

# **GASB 68**

## **ERS- Agent Multiple Plan**

**Diane E. Scott, CPA, CGMA**

**June 5, 2015**

# *ERS Retirement Employer Portal*

Project Update

# Project Schedule

- ▶ ERS Retirement Employer Portal Design Requirements-  
Early 2016
- ▶ Transition to New Employer Portal May 2017
- ▶ New data elements will be required
- ▶ Your IT Vendor will need to be involved

# What is in my packet?

- ▶ Overall memo related to audit approach and summary of packet
- ▶ GASB Statement 68 Report for ERS prepared by Actuary
- ▶ Schedule of Changes in Fiduciary Net Position by Employer – (Specified Element Report)
- ▶ SOC 1 Type 2 report
- ▶ Draft Note Disclosures for an agent employer
- ▶ Employer specific valuation info and journal entries with certification letter from Actuary

# Overall Memo on Audit Approach

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June 4, 2015

ERS Participating Employers:

The reporting requirements for the plan vs. the employer are significant with respect to the total pension liability, deferred outflows of resources, deferred inflows of resources, pension expense, and the employer's specific interest in the plan's fiduciary net position. In May 2014, the AICPA SLGEP issued a whitepaper, "Governmental Employer Participation in Agent Multiple-Employer Plans: Issues Related to Information for Employer Reporting" which raises several concerns and offers best practice solutions to overcoming these concerns. The whitepaper point out that:

- a.) The financial statements of agent plans do not include the specific pension amounts required to be reported by participating employers and these employers do not have direct access to the underlying plan records and data supporting such amounts; and
- b.) The plan financial statements do not disclose actuarial information for each individual employer or the plan as a whole.

The AICPA SLGEP has recommended certain best practice solutions for plans and their auditors to assist employers and their auditors in overcoming the above challenges they will face when implementing GASB Statement No. 68.

The first best practice solution relates to the total pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The AICPA SLGEP has recommended the following:

# Overall Memo on Audit Approach

- ▶ AICPA Whitepapers published by State and Local Government Expert Panel
  - Governmental Employer Participation in Agent Multiple-Employer Plans: Issues Related to Information for Employer Reporting
- ▶ Description of Schedule of Changes in Fiduciary Net Position by Employer
- ▶ List of all reports provided
- ▶ Note: Provide a copy of all materials to your auditor

# GASB Statement 68

Each Local employer in ERS stands alone. Benefit payments will be made to the extent your plan has assets from which benefits can be paid. If the assets in your plan are depleted, the responsibility for funding future benefit payments is the employer, not RSA. Because of this, GASB Statement 68 replaces the financial reporting requirements under GASB Statement 27 for participating employers in public pension plans. Major financial reporting and accounting changes for agent multiple employer plans include recognizing and reporting:

1. Liability for your net pension liability (if over 100% funded, record an asset)
2. Your pension related deferrals and collective pension expense
3. Deferred Inflows and Outflows of Resources (GASB 71 related to Employer Contributions)
4. Additional Note Disclosures and Required Supplementary Information (RSI)

# Schedule of Changes in Fiduciary Net Position by Employer

Employees' Retirement System of Alabama

*Schedule of Changes in Fiduciary Net Position by Employer*

*As of and for the Fiscal Year Ended September 30, 2014*

# Schedule of Changes in Fiduciary Net Position by Employer

- Specified Element Report
- Audit opinion by RSA auditors (pages 1-2 )
- Each employer's change in fiduciary net position (pages 3-17 )
- Notes to schedules (pages 18-21)

# Contribution – Employee (Member)

- ▶ See page 1 of GASB 68 Statement prepared specifically for your agency
- ▶ Contribution- Employee (member) included in Changes in Plan Fiduciary Net Position consist of:
  - Member Contributions deducted from Member's paycheck and remitted monthly via CRA upload to RSA
  - Member Contributions submitted based upon error service or review of annual checklist
  - Purchases of Service submitted by Members
  - Less Refunds of Member Contributions or insufficient funds checks
- ▶ Contributions- Employee are included on accrual basis, not cash basis

