

FPPA

EMPLOYER SUMMIT



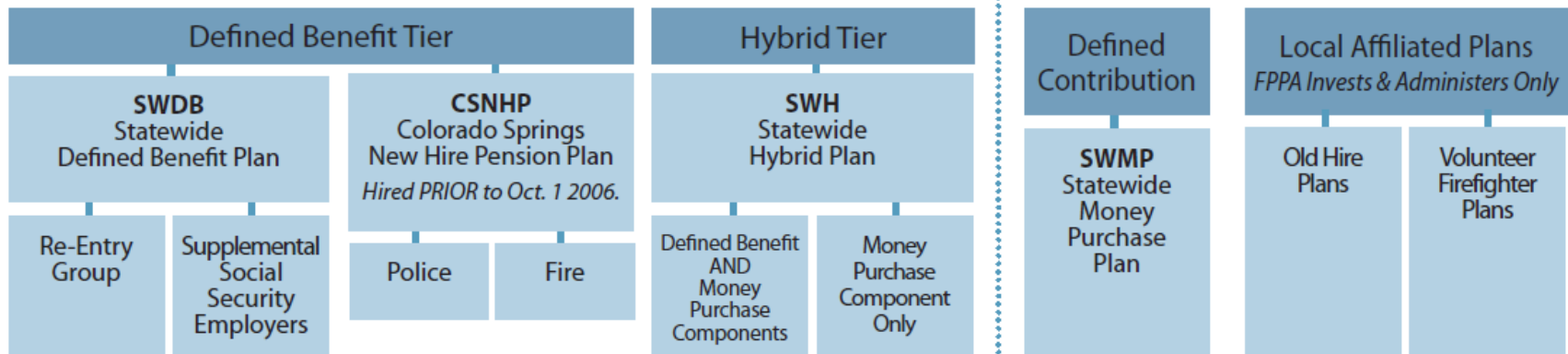
2017 ■ **Thursday, September 7, 2017**

Hilton Denver Inverness Hotel
Englewood, Colorado

FPPA Administered Plans

FPPA Administered Plans

FPPA Defined Benefit System



SWD&D Statewide Death & Disability Plan

Plans above this bar are covered by the Statewide Death & Disability Plan.

457 Deferred Compensation Plan

Plans above this bar may participate in the 457 Deferred Compensation Plan.

Financial Highlights

December 31, 2016

- Fiduciary Net Position Total Fire & Police Members' Benefit Investment Fund is \$4.309 billion
- Total Fire & Police Members' Self-Directed Investment Fund is \$377 million
- Fire & Police Members' Benefit Investment Fund Annualized Return since inception (January 1980) is 9.34%

