GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

SAMPLE AFFILIATED PLAN

GASB STATEMENT NO. 68 EMPLOYER REPORTING

ACCOUNTING SCHEDULES

DECEMBER 31, 2014

Auditor's Note – This information is presented in draft form for review by the Plan Sponsor's auditor. Please let us know if there are any items that the auditor changes so that we may maintain consistency with the Plan Sponsor's financial statements.

TABLE OF CONTENTS

SECTION A

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY
as of December 31, 2014

	2015
Actuarial Valuation Date	January 1, 2014
Measurement Date of the Net Pension Liability	December 31, 2014
Employer's Fiscal Year Ending Date (Reporting Date)	December 31, 2015
Membership	
Number of	
- Retirees and Beneficiaries	908
- Inactive, Nonretired Members	637
- Active Members	6,110
- Total	7,655
Covered Payroll	$ 449,010,427
Net Pension Liability	
Total Pension Liability	$ 1,691,081,203
Plan Fiduciary Net Position	1,796,643,177
Net Pension Liability	$ (105,561,974)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	106.24%
Net Pension Liability as a Percentage of Covered Payroll	-23.51%
Development of the Single Discount Rate	
Single Discount Rate	7.50%
Long-Term Expected Rate of Investment Return	7.50%
Long-Term Municipal Bond Rate*	4.33%
Last year ending December 31 in the 2014 to 2113 projection period for which projected benefit payments are fully funded	2113
Total Pension Expense	$ (2,871,386)

Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future Pension Expenses

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 22,629,298	$ -
Changes in assumptions	-	0
Net difference between projected and actual earnings on pension plan investments	0	0
Total	$ 22,629,298	$ -

*Based on the Bond Buyer 20-Bond Index of general obligation municipal bonds as of December 29, 2014 (i.e., the weekly rate closest to but not later than the Measurement Date).

DISCUSSION

Accounting Standard

For state and local government employers (as well as certain non-employers) that contribute to a defined benefit (DB) pension plan administered through a trust or equivalent arrangement, Governmental Accounting Standards Board (GASB) Statement No. 68 establishes standards for pension accounting and financial reporting. Under Statement No. 68, the employer must account for and disclose the net pension liability, pension expense, and other information associated with providing retirement benefits to their employees (and former employees) on their basic financial statements.

The following discussion provides a summary of the information that is required to be disclosed under these accounting standards. A number of these disclosure items are provided in this report. However, certain information is not included in this report if it is not actuarial in nature, such as the notes to the financial statements regarding accounting policies and investments. As a result, the retirement system and/or plan sponsor is responsible for preparing and disclosing the non-actuarial information needed to comply with these accounting standards.

Financial Statements

GASB Statement No. 68 requires state and local government employers that contribute to DB pension plans to recognize the net pension liability and the pension expense on their financial statements, along with the related deferred outflows of resources and deferred inflows of resources. The net pension liability is the difference between the total pension liability and the plan's fiduciary net position. In traditional actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

The pension expense recognized each fiscal year is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the certain changes in the liability and investment experience.

Notes to Financial Statements

GASB Statement No. 68 requires the notes of the employer's financial statements to disclose the total pension expense, the pension plan's liabilities and assets, and deferred outflows of resources and inflows of resources related to pensions.

In addition, GASB Statement No. 68 requires the notes of the financial statements for the employers to include certain additional information, including:

- a description of the types of benefits provided by the plan, as well as automatic or ad hoc COLAs;
- the number and classes of employees covered by the benefit terms;
- for the current year, sources of changes in the net pension liability;
- significant assumptions and methods used to calculate the total pension liability;
- inputs to the single discount rate;
- certain information about mortality assumptions and the dates of experience studies;
- the date of the valuation used to determine the total pension liability;
- information about changes of assumptions or other inputs and benefit terms;
- the basis for determining contributions to the plan, including a description of the plan's funding policy, as well as member and employer contribution requirements;
- the total pension liability, fiduciary net position, net pension liability, and the pension plan's fiduciary net position as a percentage of the total pension liability;
- the net pension liability using a discount rate that is 1% higher and 1% lower than used to calculate the total pension liability and net pension liability for financial reporting purposes; and
- a description of the system that administers the pension plan.

