

ACCOUNTING, TECHNOLOGY & ADVISORY SERVICES

GASB STATEMENT NO. 84, FIDUCIARY ACTIVITIES: THE IMPACT ON DEFERRED COMPENSATION PLANS

A NEW REPORTING STANDARD AFFECTING STATE AND LOCAL GOVERNMENTS ACROSS THE COUNTRY

To reduce reporting inconsistencies, the Governmental Accounting Standards Board (GASB) announced a new standard affecting governments and their reporting standards. In late 2019, GASB clarified how the implementation of this pronouncement may impact the reporting of deferred compensation plans in a governments' financial statements.

In the past few years alone, sweeping changes have affected governmental reporting standards and models to help keep future reporting as transparent and understandable as possible. However, these new statements often lack clear definitions and guidance, yet have a significant impact on governmental activities.

EFFECTIVE FOR FISCAL YEARS ENDING DECEMBER 31, 2019 AND THEREAFTER

GASB may require IRC deferred compensation 457 plans and deferred compensation 403(b) plans that do not have a separate board to be included in the reporting entity of the sponsoring employer.

This new reporting requirement will place a significant impact on state and local governments and units of higher education, asking them to suddenly report their deferred compensation plans as part of their financial statements and have them audited.

EMPLOYEE AUDIT REPORTING SOLUTIONS

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OUR RETIREMENT SERVICES EXPERTS

consult with governments that provide deferred compensation plans for their employees and provide solutions for keeping planned assets out of financial statements.

Currently, government and higher education institutions are not accounting for these plans as they are an aggregate of individual accounts. However, we can provide an option for governments to be able to continue to exclude these compensation plans from their financial statements. To keep these plans out of the employer's audit report, governments may create a Board where the voting majority is controlled by the employees and retirees. In summary, a few solutions include:

- Designing a new committee structure for your deferred compensation plans
- Creating a new Board to oversee the plan, including assisting with determining the composition of the Board
- Drafting plan documents in accordance to new Board policies and procedures

To learn more about this new reporting standard or for help staying compliant, please contact us.

OUR EXPERTS

JOE CONNELL

AIFA, QPFC, CRPS®, RF™

PARTNER, WEALTH MANAGEMENT SERVICES

T: 763.445.2632

E: joe.connell@sikich.com

WAYNE BACA

ARPC, RF™

CLIENT RELATIONSHIP MANAGER

T: 763.445.2638

E: wayne.baca@sikich.com

FRED LANTZ

CPA

PARTNER-IN-CHARGE, GOVERNMENT SERVICES

T: 630.566.8557

E: fred.lantz@sikich.com

CHAD LUCAS

CPA

PARTNER, GOVERNMENT SERVICES

T: 217.862.1724

E: chad.lucas@sikich.com

DAN BERG

CPA

PARTNER

T: 262.754.9400

E: dan.berg@sikich.com