Funded Status of Plans

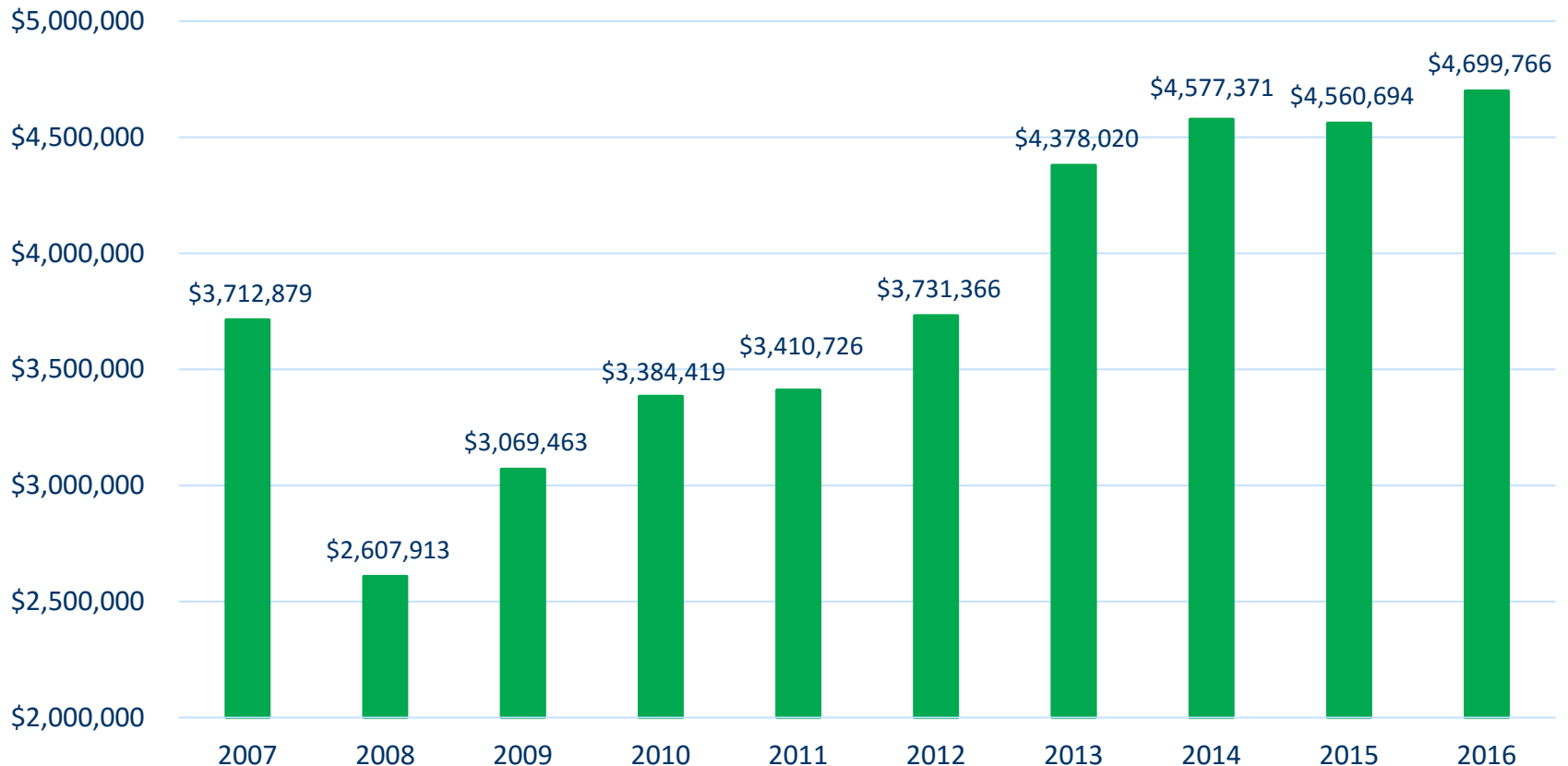
January 1, 2017

Statewide Defined Benefit Plan – 101.4%

Statewide Hybrid Plan – Defined Benefit
Component – 129.6%

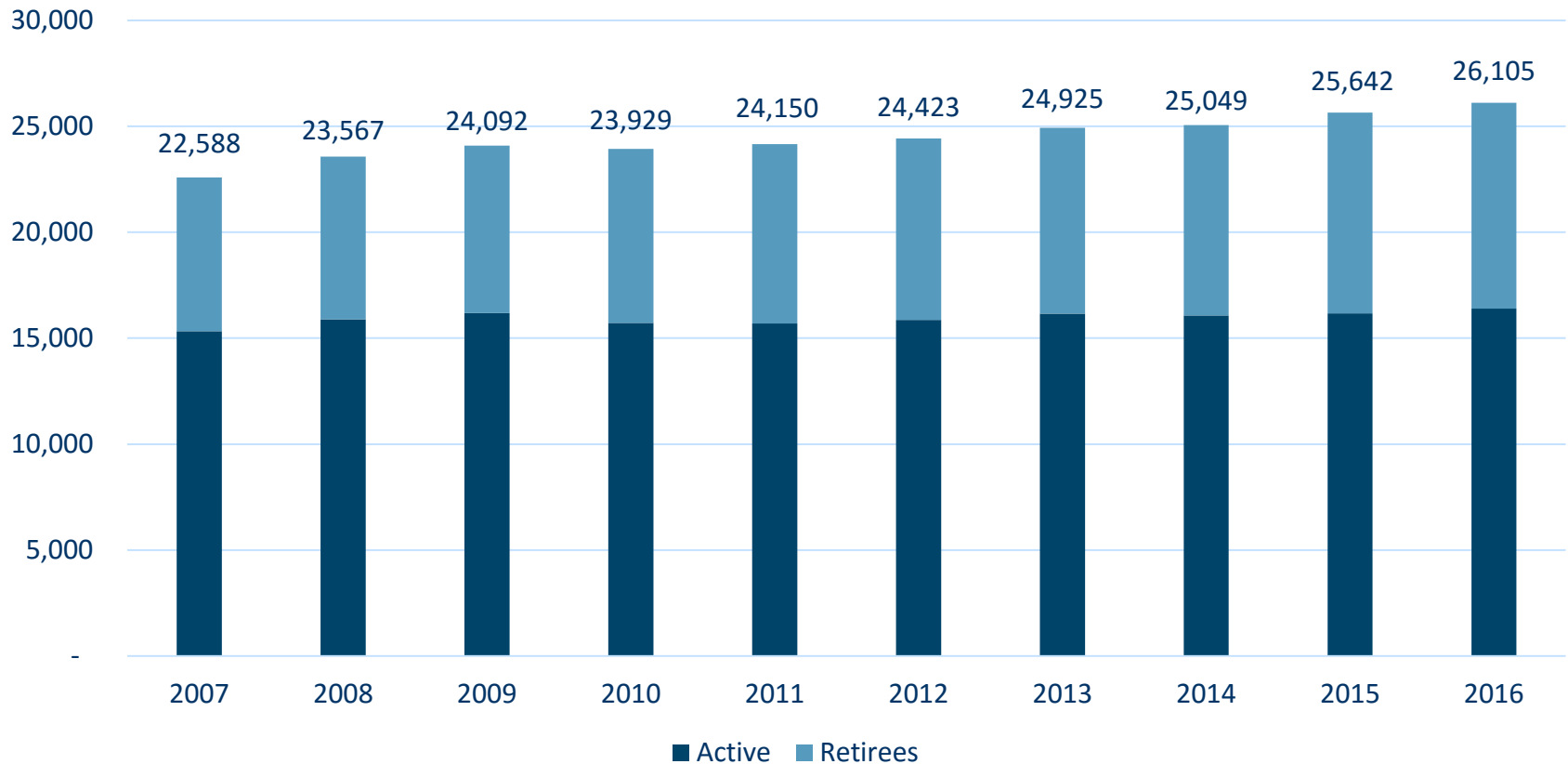
Statewide Death & Disability Plan – 104.8%

Total Pension Fund (DB & DC)





Participants in FPPA Plans



Governmental Accounting Standards Board (GASB) Update

FPPA

**EMPLOYER
SUMMIT**



2017 ■ Thursday, September 7, 2017



GASB 68 – *Accounting and Financial Reporting for Pensions*

Applies to the following FPPA administered plans:

Agent Multiple-Employer Plans	Cost-sharing Multiple-Employer Plans
<ul style="list-style-type: none">Affiliated Local Old Hire PlansAffiliated Local Volunteer Fire Plans	<ul style="list-style-type: none">Statewide Defined Benefit Plan (SWDB)Statewide Hybrid Plan-DB Component (SWH-DB)
Single Employer Plan	
<ul style="list-style-type: none">Colorado Springs New Hire Police/Fire	



GASB 68 – *Accounting and Financial Reporting for Pensions*

FPPA Provides:

Agent Plans

- ✓ GASB 68 Report prepared by Gabriel, Roeder, Smith & Company
- ✓ SOC 1(Type 2) Report for FPPA
- ✓ Changes in Fiduciary Net Position schedule as part of the CAFR

Cost-Sharing Plans

- ✓ Audited Schedule of Employer Contributions
- ✓ Audited Schedule of Collective Pension Amounts
- ✓ Complete footnotes
- ✓ Historical reports on the FPPA Employer Portal