# ERS Employer Rate

[ERS Rates are used as an example, each ERS employer has specific rates and should use those for calculation purposes]

Contributions for Fiscal Year Ending	September 30, 2014	September 30, 2013
<b><u>Tier I</u></b>		
Employer Contribution Rate		
Normal	1.05%	1.88%
Accrued liability	11.67%	9.79%
Death Benefit	0.14	0.15
Administration	<u>0.21</u>	<u>0.18</u>
Total	12.02%	10.12%
<b><u>Tier II</u></b>		
Employer contribution rate		
Normal	0.99%	1.80%
Accrued liability	11.61%	9.71%
Death benefit	0.14	0.15
Administration	<u>0.21</u>	<u>0.18</u>
Total	11.96%	10.04%

# Contribution - Employer

- ▶ See page 1 of GASB 68 Statement prepared specifically for your agency
- ▶ Contribution- Employer included in Change in Plan Fiduciary Net Position consists of:
  - Employer Contributions related to the normal and accrued liability rates remitted monthly to RSA
  - Employer error service contributions related to normal and accrued liability rates
  - Employer lump sum payments
  - Less refund of employer contributions related to normal and accrued liability rates
- ▶ Contributions- Employer are included on accrual basis, not cash basis

## Contributions Used for Allocation Percentage

- ▶ Total Contributions = Monthly ER Contributions + Error Service – Refunds + Lump Sum
- ▶ Monthly Employer Contribution components not considered in calculating the Net Pension Liability: PRDB and Admin Expense
- ▶ Formula:  $\text{Monthly ER Contributions} \times (\text{Normal} + \text{Accrued Liability Rate}) / \text{Total Employer Rate}$

# Investment Income

- ▶ Investments are only component of Agent Multiple Employer Plan that are pooled
- ▶ Investment Income is allocated to participating employers based upon percent earned for Fiscal Year rounded to nearest  $\frac{1}{4}\%$ . For FY 2014, rate used = 12%
- ▶ Calculation Method:
  - Beginning of year market value X rate
  - + Cash flow (excluding Lump Sum Employer Contribution) x rate x 50%
  - + Lump sum employer contribution x rate raised to the power equal to # of days ERS had the contribution divided by 365

# A-align SOC 1 Type 2 Report

Retirement Systems of Alabama  
Type 2 SSAE 16  
January 1, 2014 Through  
September 30, 2014

A-align®

# Report on Management's Description of Retirement Systems of Alabama's System and the Suitability of the Design and Operating Effectiveness of Controls

- SOC 1 Type 2 report for period Jan 1, 2014—Sept 30, 2014 (to be prepared annually)
- Audit firm: A-lign CPA's
- Controls reviewed and tested around following :
  - Contributions/Enrollments
  - Investments
  - Disbursements for benefits
  - Valuations and Census Data

# SOC 1 Type 2 Report—Why do I need this?

- ▶ Provide to your auditors
- ▶ Complimentary User Entity Controls section—pages 19-20
- ▶ Review your organization's controls around the following user entity controls:
  - Enrollment
  - Contributions
  - Census Data
  - Distributions
  - IT General Controls

# Examples of User Entity Controls

- ▶ Enrollment-providing timely enrollment forms to new employees
- ▶ Annual checklists—promptly process, review, correct and certify to RSA the completeness of the Annual Checklist
- ▶ Completion of non-enrollee forms
- ▶ Timely and accurate termination of employment and last contribution remitted

# Note Disclosures and Required Supplementary Information

## **Illustration 2—Note Disclosures for a Single Employer (No Nonemployer Contributing Entities)**

*[Note: This illustration includes only note disclosures and required supplementary information required by this Statement. If the employer includes the pension plan in its financial reporting entity, the employer should apply the requirements of footnotes 12, 13, and 25 of this Statement, as applicable. The circumstances of this employer do not include all circumstances for which note disclosures and required supplementary information should be presented.]*

