



Agenda Item 4d

May 19, 2015

ITEM NAME: Update on Governmental Accounting Standards Board (GASB) Statement No. 68

PROGRAM: Financial Office

ITEM TYPE: Information

EXECUTIVE SUMMARY

This agenda item provides an update on steps taken by CalPERS to assist employers in implementing Statement No. 68 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting for Pensions* (GASB 68).

STRATEGIC PLAN

This agenda item supports Goal A of the 2012-17 CalPERS Strategic Plan to improve long-term pension and health benefit sustainability.

BACKGROUND

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, which revises and establishes new financial reporting requirements for governments that provide their employees with pension benefits. GASB 68 is effective for employer's financial statements for fiscal years beginning after June 15, 2014.

With the implementation of GASB 68, employers will be required to recognize a liability as employees earn their pension benefits (that is, as they provide services to the government). For the first time, employers will recognize their net pension liability, deferred outflows of resources and deferred inflows of resources within the financial statements and will use different calculation to report pension expense. Due to these new requirements, participating employers will need significant additional information from CalPERS beyond what is currently provided in the funding actuarial valuation reports and audited financial statements to determine their specific pension amounts and related note disclosures.

Similarly, employer auditors face challenges in terms of obtaining sufficient appropriate audit evidence regarding the pension amounts included in employers' financial statements. To help resolve the challenges faced by agent and cost-sharing plan employers and their auditors, AICPA State and Local Government Expert Panel (SLGEP) issued whitepapers in 2014 proposing that the plan engages its auditor to obtain reasonable assurance and report on the schedule of employer allocations, related notes to the schedule, the total net pension liability, total deferred outflows of

resources, total deferred inflows of resources, and total pension expense as well as selected management assertions related to census data.

In anticipation of employers' and employers auditors' needs, in March 2013 the CalPERS Board of Administration approved the Actuarial Office's recommendation to provide employers, on a voluntary fee for service basis, the actuarial information necessary for their accounting and financial reports as required under GASB Statement No. 68.

ANALYSIS

Successful implementation of GASB 68 has required significant planning, communications, and reporting enhancements, as well as system changes to my|CalPERS.

CalPERS is preparing the GASB 68 accounting valuation reports for the public agencies for agent multiple-employer plans and cost-sharing multiple-employer plans, State of California agent multiple-employer plans and single-employer plans, and school cost-sharing multiple-employer plans. In addition, in accordance with new auditing guidelines issued in response to GASB 68, CalPERS has engaged its plan auditor, Macias Gini & O'Connell, to obtain reasonable assurance on the reports related to cost-sharing multiple-employer plans. In addition, the plan auditor will issue a report over selected management's assertions related to census data maintained by CalPERS and obtain reasonable assurance on the schedule of changes in fiduciary net position for the agent multiple-employer plans.

Public agency employers are able to request their GASB 68 accounting valuation reports and census data for agent plans through my|CalPERS. Schools will be accessing their information via CalPERS on-line. The GASB 68 accounting valuation reports, along with the Independent Auditor's Reports, for employers with fiscal year ending June 2015, will be available June 2015. For employers with fiscal year ending July – December 2015, the reports will be available December 2015 – February 2016.

CalPERS has been communicating with stakeholders through various channels. This includes attending Employer Response Dialogues, speaking at various conferences, sending circular letters, answering customer inquiries, and providing necessary information via CalPERS on-line. In addition, CalPERS will be conducting a webinar for public agency employers on May 14, 2015 and a webinar for school employers on May 21, 2015. The webinars will provide background information regarding GASB 68 and report ordering instructions, followed by a detailed walk through of the GASB 68 accounting valuation reports.

BUDGET AND FISCAL IMPACTS

The costs associated to producing the GASB 68 accounting information are recoverable through fees for the reports. The costs to the employers associated with providing GASB 68 accounting valuation reports, audit information and additional reports are as follows:

- Public Agency cost-sharing multiple-employer plans - \$850 per plan
- Public Agency agent multiple-employer plans - \$2,500 per plan
- Schools cost-sharing multiple-employer plans - \$850 per school district

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