Required Supplementary Information

The financial statements of employers also include required supplementary information showing:

- sources of changes in the net pension liability;
- information about the components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability, and the net pension liability as a percent of covered-employee payroll; and
- comparison of actual employer contributions to the actuarially determined contributions based on the plan's funding policy.

Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed at least every two years. For the employer's financial reporting purposes, the net pension liability and pension expense should be measured as of the employer's "measurement date" which may not be earlier than the employer's prior fiscal year-end date. If the actuarial valuation used to determine the total pension liability is not calculated as of the measurement date, the total pension liability is required to be rolled forward from the actuarial valuation date to the measurement date.

The total pension liability shown in this report is based on an actuarial valuation performed as of January 1, 2014 and a measurement date of December 31, 2014.

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.500%; the municipal bond rate is 4.330% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). **The resulting single discount rate of 7.500% was used to measure the total pension liability.** Based on current funding policy, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Effective Date and Transition

GASB Statement No. 68 is effective for an employer's fiscal years beginning after June 15, 2014; however, earlier application is encouraged by the GASB.

SECTION B

FINANCIAL STATEMENTS

PENSION EXPENSE UNDER GASB STATEMENT NO. 68

Fiscal Year Ended December 31, 2014

A. Expense		
1. Service Cost	$	61,258,996
2. Interest on the Total Pension Liability		115,563,718
3. Current-Period Benefit Changes		2,449,484
4. Employee Contributions (made negative for addition here)		(60,910,925)
5. Projected Earnings on Plan Investments (made negative for addition here)		(123,603,361)
6. Pension Plan Administrative Expense		-
7. Other Changes in Plan Fiduciary Net Position		0
8. Recognition of Outflow (Inflow) of Resources due to Liabilities		2,370,702
9. Recognition of Outflow (Inflow) of Resources due to Assets		0
10. Total Pension Expense	**$**	**(2,871,386)**

STATEMENT OF OUTFLOWS AND INFLOWS ARISING FROM CURRENT REPORTING PERIOD

Fiscal Year Ended December 31, 2014

A. Outflows (Inflows) of Resources due to Liabilities		
1. Difference between expected and actual experience of the Total Pension Liability (gains) or losses	$	25,000,000
2. Assumption Changes (gains) or losses	$	-
3. Recognition period for Liabilities: Average of the expected remaining service lives of all employees {in years}		10.5454
4. Outflow (Inflow) of Resources to be recognized in the current pension expense for the Difference between expected and actual experience of the Total Pension Liability	$	2,370,702
5. Outflow (Inflow) of Resources to be recognized in the current pension expense for Assumption Changes	$	-
6. Outflow (Inflow) of Resources to be recognized in the current pension expense due to Liabilities	$	2,370,702
7. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses for the Difference between expected and actual experience of the Total Pension Liability	$	22,629,298
8. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses for Assumption Changes	$	-
9. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses due to Liabilities	$	22,629,298
B. Outflows (Inflows) of Resources due to Assets		
1. Net difference between projected and actual earnings on pension plan investments (gains) or losses	$	0
2. Recognition period for Assets {in years}		5.0000
3. Outflow (Inflow) of Resources to be recognized in the current pension expense due to Assets	$	0
3. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses due to Assets	$	0

Statement of Outflows and Inflows arising from Current and Prior Reporting Periods

Fiscal Year Ended December 31

A. Outflows and Inflows of Resources due to Liabilities and Assets to be recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. due to Liabilities	$ 2,370,702	$ 0	$ 2,370,702
2. due to Assets	0	-	0
3. Total	$ 2,370,702	$ 0	$ 2,370,702

B. Outflows and Inflows of Resources by Source to be recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	$ 2,370,702	$ 0	$ 2,370,702
2. Assumption Changes	-	-	0
3. Net Difference between projected and actual earnings on pension plan investments	0	-	0
4. Total	$ 2,370,702	$ 0	$ 2,370,702

C. Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future Pension Expenses

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
1. Differences between expected and actual experience	$ 22,629,298	$ 0	$ 22,629,298
2. Assumption Changes	-	-	0
3. Net Difference between projected and actual earnings on pension plan investments	0	-	0
4. Total	$ 22,629,298	$ 0	$ 22,629,298

