



What GASB 68 Means For You

Presented by:



Louis W. Kosiba
Executive Director



Mark Nannini
Chief Financial Officer

August 24, 2017

Agenda

- **What is GASB 68?**
- **GASB 68 Up Close:**
 - Annual Documentation
 - Actuarial Reports
 - Fiduciary Net Position by Employer
 - SOC-1 Type 2 Report
- **Appendix**

What is GASB 68?



Governmental Accounting Standards Board, a non-governmental, private-sector organization that establishes accounting and financial reporting standards for U.S., state, and local governments that follow GAAP—Generally Accepted Accounting Principles.

What is GASB 68?

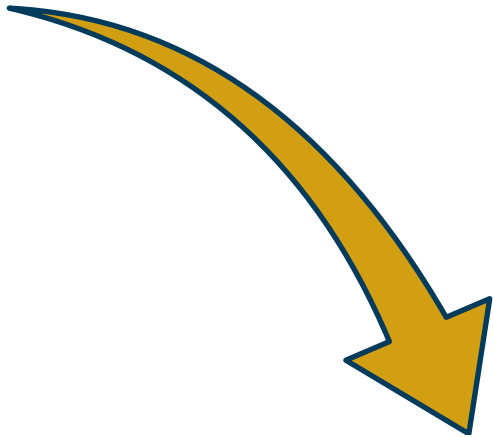


**IMRF is an Agent Multiple-Employer
Public Employee Retirement System.**



What is GASB 68?

GASB27



GASB68

- GASB 68 replaced Statement #27, Accounting for Pensions by State and Local Governmental Employers.
- In June 2012, GASB issued GASB Statement No. 68, Accounting and Reporting for Pensions.
- GASB 71 amended GASB 68.
- GASB 73 **ALSO** amended GASB 68.
- GASB 82 amended both GASB 68 **AND** GASB 73.

What is GASB 68?

GASB50

PLEASE

KEEP THIS GASB FOOTNOTE DISCLOSURE STATEMENT FOR THE AUDITORS

**THIS STATEMENT CAN ALSO BE VIEWED AT IMRF.ORG
EMPLOYER DOCUMENT ARCHIVE**

This information is intended to provide your governmental unit with pension information required in the Notes to Financial Statements for your next annual financial report. The following information is patterned after illustration 6 shown on pages 32 and 33 of the Governmental Accounting Standards Board Statement No. 50 for an employer contributing to an agent-multiple-employer defined benefit pension plan.

Employers who have a fiscal year ending other than December 31 will have to adjust the information shown in the three - year trend information to reflect their fiscal year. IMRF has provided a template at www.IMRF.org for employers who have a fiscal year ending after December 31, 2016 or later, and who opted to use the optional phase-in rates to assist in calculating their net pension obligation.

This information should be shared with your auditors. Questions can be directed to Audrey Brown-Ryce at (630) 706-4246 or ARBrown-Ryce@imrf.org.

