



# **GASB 68**

## **Reporting Requirements**

# What is GASB 68?

- **Governmental Accounting Standards Board (GASB) approved new rules that will affect employers**
- **Effective for fiscal years beginning after June 15, 2014**
- **Employers must include the following in their financial statements:**
  - **Their share of pension liabilities**
  - **Their share of annual expense**
  - **Extensive disclosures in the notes**



# Employer Impact

- **Additional work for employers and external auditors**
- **Required to include proportionate share of Net Pension Liability (NPL) and annual expense in financial statements**
- **Significant impact on financial statements**



# Talking Points for Stakeholders

- **New standards impact accounting, not funding**
- **No change in employer funding obligation or contribution rate**
- **Adjusted pension reporting should affect very few employers' financial ratings**
- **Systems are partnering with employers and Ohio's Auditor of State to implement the new requirements**
- **Systems are managing the unfunded liabilities**
- **House Concurrent Resolution 40**
- **Ongoing advocacy efforts**



# Accounting – Net Pension Liability

- **The Net Pension Liability is determined based on the difference between the Total Pension Liability and the Pension Assets (referred to as the Plan Net Position or PNP)**
- **This calculation used to be referred to as the Unfunded Accrued Actuarial Liability (UAAL, or Unfunded Liability)**
- **Elimination of market smoothing of assets in the calculation could increase volatility**
- **No impact to SERS or STRS Ohio at this time**
- **Employer recognizes proportionate share**



# Accounting – Pension Expense

- **In general, pension expense represents the change in Net Pension Liability (NPL) from one measurement date to the next**
  - **Similar to the manner in which an accounts payable liability is created through recognition of an administrative expense**
- **Change in NPL arises from changes in Total Pension Liability (TPL) and changes in Plan Net Position (PNP)**
  - **Standards recognize that certain elements within the TPL and PNP have a longer term perspective than the current year**
  - **To reduce volatility, these elements are amortized over closed periods of specified duration**





# Accounting – Pension Expense

- **Elements subject to amortization:**
  - **Actuarial gains and losses (difference between actual and expected economic and member demographic factors)**
  - **Changes in actuarial assumptions**
  - **Difference between projected and actual investment earnings**
  - **The effect of a change in employer proportion from one measurement date to the next**
  - **Difference between actual employer contributions and the proportionate share value for the measurement period (not applicable for SERS and STRS Ohio employers as we are using current contributions to calculate proportionate share)**



# Accounting – Pension Expense

- **Actuarial gains / losses and changes in actuarial assumptions are contained in the pension system's Required Supplementary Information - Schedule of Changes in Net Pension Liability**
- **The pension system will need to provide employers with the projected value of investment earnings**
  - **Actual investment earnings are in the Plan Net Position section of the Required Supplementary Information schedule of changes in Net Pension Liability**
- **A change in proportion is basically a shift between employers that may not affect all employers in the plan**
  - **Employers will need to calculate this impact (as of the beginning of their measurement period)**





# Accounting – Deferred Inflows and Deferred Outflows

- **Composition**
  - **Elements of change in net pension liability subject to amortization (amounts not recognized in the current year expense)**
  - **Employer contributions subsequent to the measurement date (deferred outflows)**
- **Annual recognition**
  - **Balances subject to amortization are “expensed” through recognition of annual amortization amounts in subsequent years’ pension expense**
  - **Employer contributions subsequent to the measurement date are recognized as a reduction in the employer’s Net Pension Liability balance the following year**



# Accounting – Proportionate Share

## **GASB 68 Paragraph 48a**

- **A measure of the proportionate relationship of the employer to all employers**
- **The basis for the employer’s proportion should be consistent with the manner in which contributions to the pension plan are determined**



# Accounting – Proportionate Share Considerations

## **GASB 68 Paragraph 49**

- **Average expected remaining service lives for the period**
- **A change in proportion from one year to the next is subject to amortization over a closed period equal to the average expected remaining service lives**
- **The number of decimal places used will have a direct impact on the difference between the proportionate share to actual contributions and the rate applied between years**
  - **The greater the number of decimals, the greater the likelihood of a change in proportion (AICPA guidance suggests all employers receive a proportion)**



# Accounting - Footnote Disclosures

- **The total should be disclosed for the employers proportionate share of (paragraph 74):**
  - **Pension Liability**
  - **Pension Assets**
  - **Deferred Outflows / Inflows of Resources related to pension**
  - **Pension Expense**