**Sample City  
Notes to the Financial Statements  
for Year Ended September 30, 2015**

(Dollar amounts in thousands)

### **Summary of Significant Accounting Policies**

*Pensions.* The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

### **Note X**

# Note Disclosures and Required Supplementary Information

- ▶ Follows requirements of GASB 68
- ▶ Contains disclosures specific to ERS for your September 30, 2015 financials
- ▶ These disclosures as presented have been run through a GAAP disclosure checklist relative to GASB 68 and 71 disclosures
- ▶ Note: Summary of Significant Accounting Policies—see suggested language
- ▶ Note X—this is your note that gives more specific information about the ERS plan
- ▶ References to “See Detail Table or Report”

# Important Dates

- ▶ Valuation Date: September 30, 2013
- ▶ Measurement Date: September 30, 2014
- ▶ Measurement Period: Oct 1, 2013-Sept 30, 2014
- ▶ Financial Statement Date: September 30, 2015
- ▶ Net Pension Liability for 9/30/2013 was rolled forward to 9/30/2014 using standard roll-forward procedures by actuary

# Note Disclosures and Required Supplementary Information (RSI)

- Schedule of Change in Net Pension Liability and Related Ratios
  - GASB 68, paragraph 46 a and b
  - Covered employee payroll
    - Not pensionable payroll
    - Covered employee payroll during Measurement Period (FY2014)
- Schedule of Contributions
  - GASB 68, paragraph 46c
  - Contributions only for normal and accrued liability component of employer rate
  - Covered employee payroll—during fiscal year of your audit report (FY2015)

# Schedules of Required Supplementary Information

## Schedule of Changes in the City's Net Pension Liability and Related Ratios

### Last 10 Fiscal Years

(Dollar amounts in thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b>Total Pension Liability</b>										
Service Cost	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Interest	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Changes in assumptions	-	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Net change in total pension liability</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Total pension liability -- beginning</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Total pension liability -- ending(a)</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Plan fiduciary net position</b>										
Contributions -- employer	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Contributions -- employee	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Net investment income	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Benefit payments, including refunds of employee contributions	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Administrative expense	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Other	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Net change in plan fiduciary net position</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Plan fiduciary net position -- beginning</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Plan fiduciary net position -- ending (b)</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>City's net position liability -- ending (a)-(b)</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	%	%	%	%	%	%	%	%	%	%
<b>Covered-employee payroll</b>										
<b>City's net pension liability as a percentage of covered-employee payroll</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	%	%	%	%	%	%	%	%	%	%

\* The amounts presented for each fiscal year were determined as of 9/30.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**Notes to Schedule:**

A: Per question and answer 210 of the GASB 68 Implementation Guide, covered employee payroll IS NOT pensionable payroll of covered employees, but the total payroll of those employees who are participating in the pension plan. Also, per question and answer 211, the covered-employee payroll for this RSI schedule (GASB 68 paragraph 81a) is for the measurement period, which for the 9/30/2015 year is 10/1/2013--9/30/2014.

# Schedule of Contributions

## Last 10 Fiscal Years ( Dollar amounts in thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially determined contributons	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Contributions in relation to the actuarially determined contribution	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Contributions as a percentage of covered-employee payroll	%	%	%	%	%	%	%	%	%	%

**Notes to Schedule:**

A: Per question and answer 210 of the GASB 68 Implementation Guide, covered employee payroll IS NOT pensionable payroll of covered employees, but the total payroll of those employees who are participating in the pension plan. Also, per question and answer 211, the covered-employee payroll for this RSI schedule (GASB 68 paragraph 81b) is for the reporting fiscal year, which for the 9/30/2015 year is 10/1/2014--9/30/2015.

B: Per question and answer 212 of the GASB 68 Implementation Guide, the amount of contractually required contributions is equal to the amount that would be recognized as additions from the employer's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the employer's fiscal year. For participation in the ERS, this WOULD NOT include amounts paid to ERS for the Pre-retirement Death Benefit, Term Life Insurance or Administrative Expenses. It does include the amounts paid to ERS for the Employer's portion of the Normal Cost and Accrued Liability.

