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Public Employees Retirement Association of New Mexico

Governmental Accounting Standards Board Statement (GASBS) No. 68 Guide

**For Governmental Employers Financial Reporting
Fiscal Year End June 30, 2024**

The purpose of this guide is to assist employers who are participants in the Public Employees Retirement Association of New Mexico (PERA) Plan to comply with the accounting and financial reporting requirements in the Governmental Accounting Standards Board's *Statement No. 68, Accounting and Financial Reporting for Pensions (GASBS 68)*, as amended.

The information provided by this guide and the tools included with this guide do not constitute, and should not be treated as, professional advice. The information and tools are only the starting point for an employer and its auditors to independently determine the accuracy and completeness of the pension related information that is reported in the employer's audited financial statements.

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INTRODUCTION

This guide is intended to assist employers with accounting and financial reporting required by Governmental Accounting Standards Board's *Statement No. 68, Accounting and Financial Reporting for Pensions* (GASBS) 68 and provides two tools, the Journal Entry Tool (JE Tool) and the Notes/RSI Template. Below is an overview of each tool.

THE JE TOOL

In accordance with GASBS 68, the net pension liability shown in the schedules of employer allocations and pension amounts is as of the measurement date of June 30, 2023 (not the reporting date of June 30, 2024) and is based on the actuarial calculation performed as of June 30, 2022. The net pension liability was rolled forward from the calculation date to the plan year June 30, 2023 using generally accepted actuarial principles. The JE Tool is based on the employer specific information shown in the schedules of employer allocations and pension amounts published annually by the Public Employees Retirement Association of New Mexico (PERA). The JE Tool generates "model" journal entries with a minimum amount of input required by the employer. Once the journal entries are generated, an employer can use them as a model to prepare customized journal entries that are consistent with the employer's chart of accounts and accounting processes. The tool also includes a summary that can be used as an internal control aide to help ensure completeness and accuracy of the amounts to be recorded.

GASBS 68 NOTES/RSI TEMPLATE

The Notes/RSI Template provides sample pension related financial statement notes and required supplementary information (RSI) schedules. The template includes the disclosures generally applicable to all participating employers. Employer specific information is highlighted, so that it can be added by the employer using the template. Next to each highlight are instructions on where to find the information. The template also includes templates for the required supplementary information schedules (and related notes), and where to find the employer specific information for them.

NOTE TO USERS:

Before proceeding, if you are not familiar with GASBS 68, we suggest you first read [GASBS 68](#).

Section 1: The JE Tool and GASBS 68 Requirements

In general, GASBS 68 requires an employer to record the following:

The employer's-

- Proportionate share of the change in collective deferred outflows of resources.
- Proportionate share of the change in collective deferred inflows of resources.
- Proportionate share of collective pension expense (income).
- Employer-level deferral for the change in the employer allocation percentage.
- Amortization of employer-level deferrals for change in the employer allocation percentage.
- Employer-level deferral for the difference between actual contributions and a proportional share of total contributions for the pension plan measurement date.
- Amortization of employer-level deferrals for the difference between actual contributions and a proportionate share of total contributions.
- Deferral of the employer contributions between the measurement date and the reporting date.

The JE Tool summarizes the accounting requirements listed above into four journal entries by using the information in the allocation and pension amount schedules published annually by PERA. *Figure 1* below illustrates the tool's summary entries and the accounts the entries impact. (The information shown in the illustration is for Elephant Butte Irrigation District- Municipal General; *Figure 1* is available for download in an Excel[®] worksheet format from [PERA's Web Site](#).)

Figure 1

Summary of Journal Entries Generated by JE Tool (Figure 1)				
Description	Dr. (Cr.)			
	Net Pension Liability (NPL)	Deferred Outflows	Deferred Inflows	Pension Expense
Beginning Balance July 1, 2023	(7,314,241)	954,280	(344,536)	—
A. To reverse deferral of prior year contributions between measurement and reporting dates (<i>Journal Entry 1</i>)	368,202	(368,202)	—	—
B. To record the net change in NPL (<i>Journal Entry 2</i>)	(12,637)	287,995	(811,426)	536,068
C. To adjust for rounding and/or prior year differences (<i>Journal Entry 3 - may not be required</i>)	—	—	—	—
Subtotal (Schedule of Pension Amounts by Employer - Deferred Outflows adjusted by contributions)	(6,958,676)	874,073	(1,155,962)	536,068
D. To record deferral of current year contributions between measurement and reporting dates (<i>Journal Entry 4</i>)	—	—	—	—
Ending Balance June 30, 2024	(6,958,676)	874,073	(1,155,962)	536,068
	E	E	E	
	NPL <u>(6,958,676)</u>	2023 Schedule of Employer Allocations		
	Variance <u>—</u>			

Notes:

"A" through "D," these amounts are model journal entries from the JE Tool.

