changes in Long-Term Assumptions – From Experience  
**Account Number:** 7172  
**Normal Balance:** Debit

**Definition:** The loss on the change in long-term assumptions from experience used to estimate Federal employee pension, other retirement benefit, and other postemployment benefit liabilities, including veteran's compensation. This account excludes amounts related to Federal Employees Compensation Act program.

**Justification:** The USSGL Statement of Net Cost crosswalk was revised to display costs related to gains and losses from changes in long-term assumptions displayed separately from other costs on the statement. The change included adding a new line (4) to the Statement of Net Cost, effective fiscal 2010. SFFAS No. 33, Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from changes in Assumptions and Selecting Discount Rates and Valuation Dates (paragraph 1) indicates this change. (Reference: OMB Circular No. A-136, August 2010). Furthermore, actuarial gains and losses should be broken into two subcomponents (1) from experience and (2) from assumption changes.

## **Gains and Losses on Pensions, Other Retirement Benefits or Other Post Employment Benefits Assumption Changes**

**Account Title:** Gain on Changes in Long-Term Assumptions  
**Account Number:** 7271  
**Normal Balance:** Credit

**Definition:** The gain on the change in long-term assumptions used to estimate Federal employee pension, other retirement benefit, and other postemployment benefit liabilities, including veteran's compensation. This account excludes amounts related to Federal Employees Compensation Act program.

**Justification:** The USSGL Statement of Net Cost crosswalk was revised to display costs related to gains and losses from changes in long-term assumptions displayed separately from other costs on the statement. The change included adding a new line (4) to the Statement of Net Cost, effective fiscal 2010. SFFAS No. 33, Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from changes in Assumptions and Selecting Discount Rates and Valuation Dates (paragraph 1) indicates this change. (Reference: OMB Circular No. A-136, August 2010). Furthermore, actuarial gains and losses should be broken into two subcomponents (1) from experience and (2) from assumption changes.

**Account Title:** Losses on Changes in Long-Term Assumptions  
**Account Number:** 7272  
**Normal Balance:** Debit

**Definition:** The loss on the change in long-term assumptions used to estimate Federal employee pension, other retirement benefit, and other postemployment benefit liabilities, including veteran's compensation. This account excludes amounts related to Federal Employees Compensation Act program.

**Justification:** The USSGL Statement of Net Cost crosswalk was revised to display costs related to gains and losses from changes in long-term assumptions displayed separately from other costs on the statement. The change included adding a new line (4) to the Statement of Net Cost, effective fiscal 2010. SFFAS No. 33, Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from changes in Assumptions and Selecting Discount Rates and Valuation Dates (paragraph 1) indicates this change. (Reference: OMB Circular No. A-136, August 2010). Furthermore, actuarial gains and losses should be broken into two subcomponents (1) from experience and (2) from assumption changes.

## **Gains and Losses on Pensions, Other Retirement Benefits or Other Post Employment Benefits Assumption Changes**

### **REVISED USSGL ACCOUNTS Effective FY 2012**

**Account Title:** Other Gains  
**Account Number:** 7190  
**Normal Balance:** Credit

**Definition:** The gain on assets resulting from events other than disposition. **This excludes amounts related to the gain on the change in long-term assumptions from experience and gain on the change in long-term assumptions for Federal employee pension, other retirement benefit, and other postemployment benefit liabilities, including veteran’s compensation. This account includes amounts related to Federal Employees Compensation Act program.**

**Justification:** Modified definition to exclude amounts reported in USSGL accounts 7171, “Gains on changes in long-term assumptions – From Experience” and 7271, “Gain on changes in long-term assumptions.”

**Account Title:** Other Losses  
**Account Number:** 7290  
**Normal Balance:** Debit

**Definition:** The loss on assets resulting from events other than disposition. **This excludes amounts related to the losses on the change in long-term assumptions from experience and losses on the change in long-term assumptions for Federal employee pension, other retirement benefit, and other postemployment benefit liabilities, including veteran’s compensation. This account includes amounts related to Federal Employees Compensation Act program.**

**Justification:** Modified definition to exclude amounts reported in USSGL accounts 7172, “Losses on changes in long-term assumptions – From Experience” and 7272, “Losses on changes in long-term assumptions.”

## Gains and Losses on Pensions, Other Retirement Benefits or Other Post Employment Benefits Assumption Changes

### Listing of USSGL accounts used in this scenario

Account Number	Account Name
2610	Actuarial Pension Liability
2620	Actuarial Health Insurance Liability
2630	Actuarial Life Insurance Liability
2690	Other Actuarial Liabilities
3310	Cumulative Results of Operations
6800	Future Funded Expenses
7171	Gains on changes in long-term assumptions – From Experience
7172	Losses on changes in long-term assumptions – From Experience
7271	Gains on changes in long-term assumptions
7272	Losses on changes in long-term assumptions

### USSGL PROPRIETARY ACCOUNT ATTRIBUTE TABLE

USSGL Account Number	Normal Balance	Fed/Non Fed	Trading Partner	Exch/ Nonexch	Budget Subfunction	Cust/ Noncust	Entity/ NonEnt	Covered/ Not Cov	Program Indicator	Budgetary Impact Ind
7171	C	N		X					P	
7172	D	N		X					P	
7271	C	N		X					P	
7272	D	N		X					P	

### ATTRIBUTES REQUIRED FOR FACTS II REPORTING OF DETAILED FINANCIAL INFORMATION

USSGL Account Number	Balance Sheet	Net Cost	Net Position	Custodial Activity	Reclass Balance Sheet	Reclass Net Cost	Reclass Net Position
7171	32, 33	4			9.1, 9.2	4	
7172	32, 33	4			9.1, 9.2	4	
7271	32, 33	4			9.1, 9.2	4	
7272	32, 33	4			9.1, 9.2	4	

## Gains and Losses on Pensions, Other Retirement Benefits or Other Post Employment Benefits Assumption Changes

A beginning trial balance is not applicable in this scenario.