Actuarially determined contribution rates were calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2015 were based on the September 30, 2012 actuarial valuation

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	Within 29.9 years- varies by employer
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75-7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

**Other information:**

On January 1, 2013, benefit terms were modified to base employee pensions on a final five-year average salary instead of a final three-year salary.

# Covered/Pensionable Payroll

## ▶ Example:



Employee 1

Annual Salary: \$500,000

Pensionable Payroll\*:  
\$260,000

Covered Payroll: \$500,000



Employee 2

Annual Salary: \$150,000

Pensionable Payroll:  
\$150,000

Covered Payroll: \$150,000



Employee 3

Works 5 hours per month

Pensionable Payroll:  
\$0

Covered Payroll: \$0

\* Per IRS Code 26 U.S.C. 401(a)(17), 2014 Annual Pensionable Compensation Limit is \$260,000. For 2015- \$265,000.

# Employer Valuation Data— Actuarial Certification Letter



Cavanaugh Macdonald  
CONSULTING, LLC  
*The experience and dedication you deserve*

June 4, 2015

Participating Employers of the  
Employees' Retirement System of Alabama  
Montgomery, Alabama

Participating Employers:

Presented in this report is information to assist the employers participating in the Employees' Retirement System of Alabama (ERS) in meeting the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 68 and to identify the information to be provided by the actuary, Cavanaugh Macdonald Consulting (CMC). The information is presented for the period ending September 30, 2014 (the Measurement Date).

GASB Statement No. 68 establishes accounting and financial reporting requirements for governmental employers who provide pension benefits to their employees through a trust.

The annual actuarial valuation used as a basis for much of the information presented in this report, including the Net Pension Liability, was performed as of September 30, 2013. The valuation was based on data, provided by the Retirement System staff, for active, inactive and retired members along with pertinent financial information.

The actuarial calculations were performed by qualified actuaries according to generally accepted actuarial procedures and methods. The calculations are based on the current provisions of the

# Employer Valuation Data

- Certification Letter from Actuary
- Pages 1-3—Information necessary for note disclosures
- Page 4-5—Information for Required Supplementary Schedule
- Page 6—Agency specific journal entries
  - First two entries record the beginning amounts of the liability and deferred outflow of resources as of the implementation date (10/1/2014). These entries are only made at implementation.
  - Entry 3 records amounts necessary to amortize the deferred inflows/outflows and record pension expense
  - Entry 4 records the deferred outflow for current year employer contributions in accordance with GASB 71

# Employer Valuation Data–Footnotes

Pages 1 – 3

**EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA  
GASB STATEMENT NO. 68  
PREPARED AS OF SEPTEMBER 30, 2014**

XXXX Unit Code Name

**Paragraph 40(c) Membership as of the Measurement Date of September 30, 2014**

	Number
Inactive Members Or Their Beneficiaries Currently Receiving Benefits	70
Inactive Members Entitled To But Not Yet Receiving Benefits	30
Active Members	183
Total	283

**Paragraph 42(a) Sensitivity of the NPL to Changes in the Discount Rate**

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Plan's Net Pension Liability (Asset)	\$3,794,673	\$2,144,044	\$742,984

**Paragraph 44 Schedule of Changes in the Net Pension Liability**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at September 30, 2013	\$14,812,656	\$12,162,103	2,650,553
Changes for the year:			
Service cost	438,280		438,280
Interest	1,144,137		1,144,137
Changes of assumptions			
Differences between expected and actual			

# SEIR- Single Equivalent Interest Rate

- ▶ GASB 68, paragraphs 26 and 42
- ▶ Cavanaugh Macdonald Consulting, LLC GASB 68 Report, pages 3 and 5
- ▶ Long-term Expected Rate of Return = 8%
- ▶ Municipal Bond Index Rate @ Measurement Date = 4.13%
- ▶ Methodology used for cash flow
  - Current member rates
  - Employer contributions in accordance with funding policy adopted by ERS Board of Control (Actuarial Section of RSA CAFR or ERS Actuarial Valuation) see [www.rsa-al.gov](http://www.rsa-al.gov)
- ▶ Each Employer's Fiduciary Net Position was sufficient to make all projected future benefit payments of current plan members
- ▶ SEIR- Single Equivalent Interest Rate for all employers = 8%

