



The Retirement Systems of Alabama

David G. Bronner, CEO
Donald L. Yancey, Deputy Director

November 4, 2015

TO: CFO or Finance Executive for JRF Participating Agency

SUBJECT: GASB 68 Compliance Packet

The Governmental Accounting Standards Board issued Statement No. 68 (GASB 68), “*Accounting and Financial Reporting for Pensions*” in June 2012, with an effective date for employers with a fiscal year beginning after June 15, 2014. This new standard will affect reporting for counties participating in the Judicial Retirement Fund (JRF), which is a cost-sharing multiple-employer defined benefit pension plan in a special funding situation.

The State of Alabama makes contributions to JRF for its employees and also on behalf of probate judges from participating county employers, as required in the Code of Alabama Section 12-18-1. Therefore, these employers are considered to be in a special funding situation as defined by GASB 68 and the State is treated as a non-employer contributing entity in JRF. Since the counties do not contribute directly to JRF, there is no net pension liability (NPL) or deferred inflows or outflows to report in the financial statements of the participating counties. However, the notes to the financial statements must disclose the portion of the non-employer contributing entities’ total proportionate share of the collective NPL that is associated with the employer. In addition, each county must recognize the total pension expense (PE) associated with the county as well as revenue in an amount equal to the non-employer contributing entities’ total proportionate share of the collective PE associated with the county. Since all contributions are made by the State, the proportionate share associated with the employers has been allocated based on the total salaries of the employees of each county.

The audit plan outlined below is based on the AICPA Whitepapers published by the State and Local Government Expert Panel (SLGEP) *Governmental Employer Participation in Cost-Sharing Multiple-Employer Plans: Issues Related to Information for Employer Reporting*. This memo assumes that each CPA firm has read and is knowledgeable of the Whitepapers. The Whitepapers can be accessed at: <http://www.aicpa.org/interestareas/governmentalauditquality/resources/gasbmatters/pages/gasbpensionsissues.aspx>

Schedule of Employer Allocations

JRF has prepared a schedule of employer allocations that displays the proportionate relationship of calculated salary of each employer to all employers and calculates each employer’s allocation percentage. In addition, we have engaged our auditor to obtain reasonable assurance and report on this schedule. Their report, dated October 14, 2015, can be found enclosed and at www.rsa-al.gov.

Schedule of Pension Amounts by Employer

JRF has prepared a schedule of pension amounts by employer which presents the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense of each employer. In addition, we have engaged our auditor to obtain reasonable assurance and report on the 2013 net pension liability, 2014 net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total employer pension expense (specified column totals). Their report, dated October 14, 2015, can be found enclosed and at www.rsa-al.gov.

Each participating employer is solely responsible for its financial statements and for evaluating the information used to recognize and disclose pension amounts therein. Likewise, each participating employer's auditor is solely responsible for the audit of the employer's financial statements. In accordance with the SLGEP's Whitepaper *Governmental Employer Participation in Cost-Sharing Multiple-Employer Plans: Issues Related to Information for Employer Reporting*:

“the employer and employer auditor may use the plan auditor's report on the schedules to provide evidence that the pension amounts allocated to the employer and included in the employer's financial statements are not materially misstated.”

The enclosed materials are of utmost importance in complying with GASB 68 relating to the Judicial Retirement Fund and Probate Judges. Please maintain these and provide a copy to your auditor.

Included in your packet:

- 1) GASB 68 Report prepared by the plan's actuary: Cavanaugh Macdonald Consulting, LLC
- 2) Schedule of Employer Allocations and Pension Amounts by Employer
- 3) Draft Note Disclosures and RSI in form of Illustration 4 from GASB 68
- 4) Employer specific Required Disclosures and Supplementary Information- includes journal entry to record September 30, 2015.

Your agency has previously been provided an A-Lign SOC 1 Type 2 report for compliance purposes.

Please contact your auditor for further information concerning compliance with GASB 68. You may also find this information (except 4) on our website at www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/.

Sincerely,



Diane E. Scott, CPA, CGMA
Chief Financial Officer
Retirement Systems of Alabama