



GASB 68: The 2nd Year

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The Pun Group August 22, 2016

GASB 68 CalPERS 2nd Year

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GASB 68 1st Year Experience

- From an actuary's viewpoint, not that bad
 - CalPERS report timing
 - A few non-CalPERS plans were unprepared
 - Expect more audit scrutiny in future years



CalPERS 2nd Year Reports

- FYE 6/30/16
 - Measurement Date 6/30/15
 - Asset values at 6/30/15
 - Actuarial valuation and census data as of 6/30/14, rolled forward to 6/30/15



CalPERS 2nd Year Reports

- Discount rate ↑ 7.65%
 - No longer net of administrative expenses
 - Total pension liability (GASB 68) ≠ Funding Actuarial Accrued Liability



CalPERS 2nd Year Reports

- Deferred Inflows and Outflows
 - New deferred inflow and outflow “bases” for:
 - Experience (demographics, etc)
 - Change in assumptions
 - Investment return (loss)
 - Plus remaining amounts from 1st year



CalPERS 2nd Year Reports

■ Agent Plans

- Similar to last year
- CalPERS report provides everything needed
- Biggest issues are
 - Covered Pay (GASB 82)
 - EPMC/Cost sharing
 - RSI periods



CalPERS 2nd Year - Cost Sharing Plans

■ Cost-sharing plans (Risk Pools)

- CalPERS issued one report for each risk pool
- MGO: Schedule of proportionate shares for each plan/tier
- <https://www.calpers.ca.gov/page/employers/actuarial-services/gasb> on Public Agency-Cost Sharing tab



CalPERS 2nd Year - Cost Sharing Plans

- CalPERS is not producing reports for each employer or rate plan
- CalPERS fee of \$650 per rate plan
 - Billed to all
 - Cost to produce GASB valuation and allocation schedule
 - Cost for MGO to audit all participant data
 - Cost for MGO to audit valuation and allocation

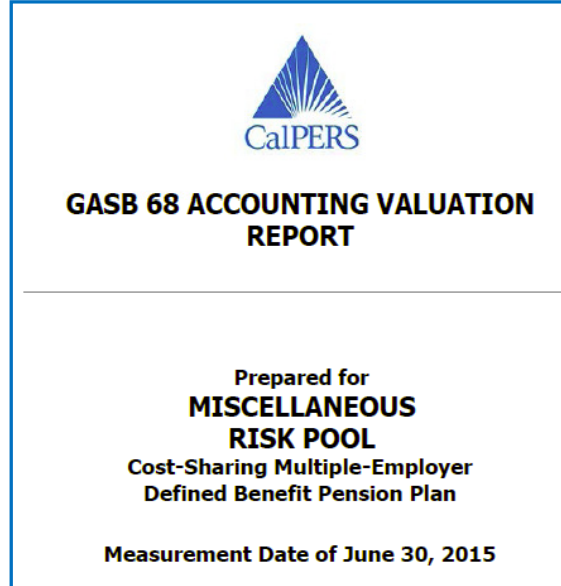


CalPERS 2nd Year - Cost Sharing Plans

- Employers need to calculate all information that was in CalPERS reports last year
 - Plus employer specific amounts
- Consolidate reporting for all (Misc. and Safety) Cost Sharing plans since all part of one Plan (PERF C)



CalPERS 2nd Year - Cost Sharing Plans

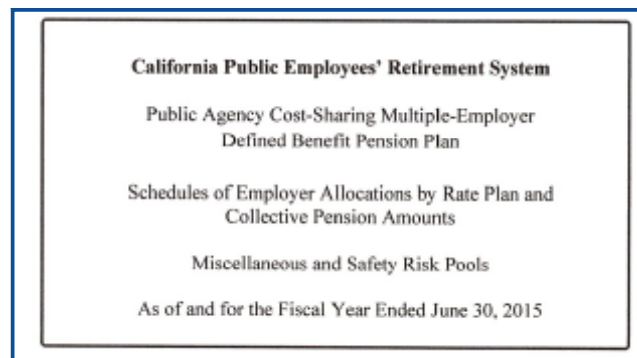


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CalPERS 2nd Year - Cost Sharing Plans