# Employer Valuation Data—Journal Entries

Page 6

Employer Employer Code	Unit Code	Name XXXX
<b>Journal Entries</b>		
<b><u>For Employer's Fiscal Year Beginning After June 15, 2014</u></b>		
<b><u>(September 30, 2014 Measurement Date)</u></b>		
	DR	CR
Deferred outflows of resources – Employer contributions 10/1/2013 – 9/30/2014 (measurement period)	338,856	
Net position – prior period adjustment		338,856
<b>To record beginning deferred outflow of resources for FY14 contributions based on GASB 71</b>		
Net position – prior period adjustment	2,650,553	
Net pension liability		2,650,553
<b>To record beginning proportionate share of net pension liability</b>		
Deferred outflows of resources	0	
Pension expense	215,477	
Deferred inflows of resources		383,130
Net pension liability	506,509	
Deferred outflows of resources – employer contributions 10/1/2013 – 9/30/2014		338,856
<b>To record current year activity</b>	<u>\$721,986</u>	<u>\$721,986</u>
Deferred outflows of resources – Employer contributions for the period from 10/1/2014 to the end of the Employer's fiscal year *	x,xxx	
Pension expense		x,xxx
<b>To record deferred outflows of resources for contributions subsequent to measurement date</b>		

# Net Pension Liability Example

## Net Assets Remain Positive

### XYZ City Statement of Net Assets

	Before (in thousands)	After (in thousands)
<i>Assets</i>		
Current Assets	\$ 15,000	\$ 15,000
Deferred Outflows		2,000
Capital Assets	25,000	25,000
<b>Total Assets</b>	<b>\$ 40,000</b>	<b>\$ 42,000</b>
<i>Liabilities</i>		
Current Liabilities	\$ 6,000	\$ 6,000
<b>Net Pension Liability</b>		<b>26,000</b>
Deferred Inflows		1,000
<b>Total Liabilities</b>	<b>\$6,000</b>	<b>\$ 33,000</b>
<b>Total Net Assets</b>	<b>\$ 34,000</b>	<b>\$ 9,000</b>

# Net Pension Liability Example

## Net Assets are Negative

XYZ City Statement of Net Assets		
	Before (in thousands)	After (in thousands)
<i>Assets</i>		
Current Assets	\$ 15,000	\$ 15,000
Deferred Outflows		2,000
Capital Assets	25,000	25,000
<b>Total Assets</b>	<b>\$ 40,000</b>	<b>\$ 42,000</b>
<i>Liabilities</i>		
Current Liabilities	\$ 6,000	\$ 6,000
<b>Net Pension Liability</b>		<b>44,000</b>
Deferred Inflows		1,000
<b>Total Liabilities</b>	<b>\$ 6,000</b>	<b>\$ 51,000</b>
<i>Total Net Assets</i>	<b>\$ 34,000</b>	<b>\$ (9,000)</b>

# Deferred Inflows and Outflows of Resources

1. Economic & Demographic Gains and Losses
2. Changes in Economic & Demographic Assumptions and Inputs
3. Difference between projected and actual investment earnings
4. GASB 71 – Deferred Outflow

Numbers 1 – 3 above are to be recognized over the expected service life of active and inactive plan members. Number 4 is to be recognized over a closed five year period.

# Pension Expense

- Under prior standards, employers report a pension expense equal to their contractually required annual contributions
- Changes in the NPL will be reported either immediately as a pension expense or over a period of time as deferred outflows/inflows of resources.

