GASB Updates

2016 Employer Conference

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Impacts to Employers

Financial Reporting

- Annual reports for PERS / TRS employers
- Accounting staff know it is coming
- Needed for audited financial statements
- Needed information for timely reporting of share of net pension and net other postemployment benefit (OPEB) liabilities

Agenda

- What is GASB and is it contagious?
- What does an actuary do?
- GASB 68 and 75
- Accounting versus Funding
- What information is provided?
- Where can I find this information?
- Future timeline / calendar
- Questions?

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What is a GASB and is it contagious?

What is a GASB…..?

GASB is……

- Governmental Accounting Standards Board
- Private, not-for-profit organization that seeks to establish and improve the standards of accounting and financial reporting for US state and local governments
- Created in 1984 to establish Generally Accepted Accounting Principles (GAAP)

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and is it contagious?

It's spreading

- Since 1984, we have 82 statements that governmental accountants should be aware
- Not all apply to each organization
- Since your employer is in PERS and/or TRS, you should be alert to the reports the Division provides

What does an actuary do?

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What does an actuary do?

Look at probability and statistics

- Actuaries look at and manage risk
- They evaluate ways to reduce the likelihood of undesirable events
- They assist in decreasing the impact of undesirable events that do occur
- Actuaries need strong analytical skills, business knowledge, and understanding of human behavior…….and math ☺

What does an actuary do?

Actuarial Valuation Reports

- Annually, the Division has a valuation report prepared for the PERS and TRS to calculate the contribution rates
- Rates are set by Alaska statute, but this aids the legislature in determining the additional state contribution, or on-behalf amount
- They also assist the Division and legislature by analyzing the cost of benefits for bills

What does an actuary do?

Helps determine costs of benefits

- Over 25 assumptions ranging from salary, years of service, investment earnings, mortality, disability, retirement ages, etc
- Board adopted methods to calculate retirement and health benefits and assets to pay these benefits
- Actuaries assist the defined benefit plans to fund a member's retirement over the working life of the member

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GASB 68 and 75

Employer reporting of pensions and Other postemployment benefits

GASB 68 and 75

Before we get into this….

- With the issuance of the new pension statements, there were questions related to the Total Pension Liability (TPL), contribution revenues, and contribution receivables
- The Plan Auditor needs to assert that the above are complete and accurate, and in order to assert that, more audit work had to be done on census data
- That's why our external auditors now visit you

GASB 68 and 75

Census Data

Some significant elements of census data include:

1. Date of birth
2. Date of hire / years of service
3. Eligible compensation
4. Class of employee – all other / Peace officer or fire fighter
5. Gender
6. Date of termination, if applicable

GASB 68 and 75

Census Data

- Plan auditors must review plan processes for the census data of active employees of the plan and include procedures to verify the underlying payroll records of participating employers to determine that the information is accurate and complete
- Census data work by external auditor must be completed prior to issuance of audit reports
- Letters out in May / June; work started already

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GASB 68 and 75

Census Data

- Frequency and extent of verification is based on participating employer size, percent of contributions, and impact on TPL
- Plan auditor identifies and assesses risk of material misstatement of elements
- Plan auditor selects representative group of contributing employers each year as well as individually important employers
- Every year, as well as 5 and 10 year cycles

GASB 68 and 75

Basic idea

- PERS and TRS are cost-share plans
- Each employer pays the same rate depending on the retirement system
- For PERS, the employer rate is 22%
- For TRS, the employer rate is 12.56%
- These rates are set in Alaska Statute

GASB 68 and 75

What is GASB 68?

- Accounting and Financial Reporting for Pensions
- This is the employer reporting responsibility
- Effective for most employers starting Fiscal Year Ended June 30, 2015

GASB 68 and 75

What is GASB 75?

- Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions
- This is the employer reporting responsibility
- Effective for most employers starting Fiscal Year Ended June 30, 2018

GASB 68 and 75

What's in it for me?

- On a payroll processing level, not so much since you work with the funding side (paying the required rates)
- For accounting staff, this is very important for properly reporting the allocated shares of pension and OPEB liabilities
- Required to report on audited financial statements in order to properly state assets / liabilities

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Funding

versus

Accounting

Funding versus Accounting

Funding

- As stated previously, employer contribution rates are set by Alaska statute
- PERS – AS 39.35.255
- TRS – AS 14.25.070
- There are some circumstances in which employers would pay more than in statute

Funding versus Accounting

Accounting

- The Division will provide reports annually from Buck Consultants (our actuary) and KPMG (our auditors) which reflect the allocated Net Pension Liability (GASB 68) and the Net OPEB Liability (GASB 75)
- The reporting of these liabilities is calculated using processes that are not the same as the valuation report, though close
- New reporting requirements not specifically tied to payroll processing

What information is provided?

What information is provided?

Two reports for use

- PERS Net Pension Liability as of June 30, 2015 to be allocated is $4,850,014,000

  (see page 33 of PERS FY 2015 audited f/s)

- TRS Net Pension Liability as of June 30, 2015 to be allocated is $1,860,451,000

  (see page 32 of TRS FY 2015 audited f/s)

- The allocation reports from Buck Consultants have already been issued
- The audit report is due out October 21

What information is provided?