GASB 68 Report Timing

SWDB/SWH-DB Plans

12/31/2017
Audit

- GASB 68 Report based on 1/1/2017 actuarial valuation
- No Roll Forward. Actual assets and liabilities as of 12/31/2016. Employer to add 2017 contributions.
- 4Q 2017 GASB 68 Report provided to Employers on the FPPA Employer Portal (report is not employer specific)
- 4Q 2017 Employer contribution reporting provided for 2016 to reconcile contributions for employers that had annualized contribution amounts

12/31/2018
Audit

- GASB 68 Report based on 1/1/2018 actuarial valuation
- No Roll Forward. Actual assets and liabilities as of 12/31/2017. Employer to add 2018 contributions.
- 4Q 2018 GASB 68 Report provided to Employers on the FPPA Employer Portal (report is not employer specific)
- 4Q 2018 Employer contribution reporting provided for 2017 to reconcile contributions for employers that had annualized contribution amounts



GASB 68 Report Timing

Affiliated Old Hire Pension Plans

12/31/2017
Audit

- GASB 68 Report based on 1/1/2016 actuarial valuation
- Rolled forward Total Pension Liability to 12/31/2016 measurement date and using 12/31/2016 Plan Net Position. Employer to add 2017 contributions.
- 1/1/2017 Employers provided Census Data Report for validation and required to return to FPPA by 1/31/2017
- 4Q 2017 GASB 68 Report provided to Employers on the FPPA Employer Portal
- 4Q 2017 FPPA SOC 1 Type 2 Report for the period 1/1 - 12/31/2016 provided to Employers on the FPPA Employer Portal

12/31/2018
Audit

- GASB 68 Report based on 1/1/2018 actuarial valuation
- No Roll Forward. Actual assets and liabilities as of 12/31/2017. Employer to add 2018 contributions
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- 4Q 2018 GASB 68 Report provided to Employers on the FPPA Employer Portal
- 4Q 2018 FPPA SOC 1 Type 2 Report for the period 1/1 - 12/31/2017 provided to Employers on the FPPA Employer Portal



GASB 68 Report Timing

Affiliated Volunteer Fire Pension Plans

12/31/2017
Audit

- GASB 68 Report based on 1/1/2017 actuarial valuation
- No Roll Forward. Actual assets and liabilities as of 12/31/2016. Employer to add 2017 contributions.
- 1/1/2017 Employer notified to update Census Data on FPPA Employer Portal and required to complete by 1/31/2017
- 4Q 2017 GASB 68 Report provided to Employers on the FPPA Employer Portal
- 4Q 2017 FPPA SOC 1 Type 2 Report for the period 1/1 - 12/31/2016 provided to Employers on the FPPA Employer Portal

12/31/2018
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- GASB 68 Report based on 1/1/2017 actuarial valuation
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- 1/1/2018 Employer notified to update Census Data on FPPA Employer Portal and required to complete by 1/31/2018
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GASB 68 Update – Actuarial Assumptions

- Impact to Volunteer Plans in 2017 GASB 68 report
 - All other plans impacted in the 2016 GASB 68 reports
 - Retain the investment return assumption of 7.5%; however adjust it to be net of all investment expenses only (instead of net of both investment and administrative expenses). This will mimic the approach used in determining the investment return assumption under the accounting rules. Accordingly, an explicit assumption for administrative expenses will now be applied to each plan.
 - Reduced the inflation assumption from 3.0% to 2.5%
 - Updated the post-retirement mortality tables to reflect increased longevity
 - Increased the rates of both occupational and total disability for members covered under a defined benefit plan



GASB 68 Update – Benefit Improvements

- The GASB 68 report reflects benefit changes through the end of the ***measurement period***
 - None of the Volunteer or Old Hire plans had benefit change amounts in the 2016 reports
 - That will change in the 2017 reports as the measurement period will be as of 12/31/2016
 - Always will be a one year lag between the measurement period recognition and the employer reporting period



GASB 68 – Accounting and Financial Reporting for Pensions

Reentry Impact

Statewide Defined Benefit Plan & Statewide Hybrid Plan – DB Component

- ✓ Additional annual contributions
- ✓ Likely reductions of proportionate share to current employers
- ✓ Impact to annual pension expense recognized