FUNDING

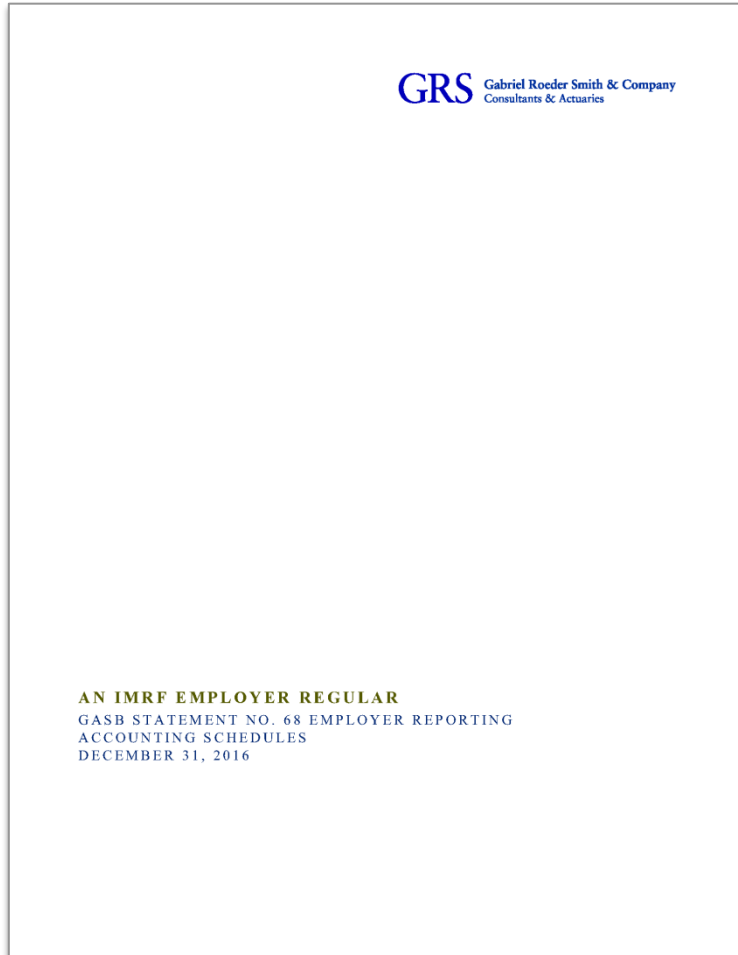
GASB68

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

GASB STATEMENT NO. 68 EMPLOYER REPORTING
ACCOUNTING SCHEDULES
DECEMBER 31, 2016

ACCOUNTING

What is GASB 68?



GASB 68 Regular



GASB 68 SLEP

What is GASB 68?

**Net
Pension
Liability**



**Unfunded
Actuarial
Liability**

What is GASB 68?



What is GASB 68?

Net Pension Liability:

- Calculated on a market basis
- No actuarial smoothing
- Expect volatility in this measure from year-to-year based on annual investment returns, retirements, salary changes, assumption changes, etc.

What is GASB 68?

Pension Expense:

- Annual change in Net Pension Liability

Pension Expense Drivers:

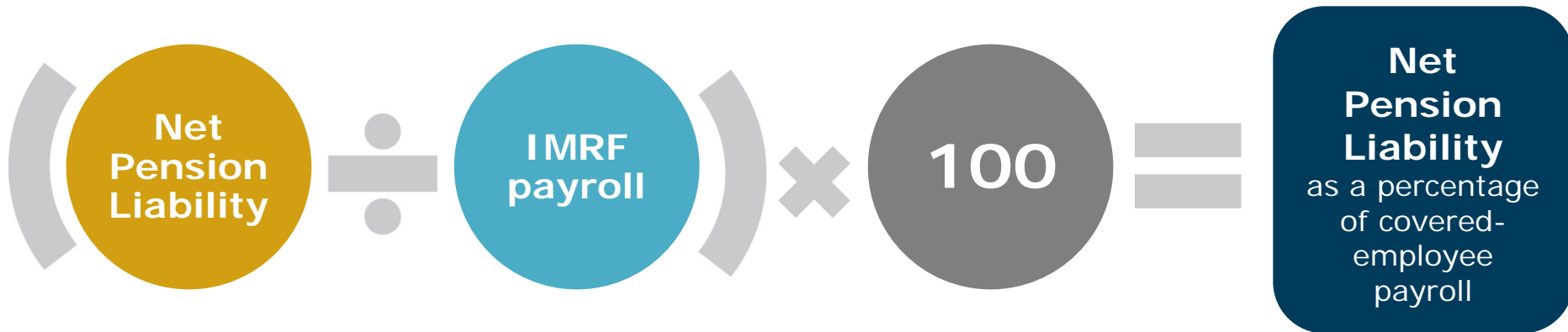
- Service credit
- Investment returns
- Retirements
- Benefit changes
- Deferred inflows and outflows

What is GASB 68?



*Plan Fiduciary Net Position as a percentage of Total Pension Liability

What is GASB 68?



GASB 68 Up Close



If your employer does not do GAAP reporting, you may not need to take any action.



GASB 68 Up Close

The first schedule includes:

- Beginning balance of the total pension liability.
- Ending balance of the total pension liability.
- Plan fiduciary net position.
- Net pension liability.