1. To record the liability for cost to be funded in the future related to federal pensions, ORB and OPEB, including veterans' compensation.			
	DR	CR	TC
<b><u>Budgetary Entry</u></b>			
None			
<b><u>Proprietary Entry</u></b>			
6800 Future Funded Expenses	150,000		B420
2610 Actuarial Pension Liability		20,000	
2620 Actuarial Health Insurance Liability		40,000	
2630 Actuarial Life Insurance Liability		60,000	
2690 Other Actuarial Liabilities		30,000	

2. To record a gain on change in long-term assumptions related to federal pensions, ORB and OPEB, including veterans' compensation.			
	DR	CR	TC
<b><u>Budgetary Entry</u></b>			
None			
<b><u>Proprietary Entry</u></b>			
2610 Actuarial Pension Liability	10,000		
2620 Actuarial Health Insurance Liability	7,000		
2630 Actuarial Life Insurance Liability	8,000		D570
2690 Other Actuarial Liabilities	9,000		
7171 Gains on changes in long-term assumptions – From Experience		25,000	
7271 Gains on changes in long-term assumptions		9,000	



## Gains and Losses on Pensions, Other Retirement Benefits or Other Post Employment Benefits Assumption Changes

3. To record a loss on change in long-term assumptions related to federal pensions, ORB and OPEB, including veterans' compensation.			
	<b>DR</b>	<b>CR</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b>			
None			
<b><u>Proprietary Entry</u></b>			
7172 Losses on changes in long-term assumptions – From Experience	19,000		D571
7272 Losses on changes in long-term assumptions	5,000		
2610 Actuarial Pension Liability		5,000	
2620 Actuarial Health Insurance Liability		8,000	
2630 Actuarial Life Insurance Liability		6,000	
2690 Other Actuarial Liabilities		5,000	

### Pre-closing Adjusted Trial Balance

	Debit	Credit
<b><u>Budgetary</u></b>		
None		
<b>Total</b>	<b>-0-</b>	<b>-0-</b>
<b><u>Proprietary</u></b>		
2610		15,000
2620		41,000
2630		58,000
2690		26,000
6800	150,000	
7171		25,000
7172	19,000	
7271		9,000
7272	5,000	
<b>Total</b>	<b>174,000</b>	<b>174,000</b>

## Gains and Losses on Pensions, Other Retirement Benefits or Other Post Employment Benefits Assumption Changes

### Closing Entries

1. To record the closing of losses and miscellaneous items into cumulative results of operations.			
	DR	CR	TC
<b><u>Budgetary Entry</u></b> None			F340
<b><u>Proprietary Entry</u></b> 7171 Gains on changes in long-term assumptions – From Experience	25,000		
7271 Gains on changes in long-term assumptions	9,000		
3310 Cumulative Results of Operations		10,000	
7172 Losses on changes in long-term assumptions – From Experience		19,000	
7272 Losses on changes in long-term assumptions		5,000	

2. To record the closing of revenue, expense, and other financing source accounts to cumulative results of operations.			
	DR	CR	TC
<b><u>Budgetary Entry</u></b> None			F336
<b><u>Proprietary Entry</u></b> 3310 Cumulative Results of Operations	150,000		
6800 Future Funded Expenses		150,000	

### Post-closing Trial Balance

USSGL Account	Debit	Credit
<b><u>Budgetary</u></b>		
None		
<b><u>Proprietary</u></b>		
2610		15,000
2620		41,000
2630		58,000
2690		26,000
3310	140,000	
<b>Total</b>	<b>140,000</b>	<b>140,000</b>

## Gains and Losses on Pensions, Other Retirement Benefits or Other Post Employment Benefits Assumption Changes

### Balance Sheet

Assets	
15. Total Assets	0
Liabilities	
24. Federal Employee and Veteran Benefits (2610E, 2620, 2630, and 2690E)	(140,000)
28. Total Liabilities	(140,000)
Net Position	
33. Cumulative Results of Operations – Other Funds (Note 21) (6800E, 7170E, and 7270E)	140,000
34. Total net position	140,000
35. Total liabilities and net position	0

### Statement of Net Cost

Gross Program costs	
Program A	
1. Gross costs (note 22) (6800E)	150,000
2. Less: earned revenue	0
3. Net program costs (calc. line 1 minus 2)	150,000
4. (Gains)/Losses on pension, ORB or OPEB Assumption changes (7170 and 7270)	(10,000)
5. Net program costs including assumption changes (sum of Lines 3 through 4)	140,000
8. Net cost of operations (calc. line 5)	140,000

### Statement of Changes in Net Position

Budgetary Financing Sources	
6. Non Exchange Revenue	
14. Total Financing Sources (calc. line 6)	0
15. Net Cost of Operations (+/-)	140,000
16. Net Change (calc. line 14 minus 15)	140,000
17. Cumulative Results of Operations (sum of lines 3 and 16)	140,000
Unexpended Appropriations:	
26. Total Unexpended Appropriations	0
27. Net Position (sum of lines 17 and 26)	140,000