D. Deferred Outflows and Deferred Inflows of Resources by Year to be recognized in Future Pension Expenses

Year Ending December 31	Net Deferred Outflows of Resources
2016	$ 2,370,702
2017	2,370,702
2018	2,370,702
2019	2,370,702
2020	2,370,702
Thereafter	10,775,788
Total	$ 22,629,298

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS CURRENT PERIOD

Fiscal Year Ended December 31, 2014

A. Total pension liability		
1. Service Cost	$	61,258,996
2. Interest on the Total Pension Liability		115,563,718
3. Changes of benefit terms		2,449,484
4. Difference between expected and actual experience of the Total Pension Liability		25,000,000
5. Changes of assumptions		0
6. Benefit payments, including refunds of employee contributions		(46,822,136)
7. Net change in total pension liability	$	157,450,062
8. Total pension liability – beginning		1,533,631,141
9. Total pension liability – ending	**$**	**1,691,081,203**
B. Plan fiduciary net position		
1. Contributions – employer	$	35,901,219
2. Contributions – employee		60,910,925
3. Net investment income		123,603,361
4. Benefit payments, including refunds of employee contributions		(46,822,136)
5. Pension Plan Administrative Expense		-
6. Other		-
7. Net change in plan fiduciary net position	$	173,593,368
8. Plan fiduciary net position – beginning		1,623,049,809
9. Plan fiduciary net position – ending	**$**	**1,796,643,177**
C. Net pension liability	**$**	**(105,561,974)**
D. Plan fiduciary net position as a percentage of the total pension liability		**106.24%**
E. Covered-employee payroll	**$**	**449,010,427**
F. Net pension liability as a percentage of covered employee payroll		**-23.51%**

Employer is responsible for maintaining 10-year history.

SCHEDULE OF CONTRIBUTIONS

FY Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	$ 26,132,407	$ 35,901,219	$ (9,768,812)	$ 449,010,427	8.00%

Employer is responsible for maintaining 10-year history.

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar; Lesser of 20 years and life expectancy of group
Remaining Amortization Period	8 years
Asset Valuation Method	5-year smoothed market
Inflation	3.0%
Salary Increases	n/a
Investment Rate of Return	7.50%
Mortality	Healthy retirees, beneficiaries, and disabled retirees (retired after January 1, 1980): RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA. Disabled retirees (retired before January 1, 1980): RP-2000 Disabled Generational Mortality Table generationally projected with Scale AA

Other Information:

Notes	There were no benefit changes during the year.

SECTION C

GLOSSARY OF TERMS

GLOSSARY OF TERMS

Actuarial Accrued Liability (AAL)	The AAL is the difference between the actuarial present value of all benefits and the actuarial value of future normal costs. The definition comes from the fundamental equation of funding which states that the present value of all benefits is the sum of the Actuarial Accrued Liability and the present value of future normal costs. The AAL may also be referred to as "accrued liability" or "actuarial liability".
Actuarial Assumptions	These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption for a long-term average rate of inflation.
Accrued Service	Service credited under the system which was rendered before the date of the actuarial valuation.
Actuarial Equivalent	A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate actuarial assumptions.
Actuarial Cost Method	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the pension trust benefits between future normal cost and actuarial accrued liability. The actuarial cost method may also be referred to as the actuarial funding method.
Actuarial Gain (Loss)	The difference in liabilities between actual experience and expected experience during the period between two actuarial valuations is the gain (loss) on the accrued liabilities.
Actuarial Present Value (APV)	The amount of funds currently required to provide a payment or series of payments in the future. The present value is determined by discounting future payments at predetermined rates of interest and probabilities of payment.
Actuarial Valuation	The actuarial valuation report determines, as of the actuarial valuation date, the service cost, total pension liability, and related actuarial present value of projected benefit payments for pensions.
Actuarial Valuation Date	The date as of which an actuarial valuation is performed.
Actuarially Determined Contribution (ADC) or Annual Required Contribution (ARC)	A calculated contribution into a defined benefit pension plan for the reporting period, most often determined based on the funding policy of the plan. Typically the Actuarially Determined Contribution has a normal cost payment and an amortization payment.