"E," these balances should be presented in the financial statements and accompanying notes.

"F," this balance should be reported in the financial statement's pension note as the amount of pension expense "recognized" for the year ended June 30, 2024.

"G," is input by the employer based on the Employer's General Ledger.

Also using Elephant Butte Irrigation District - Municipal General as an example, Section 2 below explains how to use the JE Tool.

Section 2: How to Use the JE Tool

The JE Tool is in an Excel® workbook, which can be downloaded to your computer from [PERA's Web Site](#). Once you download the workbook, open the worksheet named *JE Tool*, and you are ready to begin using the tool. *Figure 2* below illustrates the data entry section of the JE Tool.

Figure 2 shows which cells in the tool you will need to fill in. Notice that the tool includes instructions explaining where to go to find the employer specific data for each cell. Entering the data into the cells is all you need to do: the tool will take the data you entered and use it to generate the required journal entries and the summary schedule included with the tool (see *Figure 1*). As you see below, except for the employer contributions paid during FY24, all the data entered is available from the FY23 and FY22 Schedules of Employer Allocations and Pension Amounts reports which can be accessed from [PERA's Web Site](#).

Figure 2

FILL IN THE BLANKS (the cells with green Box) WITH EMPLOYER'S DATA (enter all amounts as positive numbers): Example is Elephant Butte Irrigation District		
BEGIN BY FILLING IN THE BLANKS IN THIS SECTION		
Actual Current Year (FY24) contributions paid were	—	Employer's General Ledger, Employer's Contributions Only
Actual Prior Year (FY23) contributions paid were	368,202	FY23 Schedules of Employer Allocation and Pension Amounts or Employer's General Ledger
Beginning NPL	7,314,241	2022 Schedules of Employer Allocation and Pension Amounts
Pension Expense	536,068	2023 Schedules of Employer Allocation and Pension Amounts
Deferred Outflows of Resources 2023	1,242,275	2023 Schedules of Employer Allocation and Pension Amounts
Deferred Inflows of Resources 2023	1,155,962	2023 Schedules of Employer Allocation and Pension Amounts
Deferred Outflows of Resources 2022	954,280	2022 Schedules of Employer Allocation and Pension Amounts
Deferred Inflows of Resources 2022	344,536	2022 Schedules of Employer Allocation and Pension Amounts
Ending NPL	6,958,676	2023 Schedules of Employer Allocation and Pension Amounts
Net Debit "DR"/((Credit "CR") to NPL	355,565	

Figure 3 illustrates the journal entries the tool generates.

Figure 3 Sample Journal Entries 1, 2 and 4

Journal Entry 1:

A: To reverse deferral of prior year contributions between measurement and reporting dates		
DR NPL	368,202	
CR Deferred Outflows		368,202

Journal Entry 2:

B: To record the net change in NPL		
DR(CR) NPL	(12,637)	Net Difference - Calculated
DR(CR) Pension Expense	536,068	
DR(CR) Deferred Outflows	287,995	
DR(CR) Deferred Inflows	(811,426)	

Journal Entry 4:

D: To record deferral of current year contributions between measurement and reporting dates	
DR Deferred Outflow	—
CR Pension Expense	—

Note: The example Journal Entry 4 shows zero debits and credits because this guide was published before the end of this fiscal year. To complete Journal Entry 4, the amount of employer contributions for the fiscal year 2024 (July 1 - June 30) should be entered in the JE Tool based on the Employer's GL.

Notice that the account descriptions are generic in the tool. Also, the accounts in the tool may be at a higher level of reporting than your chart of accounts. For example, your chart of accounts may classify pension expense into different instructional expenditure categories. If the tool's accounts are at a higher reporting level, use the tool's entries as a basis for the more detailed entries you will need to prepare.