Information available

- **Actuary reports**
  - GASB 68 information report includes schedules, actuarial assumptions and methods, plan provisions, allocations of pension amounts, NPL reconciliation, and amortization schedules

What information is provided?

Two reports for use

- Buck Consultants report looks like this:

State of Alaska
Public Employees' Retirement System

Information Required Under
Governmental Accounting Standards Board
Statement No. 68 as of June 30, 2015

What information is provided?

Information available

- **Audited schedules**
  - PERS and TRS Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer and Nonemployer

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What information is provided?

Two reports for use

- KPMG audit report looks like this:

STATE OF ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
DEFINED BENEFIT PENSION PLAN

Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer and Nonemployer

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

Where can I find this information?

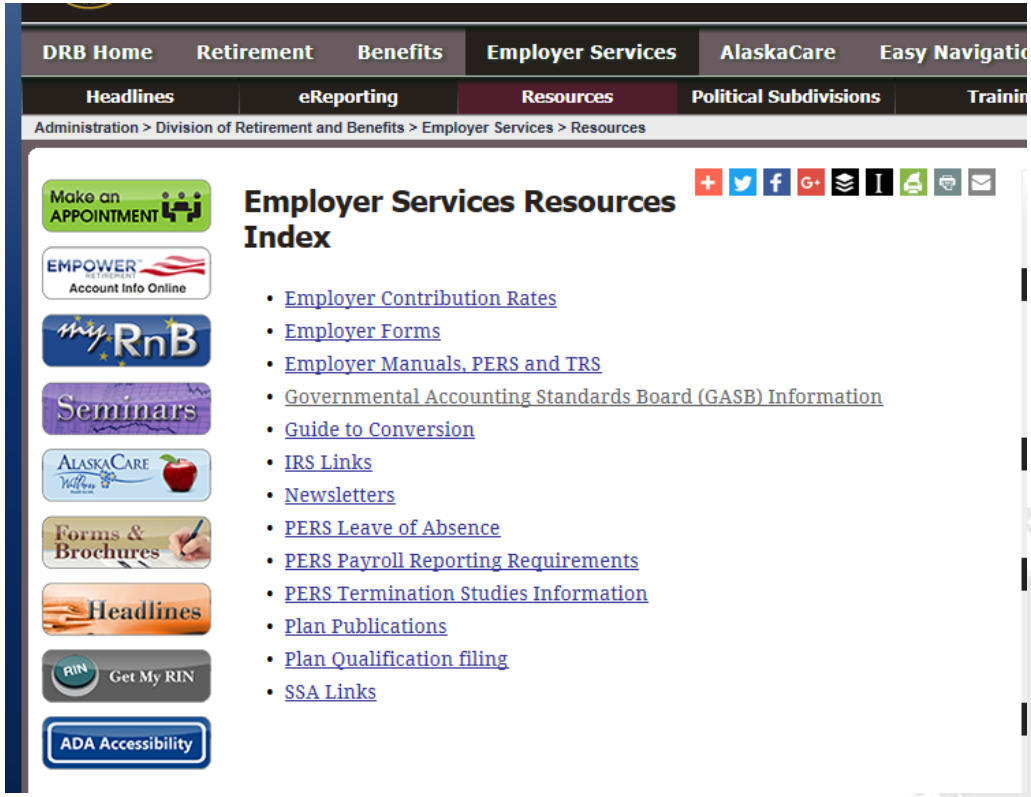
Where can I find this information?

Division's web pages

- doa.alaska.gov/drb/

Where can I find this information?

Division's web pages



- doa.alaska.gov/drb/employer/resources

Where can I find this information?

Division's web pages

Governmental Accounting Standards Board (GASB)

A Letter to Employers about GASB 68. Here you will find information related to the State of Alaska's release of the GASB No. 68 - Allocation of the Net Pension Liability (NPL), and how the State will report their share of the NPL.

Implementation of required standards from the Governmental Accounting Standards Board (GASB) begins with the new fiscal year after June 15, 2014. The below resources should help you prepare for these new complex standards. We are here to assist you in your understanding and implementation.

- FY 2016 Materials
- FY 2015 Materials
- Standards
- Resources
- OPEB Exposure Draft Information
- AICPA
- Training

FY 2016 Materials

- PERS GASB 68 information report - Prepared by Buck Consultants (FINAL)
- TRS GASB 68 information report - Prepared by Buck Consultants (FINAL)

FY 2015 Materials

- doa.alaska.gov/drb/employer/resources/gasb.html

Future timeline / calendar

Future timeline / calendar

Timeline for reports

- The reports necessary for June 30, 2015 were issued in December 2015
- The reports necessary for June 30, 2016 will be issued this month
- The reports necessary for June 30, 2017 will be issued in March 2017
- Each year thereafter, unless some tragic accounting event occurs

Final Comments

- Very important financial reports coming to an inbox near you (or your inbox)
- Please provide email to your accountant friends, they need it ASAP
- Your roles are very important to the Division, your fellow employees, retirees, actuaries, and accountants!
- Thank you for your service, and the timely and accurate payroll processing ☺

Questions?