GLOSSARY OF TERMS

Amortization Payment	The amortization payment is the periodic payment required to pay off an interest-discounted amount with payments of interest and principal.
Amortization Method	The method used to determine the periodic amortization payment may be a level dollar amount, or a level percent of pay amount. The period will typically be expressed in years, and the method will either be "open" (meaning, reset each year) or "closed" (the number of years remaining will decline each year.
Cost-of-Living Adjustments	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (cost-sharing pension plan)	A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.
Covered-Employee Payroll	The payroll of covered employees, which is typically only the pensionable pay and does not include pay above any pay cap.
Deferred Retirement Option Program (DROP)	A program that permits a plan member to elect a calculation of benefit payments based on service credits and salary, as applicable, as of the DROP entry date. The plan member continues to provide service to the employer and is paid for the service by the employer after the DROP entry date; however, the pensions that would have been paid to the plan member are credited to an individual member account within the defined benefit pension plan until the end of the DROP period. Other variations for DROP exist and will be more fully detailed in the plan provision section of the valuation report.
Deferred Inflows and Outflows	The deferred inflows and outflows of pension resources are amounts used under GASB Statement No. 68 in developing the annual pension expense. Deferred inflows and outflows arise with differences between expected and actual experiences; changes of assumptions. The portion of these amounts not included in pension expense should be included in the deferred inflows or outflows of resources.
Discount Rate	For GASB purposes, the discount rate is the single rate of return that results in the present value of all projected benefit payments to be equal to the sum of the funded and unfunded projected benefit payments, specifically: 1. The benefit payments to be made while the pension plans' fiduciary net position is projected to be greater than the benefit payments that are projected to be made in the period and; 2. The present value of the benefit payments not in (1) above, discounted using the municipal bond rate.

GLOSSARY OF TERMS

Entry Age Actuarial Cost Method (EAN)	The EAN is a funding method for allocating the costs of the plan between the normal cost and the accrued liability. The actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis (either level dollar or level percent of pay) over the earnings or service of the individual between entry age and assumed exit ages(s). The portion of the actuarial present value allocated to a valuation year is the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is the actuarial accrued liability. The sum of the accrued liability plus the present value of all future normal costs is the present value of all benefits.
GASB	The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.
Fiduciary Net Position	The fiduciary net position is the value of the assets of the trust.
Long-Term Expected Rate of Return	The long-term rate of return is the expected return to be earned over the entire trust portfolio based on the asset allocation of the portfolio.
Money-Weighted Rate of Return	The money-weighted rate of return is a method of calculating the returns that adjusts for the changing amounts actually invested. For purposes of GASB Statement No. 67, money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense.
Multiple-Employer Defined Benefit Pension Plan	A multiple-employer plan is a defined benefit pension plan that is used to provide pensions to the employees of more than one employer.
Municipal Bond Rate	The Municipal Bond Rate is the discount rate to be used for those benefit payments that occur after the assets of the trust have been depleted.
Net Pension Liability (NPL)	The NPL is the liability of employers and non-employer contribution entities to plan members for benefits provided through a defined benefit pension plan.
Non-employer Contribution Entities	Non-employer contribution entities are entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities. For purposes of the GASB Accounting statement plan members are not considered non-employer contribution entities.
Normal Cost	The actuarial present value of the pension trust benefits allocated to the current year by the actuarial cost method.

GLOSSARY OF TERMS

Other Postemployment Benefits (OPEB) All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits regardless of the manner in which they are provided. Other post-employment benefits do not include termination benefits.

Real Rate of Return The real rate of return is the rate of return on an investment after adjustment to eliminate inflation.

Service Cost The service cost is the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.

Total Pension Expense The total pension expense is the sum of the following items that are recognized at the end of the employer's fiscal year:

1. Service Cost
2. Interest on the Total Pension Liability
3. Current-Period Benefit Changes
4. Employee Contributions (made negative for addition here)
5. Projected Earnings on Plan Investments (made negative for addition here)
6. Pension Plan Administrative Expense
7. Other Changes in Plan Fiduciary Net Position
8. Recognition of Outflow (Inflow) of Resources due to Liabilities
9. Recognition of Outflow (Inflow) of Resources due to Assets

Total Pension Liability (TPL) The TPL is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service.

Unfunded Actuarial Accrued Liability (UAAL) The UAAL is the difference between actuarial accrued liability and valuation assets.

Valuation Assets The valuation assets are the assets used in determining the unfunded liability of the plan. For purposes of the GASB Statement No. 67, the valuation asset is equal to the market value of assets.