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CalPERS 2nd Year - Cost Sharing Plans

California Public Employees' Retirement System Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Schedule of Employer Allocations by Rate Plan Miscellaneous Risk Pool As of and for the Fiscal Year Ended June 30, 2015								
Rate Plan Number	Total Pension Liability Allocation Basis			Fiduciary Net Position Allocation Basis			Deferred Outflows/Inflows of Resources and Pension Expense Allocation Basis	
	June 30, 2014 Actuarial Liability	June 30, 2014 Accrued Liability	Employer Allocation Factor ^{1,6}	June 30, 2014 Market Value of Assets	2014-2015 Additional Payments ²	Employer Allocation Factor ^{3,4}	2014-2015 Employer Contributions ⁵	Employer Allocation Factor ^{5,6}
Academic Senate For California Co	26712	\$ 2,167	0.00000016	\$ 2,263	\$ -	0.00000021	\$ 7,063	0.00002401
Academic Senate For California Co	3923	1,020,057	0.00007765	835,293	-	0.00007756	43,787	0.00014886
Access Services Incorporated	27262	57,659	0.00000439	62,102	-	0.00000577	79,089	0.00026887
Access Services Incorporated	3395	11,490,525	0.00087467	9,772,194	-	0.00090742	399,272	0.00135738
Agoura Hills and Calabasas Commu	3368	1,173,438	0.00008932	1,019,172	-	0.00009464	43,808	0.00014893
Alameda Corridor Transportation A	3001	7,032,818	0.00053534	5,788,003	-	0.00053746	196,611	0.00066840
Alameda County Fire Department	26412	21,990	0.00000167	22,968	-	0.00000213	39,865	0.00013553
Alameda County Fire Department	1778	10,247,067	0.00078001	8,933,681	-	0.00082956	600,916	0.00204289
Alameda County Law Library	26259	652	0.00000005	681	-	0.00000066	4,521	0.00001537
Alameda County Law Library	315	5,642,288	0.00042950	5,324,438	-	0.00049441	42,954	0.00014603
Alameda County Mosquito Abatem	26060	658	0.00000005	687	-	0.00000006	7,152	0.00002431
Alameda County Mosquito Abatem	111	11,279,511	0.00085860	9,569,301	-	0.00088858	156,513	0.00053209
Alameda County Schools Insuranc	1439	2,516,388	0.00019155	1,861,456	-	0.00017285	52,053	0.00017696
Alameda County Transportation Cc	27470	98	0.00000001	107	-	0.00000001	12,110	0.00000001



CalPERS 2nd Year - Cost Sharing Plans

■ Cost-sharing plans (Risk Pools)

- Employers calculate their share of each total Risk Pool:
 - Total pension liability (TPL allocation basis)
 - Fiduciary net position (FNP allocation basis)
 - Aggregate contributions (FNP allocation basis)
 - Deferred outflows and inflows (Other allocation basis)
 - Pension expense (Other allocation basis)



CalPERS 2nd Year - Cost Sharing Plans

■ Cost-sharing plans (Risk Pools)

- Don't track risk pool deferred inflow/outflow bases from year to year
 - Use proportionate share of amounts in Risk Pool report
- Additional employer-specific deferrals/recognition:
 - Differences in actual contribution from proportionate share of aggregate contribution
 - Change in employer's proportions between years



CalPERS 2nd Year - Cost Sharing Plans

■ Pension Expense

- Allocation of Risk Pool pension expense
- Plus adjustments for employer-specific deferrals
- Adjustment for difference in proportions
- Calculate expense as balancing item



CalPERS 2nd Year - Cost Sharing Plans

■ Balance equation:

$$\begin{aligned} & \text{Net Pension Liability/(Asset) @6/30/15} \\ & + \text{Pension expense/(income) (FY16)} \\ & + \text{Change in deferred inflows \& outflows*} \\ & = \text{Net Pension Liability/(Asset) @6/30/16} \end{aligned}$$

$$\begin{aligned} * & + 6/30/16 \text{ Outflows} - 6/30/16 \text{ Inflows} - 6/30/15 \text{ Outflows} \\ & + 6/30/15 \text{ Inflows} \end{aligned}$$