In addition, you may not need to record all the tool's entries, depending on your accounting processes. For example, if as part of your routine accounting processes, you defer contributions between the measurement date and the reporting date (instead of recording them as expenditures), you will not need to record *Journal Entry 4*. However, the journal entries generated may be used to verify the amounts you have reported.

To help make verifying balances as easy as possible, the tool is designed to provide an adjustment for rounding differences, and/or for differences between prior year audited financial statement balances and the beginning balances PERA used to compile its schedules. Relatively speaking, any differences between the audited financial statements and the schedules should be very small. If they are not, you should determine the nature of the differences and resolve them. *Figure 4* shows example accounts for journal entry 3 from the JE Tool that adjusts for a small difference. In the example below, there are no differences, so the journal entry is not required and the amounts are zero.

Figure 4 Adjustment for Differences

The entries above result in a net DR/(CR) to NPL of	355,565
Net Change required to get to correct ending NPL	355,565
Journal Entry 3 (may not be required):	
C: To adjust for rounding and/or prior year difference	
Additional DR/(CR) to NPL required	—
Offsetting DR/(CR) entry should be to Pension Expense	—

Section 3: Notes Disclosures and RSI Template (Notes/RSI Template)

Disclaimer: The sample financial statement notes and required supplementary information (RSI) below are based on the illustrations in GASB's *Guide to Implementation of GASB Statement 68 on Accounting and Financial Reporting for Pensions*. The sample is not and should not be treated as professional advice. The sample includes only commonly required employer disclosures; accordingly, employers should consult with their independent public accountants for specific financial statements presentation.

Introduction

The Notes/RSI Template follows this introduction. The items in the template that are highlighted in **yellow** show which information is required to be entered by you; the **red text** enclosed in brackets directs you to where the information can be found. The **blue text** enclosed in brackets provides general guidance or guidance on additional disclosures that may be required.

NOTES/RSI TEMPLATE

Employer Name

**Notes to the Financial Statements
for the Year Ended June 30, 2024**

Note 1. Summary of Significant Accounting Policies

[The following should be included in the *Summary of Significant Accounting Policies*.]

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE X. Pension Plan

[If the employer provided benefits to employees through two or more pension plans, the employer should disclose information required by paragraph 74 of GASB Statement 68 and should apply the requirements of paragraph 75 of GASB Statement 68.]

General Information about the Pension Plan

Plan Description

Public Employees Retirement Fund is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-8, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Section 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded. PERA issues a publicly available annual comprehensive financial report that can be obtained at <https://www.nmpera.org/financial-overview/>.

Benefits Provided - Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least five years of service credit and the sum of the member's age and service credit equals at least 85 or at age 65 with 5 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 5 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions - [See PERA's Annual Comprehensive Financial Report that can be obtained on [PERA's Web Site](#) for Contribution Description]

PERA Fund Contribution Rates and Pension Factors in effect during FY23						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
STATE PLAN						
State Plan 3	7.42%	10.42%	18.74%	3%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
"Municipal Plan 1 (plan open to new employers)"	7.00%	9.00%	8.15%	2.0%	2.0%	90%
"Municipal Plan 2 (plan open to new employers)"	9.15%	11.15%	10.30%	2.5%	2.0%	90%
"Municipal Plan 3 (plan closed to new employers 6/95)"	13.15%	15.65%	10.30%	3.0%	2.5%	90%
"Municipal Plan 4 (plan closed to new employers 6/00)"	15.65%	17.65%	12.80%	3.0%	2.5%	90%
MUNICIPAL POLICE PLANS 1 - 5						
Municipal Police Plan 1	7.00%	9.00%	11.15%	2.0%	2.0%	90%
Municipal Police Plan 2	7.00%	9.00%	16.15%	2.5%	2.0%	90%
Municipal Police Plan 3	7.00%	9.00%	19.65%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	14.35%	19.65%	3.0%	2.5%	90%
Municipal Police Plan 5	16.30%	18.30%	19.65%	3.5%	3.0%	90%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.00%	11.50%	12.15%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.00%	11.50%	18.65%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.00%	11.50%	22.40%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.80%	16.30%	22.40%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.20%	19.70%	22.40%	3.5%	3.0%	90%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.30%	3.0%	3.0%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.5%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	10.42%	18.74%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	7.78%	27.87%	3.0%	3.0%	90%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions -

At June 30, 2024, the **employer's name** reported a liability of **\$XXX,XXX** for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2023 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2022. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2023. The **employer's name's** proportion of the net pension liability was based on a projection of the **employer's name's** long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2024, the **employer's name's** proportion was **0.XX%**, which was an **increase/decrease** of **0.XX%** from its proportion measured as of June 30, 2023.