# Accounting - Footnote Disclosures

- **Pension Plan Description (paragraph 76)**
  - **The Name of the pension plan**
  - **A brief description of the benefit terms**
  - **A brief description of the contribution requirements**
  - **Access to the Pension Plan's stand-alone financial report**
- **Assumptions and Other Inputs (paragraph 77)**
- **Discount Rate (paragraph 78)**
- **Pension Plan's Fiduciary Net Position (paragraph 79)**
- **Other Information (paragraph 80)**



# Accounting - Required Supplementary Information or RSI

- **Presented as of the measurement date of the collective net pension liability (paragraph 81)**
  - **A 10-year schedule presenting employer's proportionate share information and covered-employee payroll each year (paragraph 81a.(1))**
- **Presented as of Employer's Fiscal Year End**
  - **A 10-year contributions schedule (paragraph 81b.)**
- **Notes to the Required Supplementary Information (paragraph 82)**
  - **Information about factors that significantly affect trends in the amounts reported in the RSI schedules should be presented in the notes to the schedules**





# How can I estimate NPL?

- **STRS Ohio = Use website GASB 68 calculator**
- **SERS = Multiply your SERS payroll by 1.75**



# Information Provided by STRS Ohio Audited

STATE TEACHERS RETIREMENT SYSTEM OF OHIO  
Sample Schedule of Employer Proportionate Share  
June 30,2014

Employer Name	Employer Number	2014 FY Employer Contributions	Employer Allocation Percentage
Employer 1	Cxx1	\$ 18,239,346	1.2751064%
Employer 2	Cxx2	7,606,860	0.5317930%
Employer 3	Cxx3	23,298,683	1.6288029%
Employer 4	Cxx4	36,805,379	2.5730514%
Employer 5	Cxx5	43,072,685	3.0111966%
Employer 6	Dxx1	300,602	0.0210150%
Employer 7	Dxx2	55,588	0.0038862%
Employer 8	Dxx3	15,174	0.0010608%
Employer 9	9xx1	62,986,095	4.4033362%
Employer 10	9xx2	7,669,450	0.5361686%
Employer 11	9xx3	16,550,134	1.1570142%
...			
...			
...			
Employer 1191	xx93	\$ <u>52,388</u>	<u>0.0036625%</u>
<b>Grand Total</b>		<b>\$ 1,430,417,560</b>	<b>100.0000000%</b>



# Information Provided by SERS Audited

**School Employees Retirement System  
Sample Schedule of Pension Amounts by Employer  
As of and for the year ended June 30, 2014**

District #	2014 Actual Employer Contribution	Employer Allocation Percentage
1-9	\$ 634,144.28	0.15588%
1-23	\$ 167,308.75	0.04113%
2-1	\$ 122,492.30	0.03011%
2-3	\$ 321,064.21	0.07892%
2-6	\$ 409,872.55	0.10075%
2-9	\$ 137,612.61	0.03383%
2-10	\$ 465,462.76	0.11442%
2-11	\$ 153,099.79	0.03763%
2-13	\$ 143,070.00	0.03517%
2-131	\$ 125,664.34	0.03089%
2-154	\$ 857,789.09	0.21086%
2-308	\$ 152,653.34	0.03752%
2-761	\$ 273,061.56	0.06712%
2-874	\$ 2,951.52	0.00073%
2-895	\$ 52,838.74	0.01299%
2-900	\$ 274,816.51	0.06755%
3-13	\$ 131,266.72	0.03227%
3-14	\$ 137,892.66	0.03390%
3-103	\$ 449,038.55	0.11038%
3-343	\$ 218,630.50	0.05374%
...		
...		
88-371	\$ 258,549.06	0.06355%
	<b>\$ 406,812,321.87400</b>	<b>100.00000%</b>



# Information Provided by STRS Ohio Audited

STATE TEACHERS RETIREMENT SYSTEM OF OHIO  
Sample Schedule of Pension Amounts by Employer  
As of and for the year ended June 30, 20X4