GASB 68 - Payroll Attestations

2017 Selections/2016 Payroll

- Applies to employers in the SWDB, SWH-DB and the Colorado Springs New Hire plan
- Annual Attestation Reports
 - Denver Police (SWDB)
 - West Metro FPD (SWH)
 - Aurora Fire (SWH)
 - Colorado Springs New Hire Police & Fire Components

AURORA FIRE (SWDB)
BRUSH POLICE (SWDB)
DURANGO FPD (SWDB)
FEDERAL HEIGHTS FIRE (SWDB)
FEDERAL HEIGHTS POLICE (SWDB)
HUDSON FPD (SWDB)
LONE TREE POLICE (SWDB)
MILLIKEN POLICE (SWDB & SWH)
PUEBLO RURAL FPD (SWDB)
SHERIDAN POLICE (SWDB)
STERLING FIRE (SWDB)
STERLING POLICE (SWDB)



GASB 68 - Allocation Methodology

- Effective 1/1/17, FPPA began allocating shared administrative expenses to defined benefit plans based on member headcount (active and retirees)
- Investment related expenses are still allocated based on the assets under management
- This is a better methodology to ensure a more representative allocation of costs to *all* plans
- No change in cost allocations to and among the plans at Fidelity



GASB 68 – Common Auditor Requests

Where is the SWDB Plan Document? Where is the one from last year?

- SWDB does not have a separate plan document. It was created in Colorado State Statute and also in the FPPA Rules & Regulations
- Other plans may have specific plan documents
- All are available on the FPPA website – usually the current year only
- Please download this year's rules and documents now if your auditors request these



GASB 68 – Common Auditor Requests

Please provide a member listing highlighting new hires and terminations (SWDB Plan)

- This should come from the employer human resources and payroll records
- Historical Contributions Reports from the FPPA Employer Portal may assist in corroborating the contributions reported by pay period for new hires and terminated members
- Member Management exports may also be useful as of various times during the year to support membership roster



GASB 68 – Common Auditor Requests

I can't find the FPPA reports for my employer/client, can you send it to me? (All plans)

- Authorized contacts need to log into the FPPA Employer Portal and download reports for their auditors
- Reports generally requested
 - Actuarial report*
 - GASB 68 report
 - Allocation report
 - Contributions summary to reconcile reported amounts

*Actuarial reports for the Statewide Defined Benefit Plan, Statewide Hybrid Plan and Statewide Death & Disability Plan are available on the FPPA website under the Employer tab; Volunteer and Old Hire reports are on the FPPA Employer Portal under Documents



GASB 74 & 75

Two Accounting Standards

GASB 74 –Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans is a replacement of GASB 43

- OPEB plan reporting requirements

GASB 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions is a replacement of GASB 45

- Employer OPEB plan reporting requirements



GASB 74 & 75

Two Accounting Standards

- FPPA does not expect that any FPPA employers will be implementing GASB 75 for the SWD&D Plan in full
 - Most likely some extended footnote descriptions about the Statewide Death & Disability Plan
 - Template will be provided by FPPA on the FPPA website
- Employer will need to be explained to employer auditors
- Many FPPA employers do have to implement this for PERA, county and other local plans.
- Including extra detail of GASB 74 & 75



GASB 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pensions

Other Postemployment Benefits (OPEB)

“Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.”



GASB 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pensions

GASB 74 is applicable to -

(paragraph 3)

...defined benefit OPEB plans that are administered through trusts or equivalent arrangements in which:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

GASB 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pensions

Defined Benefit OPEB

(paragraph 11)

OPEB for which the benefits that the plan member will receive at or after separation from employment are defined by the benefit terms. The OPEB may be stated as (a) a specified dollar amount; ***(b) an amount that is calculated based on one or more factors such as age, years of service, and compensation***; or (c) a type of level of coverage such as prescription drug coverage or a percentage of health insurance premiums.