[If there had been a change of benefit terms that affected the measurement of the total pension liability since the prior measurement date, the employers would need to disclose information required by paragraph 80e of GASBS 68.]

[If changes expected to have a significant effect on the measurement of the employer's proportionate share of the net pension liability had occurred between the measurement date and the reporting date, the employer would need to disclose the information required by paragraph 80f of GASBS 68.]

For the year ended June 30, 2024, the **employer's name** recognized pension expense of **\$X,XXX**. At June 30, 2024, **employer's name** reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

[PERA's 2023 Schedule of Pension Amounts by Employer]

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ XX,XXX	\$ XX,XXX
Changes of assumptions	X,XXX	X,XXX
Net difference between projected and actual earnings on pension plan investments	XX,XXX	XX,XXX
Changes in proportion and differences between contributions and proportionate share of contributions	XX,XXX	XX,XXX
Employer contributions subsequent to the measurement date	XX,XXX	XX,XXX
TOTAL	\$ XX,XXX	\$ XX,XXX

\$X,XXX reported as deferred outflows of resources related to pensions resulting from employer's name's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2025	XX,XXX
2026	XX,XXX
2027	XX,XXX
2028	XX,XXX
2029	XX,XXX
Thereafter	XX,XXX

Actuarial assumptions. The total pension liability in the June 30, 2022 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA FUND	
Actuarial Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll for all divisions except for the Legislative division which is Level Dollar
Amortization Period	25 years
Actuarial Assumptions:	
Investment Rate of Return	7.25% annual rate
Projected Salary increases	3.25% to 13.50% annual rate
Includes Inflation at	2.50%
Mortality Assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generational. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience Study Dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2013 through June 30, 2017 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2022. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2023. These assumptions were adopted by the Board use in the June 30, 2022 actuarial valuation.

[If the benefit terms include ad hoc postemployment benefit changes, the employer should disclose information about assumptions relates to those changes, as required by paragraph 77 of GASBS 68.]

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	38.00%	6.90%
Risk Reduction & Mitigation	17.00%	3.90%
Credit Oriented Fixed Income	19.00%	6.00%
Real Assets to include Real Estate Equity	18.00%	7.00%
Multi-Risk Allocation	8.00%	0.61%
TOTAL	100.00%	

Discount rate. A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2023. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

[If there had been a change in the discount rate since the prior measurement date, the employer should disclose information about that change, as required by paragraph 78a of GASBS 68.]

Sensitivity of the employer name's proportionate share of the net pension liability to changes in the discount rate. The following presents the employer name's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the employer name's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

PERA Fund	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	XX,XXX	XX,XXX	XX,XXX

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial reports for PERA.

[If significant changes had occurred that indicate that the disclosures included in the pension plan's financial report generally did not reflect the facts and circumstances at the measurement date, the employer would disclose additional information, as required by paragraph 79 of GASBS 68.]

SCHEDULE OF EMPLOYER'S NAME CONTRIBUTIONS

Last Ten Fiscal Years
(dollar amounts in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutory required	\$XX,XXX	\$XX,XXX	\$XX,XXX	\$XX,XXX	\$XX,XXX	\$XX,XXX	\$XX,XXX	\$XX,XXX	\$XX,XXX	\$XX,XXX
Contribution in relations to the statutorily required contributions	XX,XXX	XX,XXX	XX,XXX	XX,XXX	XX,XXX	XX,XXX	XX,XXX	XX,XXX	XX,XXX	XX,XXX
Annual Contributions deficiency (excess)	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-

**Notes to Required Supplementary Information
for the Year Ended June 30, 2024**

Changes of benefit terms: The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's ACFR <https://www.nmpera.org/financial-overview/>.

Assumptions: The Public Employees Retirement Association of New Mexico Annual Actuarial Valuations as of June 30, 2023 report is available at <https://www.nmpera.org/financial-overview/retirement-fund-valuation-reports/>.