Employer Name	Number	Net Pension Liability	Deferred Outflows of Resources				Deferred Inflow of Resources				Pension Expense				
			Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Employer Pension Expense
Employer 1	Cox1	\$ 310,150,005	2,985,867	0	0	0	2,985,867	0	57,378,927	0	0	57,378,927	14,328,646	0	14,328,646
Employer 2	Cox2	129,350,462	1,245,279	0	0	0	1,245,279	0	23,930,326	0	0	23,930,326	5,975,873	0	5,975,873
Employer 3	Cox3	396,181,234	3,814,105	0	0	0	3,814,105	0	73,295,030	0	0	73,295,030	18,303,210	0	18,303,210
Employer 4	Cox4	625,855,148	6,025,215	0	0	0	6,025,215	0	115,785,575	0	0	115,785,575	28,913,934	0	28,913,934
Employer 5	Cox5	732,427,224	7,051,203	0	0	0	7,051,203	0	135,501,813	0	0	135,501,813	33,837,466	0	33,837,466
Employer 6	Dix1	5,111,575	49,210	0	0	0	49,210	0	945,661	0	0	945,661	236,150	0	236,150
Employer 7	Dix2	945,258	9,100	0	0	0	9,100	0	174,876	0	0	174,876	43,670	0	43,670
Employer 8	Dix3	258,023	2,484	0	0	0	2,484	0	47,735	0	0	47,735	11,920	0	11,920
Employer 9	9xx1	1,071,043,753	10,311,122	0	0	0	10,311,122	0	198,147,155	0	0	198,147,155	49,481,239	0	49,481,239
Employer 10	9xx2	130,414,759	1,255,525	0	0	0	1,255,525	0	24,127,225	0	0	24,127,225	6,025,042	0	6,025,042
Employer 11	9xx3	281,425,895	2,709,335	0	0	0	2,709,335	0	52,064,858	0	0	52,064,858	13,001,618	0	13,001,618
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Employer 1191	xx93	890,847	8,576	0	0	0	8,576	0	164,810	0	0	164,810	41,156	0	41,156
<b>Grand Total</b>		<b>\$ 24,323,460,773</b>	<b>234,166,130</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>234,166,130</b>	<b>0</b>	<b>4,499,932,461</b>	<b>0</b>	<b>0</b>	<b>4,499,932,461</b>	<b>1,123,721,574</b>	<b>0</b>	<b>1,123,721,574</b>



# Information Provided by SERS Audited

**School Employees Retirement System  
Sample Schedule of Pension Amounts by Employer  
As of and for the year ended June 30, 2014**



District #	Net Pension Liability	Deferred Outflows of Resources				Deferred Inflows of Resources				Pension Expense				
		Economic Experience	Investment Earnings	Changes of Assumptions	Share of Contributions	Total Deferred Outflows of Resources	Economic Experience	Investment Earnings	Changes of Assumptions	Share of Pension Expense	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense	Contributions	Total Employer Pension Expense
1-9	\$ 7,889,063.05	\$ 67,143.97	\$ -	\$ -	\$ -	\$ 67,143.97	\$ -	\$ 1,280,415.12	\$ -	\$ -	\$ 1,280,415.12	\$ 463,942.95	\$ -	\$ 463,942.95
1-23	2,081,402.16	17,714.85	-	-	-	17,714.85	-	337,816.90	-	-	337,816.90	122,403.87	-	122,403.87
2-1	1,523,863.74	12,969.63	-	-	-	12,969.63	-	247,326.99	-	-	247,326.99	89,615.95	-	89,615.95
2-3	3,994,194.84	33,994.67	-	-	-	33,994.67	-	648,268.04	-	-	648,268.04	234,892.10	-	234,892.10
2-6	5,099,013.78	43,397.80	-	-	-	43,397.80	-	827,582.98	-	-	827,582.98	299,864.70	-	299,864.70
2-9	1,711,967.72	14,570.59	-	-	-	14,570.59	-	277,856.74	-	-	277,856.74	100,678.03	-	100,678.03
2-10	5,790,582.96	49,283.76	-	-	-	49,283.76	-	939,826.43	-	-	939,826.43	340,534.76	-	340,534.76
2-11	1,904,635.75	16,210.39	-	-	-	16,210.39	-	309,127.26	-	-	309,127.26	112,008.53	-	112,008.53
2-13	1,779,860.38	15,148.43	-	-	-	15,148.43	-	288,875.89	-	-	288,875.89	104,670.69	-	104,670.69
2-131	1,563,325.41	13,305.49	-	-	-	13,305.49	-	253,731.72	-	-	253,731.72	91,936.62	-	91,936.62
2-154	10,671,313.13	90,823.75	-	-	-	90,823.75	-	1,731,981.43	-	-	1,731,981.43	627,562.55	-	627,562.55
2-308	1,899,081.74	16,163.12	-	-	-	16,163.12	-	308,225.83	-	-	308,225.83	111,681.91	-	111,681.91
...														
...														
88-371	3,216,475.96	27,375.49	-	-	-	27,375.49	-	522,042.28	-	-	522,042.28	189,155.71	-	189,155.71
	\$ 5,060,943,000.05	\$ 43,073,782.00	\$ -	\$ -	\$ -	\$ 43,073,782.00	\$ -	\$ 821,404,000.01	\$ -	\$ -	\$ 821,404,000.01	\$ 297,625,818.00	\$ -	\$ 297,625,818.00

