

1. **Defined Contribution Plan**
  - a. Employer not liable for future
  - b. Funded if Money in Fund = Pension Cost (Expense) based on a FORMULA
2. **Defined Benefit Plan (Compensation/Benefit)**
  - a. Employer **LIABLE** for underfunded plans
  - b. **Pension Cost Components (6)**
    - i. + Service Cost
    - ii. + Interest Cost (PBO BOY \* SR)
    - iii. - Actual Return on Plan Assets (ROA) – Earned by pension  
[Actual – Expected = G/L Potential]
      1. EOY PA – BOY PA
    - iv. ± Amortization of Any Prior Service Cost OR Credit – Amend Plan to Pay More or Less
      1. Initially recorded as G/L in OCI then Amortized
      2. Increase or Decrease Pension Cost (Expense)
      3. Adjust OCI as you Amortize
    - v. ± Gain/Loss (OCI)
      1. Compare BOY PBO and MRAV, take larger.
      2. Multiple larger by 10% = Corridor
      3. Loss < Corridor = Ignore
      4. Loss > Corridor = Amortize Excess over Service Period Remaining
    - vi. – Amortization of **Transition** Asset or Obligation (FAS 87)
      1. Amortize over 20 years
  - c. Overfund (FV Plan Assets – PBO) = Prepaid Pension Cost (Noncurrent)
  - d. Underfund = Pension Liability (Current, Noncurrent, or Both)
  - e. **PBO**
    - i. BOY PBO ± Components (6) – Benefits Paid = EOY PBO
  - f. Never net overfunded plans and underfunded plans
  - g. Disclosure
    - i. Components, Plan Assets, Funded Status, Info on Plan Assets, ABO, Benefit Paid in Next Five Years, Net Periodic Benefit Cost, G/L Recognized in OCI, Rates Used, 1% Point Increase/Decrease
3. **Other Postretirement Benefits (SFAS 106)**
  - a. Not funded, uncapped, and great variability, utilization difficult to predict
  - b. Attribution Period – Post-retirement benefit is accrued
  - c. EPBO – Expected to be paid (not on F/S, Measure Expense)
  - d. APBO – Smaller Value (Only a portion of EPBO if **NOT** Yet Eligible)
  - e. **Transition Amount**
    - i. Immediate Recognition (Change in Accounting Principle Net of Tax) on I/S and Long Term Liability on B/S
    - ii. Deferred Recognition – Amortize over Service Period of 20 Years if Service Period < 20 Years

**██████████ Defined Contribution Plan**

Pension Expense  
    Cash or Pension Liability

**██████████ Defined Benefit Plan**

Pension Cost  
    Cash  
    Pension Liability

**Underfunded**

OCI -  
Loss  
    Pension Liability

Deferred Tax Asset (Tax Benefit by taking Liability \* % Tax Rate)

OCI -  
Loss  
    Pension Liability (Plugged using % Underfunded and BOY Pension Liability)