GASB 75 – Accounting and Reporting for Postemployment Benefit Plans Other Than Pension Plans

- Employers will implement GASB 75 in their December 31, 2018 annual financial statements
- Significant changes in employer reporting of OPEB assets and liabilities
- Reporting the long-term liability of future OPEB benefits in excess of accumulated plan assets on the Statement of Fiduciary Net Position

Statewide Death & Disability Plan

General

- As of December 31, 2016
 - 396 participating employer departments and
 - 11,975 active members
 - 1,111 retirees
- Cost sharing multiple-employer defined benefit plan
- Covers substantially all active full-time (and some part-time) employees of fire and police departments in Colorado

Statewide Death & Disability Plan Contributions

- Funded from **member** contributions or contributions made on behalf of members
 - It is a local department decision
- No mandatory employer or nonemployer contributing entity contributions
 - State of Colorado completed its funding in 1997 for all past and future service costs for members hired prior to January 1, 1997

Statewide Death & Disability Plan

Contributions

C.R.S. 31-31-811. State funding of death and disability benefits

- (4) For each member hired on or after January 1, 1997....
- ...Any decision regarding whether the contribution required by this subsection (4) shall be assessed against the employer or the member, or shall in some manner be assessed jointly against the employer and the member, **will be made at the local level utilizing the usual process for determining employee benefits.** If it is not already part of the usual process for determining employee benefits, the employer shall confer with the employees or their representative prior to making a determination on how the contribution will be assessed.

Statewide Death & Disability Plan

Benefits

- Benefits are provided separately from the FPPA pension plans
- Provides benefits for members or their survivors not eligible for a “normal retirement” or for an on-duty death for active members eligible to retire
- Once a member is eligible to retire, contributions to the plan and plan benefit obligations cease

OPEB Implementation Issues

- What are the FPPA actuarial and plan reporting obligations to employers?
- If the plan is funded entirely by member contributions, what is the basis to calculate the employer's proportion of Net OPEB Liability?
- Does GASB 75 apply to FPPA employers?





OPEB Implementation Issues

GASB 75 excerpt (paragraph 59 a.) –

...The basis for the employer's proportion should be consistent with the manner in which contributions to the OPEB plan, excluding those associated with separately financed specific liabilities of an individual employer to the OPEB plan, are determined. The use of the employer's projected long-term contribution effort to the OPEB plan (including that of nonemployer contributing entities that provide support for the employer but that are not in a special funding situation) as compared to the total projected long-term contribution effort of all employers and all nonemployer contributing entities to determine the employer's proportion is encouraged.





OPEB Implementation Issues

- Implementation Guide No. 2017-2
 - OPEB Implementation Guide related to GASB 74
- GASB 85 - *Omnibus 2017*; paragraph 15
 - Payments made by the employer to satisfy requirements of the OPEB plan as **plan member contributions** should be classified by the plan as member contributions for GASB 74.
 - For GASB 75 to calculate the employer's proportionate share, those amounts should be recognized as **member contributions**. The employer's expense should be classified similarly to other compensation (i.e., salaries and wages, or fringe benefits).

FPPA OPEB Implementation Process

FPPA will:

- Implement GASB 74 in the December 31, 2017 FPPA CAFR
- Develop employer reporting materials for their implementation of GASB 75
- Provide educational materials on the FPPA website
 - Employer tab – GASB Guide



Resources

- FPPA website
 - See FPPA website for updates and links to other relevant resources
 - www.FPPAco.org (Employer section)
- GASB Section
 - Links to GASB 67 & 68 and GASB 74 & 75 Statements
 - AICPA Whitepapers
 - FAQ
 - Implementation Guide and Journal Entry Template for pensions
 - Videos on 'How to Read your GASB 68 Report'
 - GASB 75 Statewide Death & Disability Plan sample footnote disclosure
- Volunteer state funds letter from State Controller
 - DOLA payment of state funds to FPPA



Employer Update FPPA Contacts

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2017 ■ Thursday, September 7, 2017

Contacts: Other Accounting Contacts

GASB and Reporting

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FPPA

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303.770.3772 | 800.332.3772 toll free