CalPERS 2nd Year - Cost Sharing Plans

■ See GASB 68 Guide for Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

- <https://www.calpers.ca.gov/docs/gasb-68-cost-sharing-guide.pdf>



CalPERS 2nd Year - Cost Sharing Plans

- Sensitivity of net pension liability to changes in discount rate
 - Required disclosure
 - Calculate total pension liability at each discount rate from CalPERS Risk Pool reports
 - Calculate proportionate share of each
 - Subtract proportionate share of fiduciary net position



Irrevocable Supplemental (§115) Trust

- Employer creates a separate legal Trust to fund CalPERS benefits
- Can only be used to:
 - Reimburse for CalPERS contributions
 - Make payments directly to CalPERS



Irrevocable Supplemental (§115) Trust

- Reduces GASB 68 Net Pension Liability
 - No new actuarial calculations required
 - Discuss with your auditor
 - GASB 68 disclosures and accounting adjusted if in effect 6/30/15
 - Adjustments don't require an actuary
 - You may want an actuary to calculate the adjustments
 - Plan ahead!



Resources

- Bartel Associates www.Bartel-Associates.com:
 - GASB 68, PEPR, Implied Subsidy
- GASB 68 White Paper (update in progress)
 - <http://www.calcpa.org/members/technical-resources/gaa-white-papers>
- CalPERS GASB 68
<https://www.calpers.ca.gov/page/employers/actuarial-services/gasb>





GASB 73 – Unfunded Pension Plans

- Effective FY Beginning > 6/15/16
- Recognize net pension liability
 - Does not affect contributions (or require funding)
 - Discount rate will be 20 year Aa municipal bond rate
- Change in net pension liability => pension expense
- Additional note disclosures and RSI



GASB 73 - Unfunded Pension Plans

- Unfunded single employer plans
 - Plans that provide pension benefits
 - Not funded, or funds not in Trust
 - Often small plans (limited number of people) or old plans
 - Plans providing benefits over IRC §415 limit (\$210,000/yr in 2016)



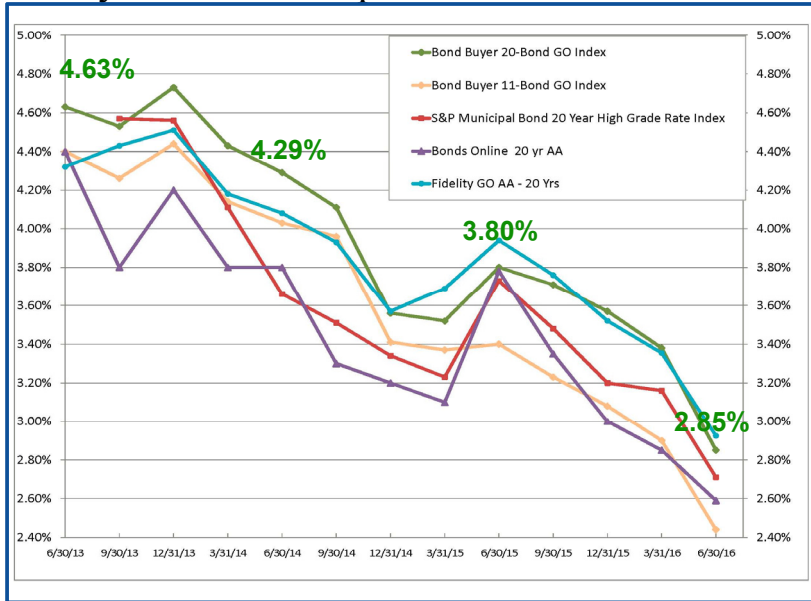
CalPERS Replacement Benefit Plan

- Benefits > IRC §415 limit (\$210,000/yr in 2016)
- Retirees and non-retirees including transfers with large projected benefits
- CalPERS does not value liability for funding or GASB
- CalPERS may supply census data
- Materiality?



GASB 75

■ Current 20 year AA municipal bond discount rate



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