The second schedule includes:

- Plan fiduciary net position.
- Net pension liability.
- Ratio of plan net position to the total pension liability.
- Covered-employee payroll
- Net pension liability as a percentage of covered-employee payroll.

GASB 68 Up Close

GASB 68 requires:

- A description of the plan and of the benefits provided.
- Significant assumptions used to measure the net pension liability (UAL).
- A description of any benefit changes or changes in assumptions.
- Assumptions related to the discount rate and the impact on the total pension liability of a 1 percent increase or decrease in the rate.
- The net pension liability and deferred outflows and inflows of resources.
- The beginning balance of the net pension liability.
- The ending balance of the net pension liability.
- The effect of changes or differences during the period.

GASB 68 Up Close

IMRF's audited financial statements DO NOT include actuarial information nor do they include each employer's "interest" in the fiduciary net position.

GASB 68 Up Close

IMFR employers need:

- Total pension liability less fiduciary net position, the total of which is net pension liability.
- Deferred outflows/inflows based on investment experience.
- Deferred outflows/inflows based on changes in assumptions.
- Deferred outflows/inflows based on actuarial gains and losses.
- Pension expense.

GASB 68 Up Close

Measurement Date: December 31, 2016

EXECUTIVE SUMMARY AS OF DECEMBER 31, 2016

Actuarial Valuation Date	December 31, 2016
Measurement Date of the Net Pension Liability	December 31, 2016 [*]
Fiscal Year End	December 31, 2017

***Must be within the employer's fiscal year
or one day prior to the beginning of the fiscal year.**

GASB 68 Up Close

Measurement of the total pension liability is determined through:

An actuarial valuation performed as of the measurement date.

OR

The use of update procedures to roll forward amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's year-end date.

GASB 68 Up Close

GASB 68 at a Glance

Preliminary information about GASB 68 reporting requirements

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Reporting for Pensions*. Many IMRF employers have been requesting information from IMRF about how we will be providing the information your employer needs to comply with GASB 68.

The following document shows a *preliminary* breakdown of how IMRF will report this information, and defines some of the terms used for GASB 68 reporting. IMRF is continuing to refine this process and will keep you informed as we update our GASB 68 reporting methods.

Section A—Total Pension Liability:

Your *Total Pension Liability* is the amount it will cost your employer to pay for promised pension benefits.

A. Total Pension Liability

1. Active members	\$ xx,xxx,xx
2. Retired members	xx,xxx,xx
3. Deferred members	x,xxx,xx
4. Total	xx,xxx,xx

“Deferred members” are inactive members.

Section B—Plan Fiduciary Net Position: Your *Plan Fiduciary Net Position* is the value of your employer's pension assets.

B. Plan fiduciary net position

1. Member Assets	\$ xx,xxx,xx
2. Employer Assets	xx,xxx,xx
3. Retired Reserve	xx,xxx,xx
4. Total	xx,xxx,xx

Section C—Net Pension Liability:

Your *Net Pension Liability* is the amount left over after subtracting the total value of your employer's pension assets from its *Total Pension Liability*.

C. Net pension liability \$ x,xxx,xx

This is also known as your employer's “unfunded liability” (on a market-value basis).

Page 1 of 2

GASB 68 at a Glance, continued

Section D—Plan fiduciary net position as a percentage of the total pension liability:

The percentage of your employer's *Total Pension Liability* that it could pay with its current pension assets.

D. Plan fiduciary net position as a percentage of the total pension liability xx.x%

Also known as your employer's *Funded Status* or *Funded Ratio*.

Section E—Covered-employee payroll:

The combined annual salaries of your IMRF-participating employees.

E. Covered-employee payroll \$xx,xxx,xx

Section F—Net pension liability as a percentage of the covered-employee payroll:

A calculation that compares your employer's *Net Pension Liability* to its payroll for IMRF-participating employees.

F. Net pension liability as a percentage of covered employee payroll xx.x%

Section G—Discount Rate:

The *Long Term Discount Rate* and the *20-year Municipal Bond Rate* are used to calculate your employer's *Blended Discount Rate*.