# Information Provided by STRS Ohio Audited

## Actuarial Assumptions:

Wage Inflation: 2.75%

Projected Salary Increases: 2.75% to 12.25% depending on age

Investment Rate of Return: 7.75%

Mortality Tables: PR-2000 Combined Mortality Table (Projection 2022-Scale AA)

Date of Most Recent Experience Study: 6/30/2011





# Information Provided by SERS Audited

## Actuarial Assumptions:

**Wage Inflation:** 3.25%

**Projected Salary Increases:** 4.00% to 22.00%, including inflation

**Investment Rate of Return:** 7.75%

**Mortality Tables:** 1994 Group Annuity Mortality Table set back one year for both men and women

**Date of Most Recent Experience Study:** 6/30/2010



# Information Provided by STRS Ohio Audited

## Sensitivity of Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Employer's Net Pension Liability		
1% Decrease	Current Discount Rate	1% Increase
6.75%	7.75%	8.75%
\$34,821,686,000	\$24,323,461,000	\$15,445,495,000



# Information Provided by SERS Audited

## Sensitivity of Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Employer's Net Pension Liability		
1% Decrease	Current Discount Rate	1% Increase
6.75%	7.75%	8.75%
\$7,220,462	\$5,060,943	\$3,244,601



# Information Provided by STRS Ohio Unaudited

- **Schedule of Employer Contributions by Payroll**
- **Schedule of Employer Contributions by Member**
  - **Contributions in the STRS Ohio fiduciary plan net position by fiscal year on a payroll paid basis**
- **Purpose:**
  - **Provides employers with a tool to reconcile their contributions to payroll records**
  - **Provides a tool for auditors to make selections for census data testing**
  - **Provides detail to determine deferred Outflow of Resources for contributions paid subsequent to the measurement period**



# Tools Provided by STRS Ohio and SERS Unaudited

- **Amortization Tracking Tool**
  - Provides the collective values of elements subject to amortization, and the annual amortization amounts for each valuation date
  - Categorized as deferred inflows or outflows in the table
  - Employers can use the template format to track their proportionate shares of the collective values
  - Additional columns provided for employer tracking of any change in proportionate share
- **Sample Journal Entries**



# Audit Opinion

- **Report on Schedules**

- We have audited the accompanying schedule of employer allocations of (STRS/SERS) Pension Plan as of and for the year ended June 30, 2014, and the related notes. We have also audited the columns titled net pension liability, total deferred outflows of resources excluding employer specific amounts, total deferred inflows of resources excluding employer specific amounts, and pension expense as of and for the year ended June 30, 2014 and the net pension liability as of and for the year ended June 30, 2013 (specified column totals) included in the accompanying schedule of collective pension amounts of (STRS/SERS) Pension Plan, and the related notes.

- **Opinion**

- In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources excluding employer specific amounts, total deferred inflows of resources excluding employer specific amounts, and pension expense as of and for the year ended June 30, 2014 and the net pension liability as of and for the year ended June 30, 2013 for (STRS/SERS) Pension Plan, in accordance with accounting principles generally accepted in the United States of America.





# Outstanding Issues/Next Steps

- **AICPA issued initial best practices papers, more to come – *State and Local Government Accounting and Auditing Guide***
- **Auditor of State**
- **External Auditors**
- **Website updates, employer newsletters and notices**
- **Updated webinars/videos**



# STRS Ohio Communication Plan

## Going Forward

- **eUpdates to Employers**
  - Talking points for stakeholders
  - Availability of Schedules and Audit Opinion
- **Employer website (ESS secure site)**
  - Schedule of Employer Proportionate Share
  - Schedule of Pension Amounts by Employer
  - Statement of Actuarial Assumptions and Sensitivity to Change in Discount Rate
  - Audit Opinion
  - Amortization Tracking Tool template
  - Schedule of Employer Contributions by Payroll
  - Schedule of Employer Contributions by Member
  - Sample journal entries
- **Presentations**
  - STRS Employer Workshop Colleges and Universities
  - STRS Employer GASB Reporting Requirements Informational Meeting



# SERS Communication Plan

## Going Forward

- **SERS *Employer Bulletin***
  - Talking points for stakeholders
  - Availability of Schedules and Audit Opinion
- **SERS website**
  - Schedule of Employer Proportionate Share
  - Schedule of Pension Amounts by Employer
  - Statement of Actuarial Assumptions and Sensitivity to Change in Discount Rate
  - Audit Opinion
  - Amortization Tracking Tool template
  - Sample journal entries
- **Presentations**
  - Editorial visits to media outlets with school treasurers
  - SERS Employer workshops





Questions?