

TO: All Retirement Boards
FROM: Joseph E. Connarton, Executive Director
RE: GASB 67/68
DATE: December 4, 2014

At the recent PERAC Emerging Issues Forum, a major presentation took place regarding the impact of Government Accounting Standards Board Statement No. 67 and Statement No. 68 (GASB 67/68). These Statements affect the financial reporting for Massachusetts public pension plans. The statements do not impact plan funding. GASB 67/68 relate solely to accounting and financial reporting. The materials distributed in connection with that presentation can be accessed on our web site.

GASB 67 relates to plan reporting and is effective for plan years beginning after June 15, 2013 (calendar years 2014 for local plans). GASB 68 relates to employer reporting and is effective for fiscal years beginning after June 15, 2014 (fiscal year 2015 for June 30 employer fiscal years). GASB 67/68 addresses financial reporting of retirement plans in a standardized manner. In order to accomplish that goal the focus is on measuring plan liabilities, plan assets, asset allocation, pension expense, and other related items. Some of the financial statement information notes and disclosures are consistent under both GASB 67 and GASB 68.

Some of the GASB 67/68 schedules and disclosures include:

- (1) Schedule of changes in Net Pension Liability,
- (2) Schedule of Net Pension Liability,
- (3) Schedule of Contributions,
- (4) Effect of a 1% change in the discount rate on the Net Pension Liability,
- (5) Calculation of plan pension expense,
- (6) Summary of Significant Pension Accounting Policies,
- (7) General Information About the Pension Plan,
- (8) Development of allocation by employer (all city, town, county and regional systems)

The bottom line is that the retirement board, employer, actuary, auditor (both plan and employer), and investment consultant must collaborate in order to assure that these standards are met.

The retirement board's responsibilities include the completeness and accuracy of the plan census data and the fair presentation of the plan financial statements and investment policy.

The actuary's responsibilities include the actuarial valuation and determination of GASB 67/68 liabilities, including pension expense, net pension liability, and the schedule of changes in net pension liability.



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The investment consultant's responsibilities may include documenting target allocations and expected rates of return by asset class and the calculation of the money weighted rate of return.

The plan auditor's responsibilities, if an independent plan audit is conducted, include an audit of the plan financial statements, testing accuracy of the census data, and testing footnote information.

The employer's auditor's responsibilities include the audit of the employer financial statements and the determination of the appropriateness of the new disclosures.

This underscores the importance of collaboration among these entities.

With respect to some of the requirements noted above, we understand that PRIM will be providing clients with:

1. The money-weighted return for PRIT Fund,
 - a. For clients who have all investments with PRIT this will be the return number required by GASB.
 - b. If clients have investments outside of the PRIT Fund they will need to calculate the money-weighted return for their fund *inclusive of those other assets*. PRIM will provide these clients with their cash flows to/from PRIT which will be a significant input into that calculation.
2. The PRIT Fund asset allocation,
3. Expected rates-of-return for each PRIT asset class,
4. For each asset class, a narrative description of key inputs that underlie the return assumptions

It is our expectation that other investment consultants will presumably be able to provide similar information to the respective retirement boards as well.

We strongly suggest that retirement boards, if they have not already done so, commence a dialogue with these various parties in order to establish the coordination and collaboration that will be vital to meeting the new GASB Standards.

The implication for retirement boards is that an independent plan audit by a qualified CPA is an element that needs to be discussed with all relevant parties for compliance with GASB #67. PERAC Memo #20/2008 continues to be the reference for the protocol that is involved for the procedures for retirement system audits performed by certified public accounting firms.

Boards for which PERAC conducted the most recent actuarial valuation should contact Actuary Jim Lamenzo and provide him with the name and contact information of the town, city, or agency outside auditor(s).