		<u>FY 2014</u>
<u>Pension Expense</u> =	+ Service Cost	\$XXXXXX
	+ Interest on TPL	XXXXXX
	+ Changes in Plan Benefits	Ø
	- Member Contribution	(XXXXX)
	- Projected Earnings on Plan Investments	(XXXXX)
	- Expensed portion of current period differences between actual and projected earnings in plan investments	(XXXXX)
	-/+ Recognition of portion of deferred inflows/outflows	(XXXXX)
	-/+ Transfer among employers	(XXXXX)
		<hr/>
	Pension Expense	\$XXXXXX

# What if my Year End is 6/30?

- ▶ Book same entries for:
  - Prior Period Adjustment- Liability
  - Prior Period Adjustment- GASB 71- Record Deferred Outflows of Contributions during Measurement Period
  - Pension Expense and Amortization of Deferred Inflows/Outflows
- ▶ For the GASB 71 entry, reclass Contributions from 9/30/14 – 6/30/15 using the following formula:
  - $\text{Monthly Employer Contribution} \times (\text{Normal} + \text{Accrued liability components of employer rate}) / \text{total employer rate}$ , plus
  - Lump Sum Contribution made in period subsequent to the measurement date (100% of Lump Sum Contributions are applied to the liability)

# What if my year end is 12/31?

- ▶ Book same entries for
  - Prior Period Adjustment- Liability
  - Prior Period Adjustment- GASB 71- Record Deferred Outflows of Contributions during Measurement Period
  - Pension Expense and Amortization of Deferred Inflows/Outflows
- ▶ For GASB 71 entry for Contribution from measurement date to year end, reclass Contributions from 9/30/14 – 12/31/15 using the following formula:
  - Monthly Employer Contribution  $\times$  (Normal + Accrued liability components of employer rate)/ total employer rate, plus
  - Lump Sum Contribution made in period subsequent to the measurement date (100% of Lump Sum Contributions are applied to the liability)

# What if my year end is 3/31?

- ▶ Book same entries for
  - Prior Period Adjustment- Liability
  - Prior Period Adjustment- GASB 71- Record Deferred Outflows of Contributions during Measurement Period
  - Pension Expense and Amortization of Deferred Inflows/Outflows
- ▶ For GASB 71 entry for Contribution from measurement date to year end, reclass Contributions from 9/30/14 – 3/31/15 using the following formula:
  - $\text{Monthly Employer Contribution} \times (\text{Normal} + \text{Accrued liability components of employer rate}) / \text{total employer rate}$ , plus
  - Lump Sum Contribution made in period subsequent to the measurement date (100% of Lump Sum Contributions are applied to the liability)

# What if my year end is another month?

- ▶ Book same entries for
  - Prior Period Adjustment- Liability
  - Prior Period Adjustment- GASB 71- Record Deferred Outflows of Contributions during Measurement Period
  - Pension Expense and Amortization of Deferred Inflows/Outflows
- ▶ For GASB 71 entry for Contribution from measurement date to year end, reclass Contributions from 9/30/14 to month end of your fiscal year using the following formula:
  - $\text{Monthly Employer Contribution} \times (\text{Normal} + \text{Accrued liability components of employer rate}) / \text{total employer rate}$ , plus
  - Lump Sum Contribution made in period subsequent to the measurement date (100% of Lump Sum Contributions are applied to the liability)

# Is this info on the RSA website?

- Yes! [www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/](http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/)
- ALL reports included in Packet are on RSA website except Employer Specific information and journal entries
- To obtain another copy of Employer Valuation information and journal entries, call RSA
- In future years, all reports will be available on website except the Employer Valuation information and journal entries which will be mailed prior to July 31

# Employer Rate Notifications

- ▶ Employer rates for a Fiscal Year are set based upon a valuation 2 years prior.
  - For FY 2016 (begins 10/1/15), the employer rate is set from the 9/30/13 valuation
- ▶ The 9/30/2013 valuation was mailed to each agency in summer 2014.
- ▶ There are rare instances when the rate may change prior to its effective date:
  - Oct 2014 Cola to be funded in FY 2016
  - Changes in assumptions specific to an agency such as declining payroll that require an increase to the rate
- ▶ July prior to effective date of change, RSA will send a reminder letter related to appropriate rate to use 10/1