G. Discount rate

1. Long Term Discount Rate	xx.x%
2. 20 year Municipal Bond Rate (December 2012)	xx.x%
3. Blended Discount Rate	xx.x%

The *Blended Discount Rate* is used to calculate the **present value** of your employer's *Total Pension Liability*.

- The *Long Term Discount Rate* is applied to the portion of your employer's *Total Pension Liability* that does not exceed its pension assets.
- The *20-year Municipal Bond Rate* is applied to the portion of your employer's *Total Pension Liability* that exceeds its pension assets.

Page 2 of 2

GASB 68 Up Close

GASB 68 Resources

for IMRF Employers



IMRF participating employers who report using Generally Accepted Accounting Principles (GAAP) are required to follow rules established by the Governmental Accounting Standards Board (GASB). In June 2012, GASB issued statement number 68 with the objective of improving accounting and financial reporting on pensions by government entities. IMRF is presenting this online resource to aid participating employers in implementing the new standards required by GASB 68.

The requirements on IMRF employers established by GASB 68 can be summarized into four processes. IMRF employers are required to:

1. Project the future benefit payments for current and former employees and their beneficiaries.
2. Discount those payments to their present value.
3. Allocate the present value over past, present, and future periods of employee service.
4. Disclose future inflows and outflows.

Long Term Expected Real Rate of Return by Asset Class

as of 12/31/2016

Long Term Expected Real Rate of Return by Asset Class as of 12/31/2016

Asset Class	Target Allocation	Return 12/31/16	Projected Returns/Risk	
			One Year Arithmetic	Ten Year Geometric

Quick Links

[GASB 68 at a Glance](#)

[Overview of Requirements](#)

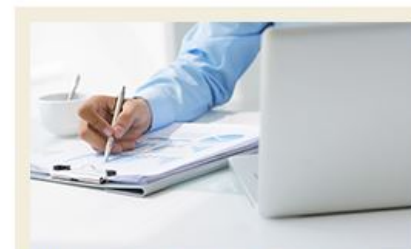
[Implementation Toolkit](#)

[IMRF Webinar Presentation](#)

[Webinar Q&A Session](#)

[GASB 68 Pension Footnote & Journal Entry Template - Year of Implementation](#)

[GASB 68 Pension Footnote & Journal Entry Template - Year 2 and Beyond](#)



What is the GASB 68 Discount Rate? This document shows how to

GASB 68 Up Close

Wages and Contributions

- [Report Wages](#)
- [Report Wage Adjustments](#)
- [Display Wage Report History](#)
- [Display Wage Adjustment History](#)
- [Display Contribution Rates](#)

"GASB68R-GASB 68-Regular Plan"

Payments

- [Pay Online](#)
- [Display Payment History](#)
- [Display Account Balance](#)

Members

- [Enroll Member](#)
- [Display or Change Member Information](#)
- [Terminate Member](#)
- [Report Disability or Return to Work](#)

Documents

- [Display Document Archive](#)
- [Display Annual Documents New!](#)
- [Display Adopted Resolutions](#)
- [Download Forms](#)
- [Display Authorized Agents Manual](#)
- [Display Web Transaction History](#)



GASB 68 Up Close

Executive Summary as of December 31, 2015

Assets	\$ 1,234,567
Liabilities	\$ 987,654
Net Position	\$ 246,913

Pension Expense (Income) Under GASB Statement No. 68

1. Service Cost	\$ 12,345
2. Interest on the Net Pension Liability	\$ 23,456
3. Change in Actuarial Liability	\$ 34,567
4. Change in Actuarial Liability - Other	\$ 45,678
5. Change in Actuarial Liability - Other	\$ 56,789
6. Total Pension Expense (Income)	\$ 172,835

TABLE OF CONTENTS

- Section A: Executive Summary
- Section B: Financial Statements
- Section C: Calculation of the Single Discount Rate
- Section D: 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 difference between the actuarial value of future normal costs and the actuarial present value of all benefits is the actuarial accrued liability. The AAL may also be referred to as "accrued liability" or "actuarial liability".

Actuarial Assumption
These assumptions are estimates of future experience with respect to one of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, unless modified for projected changes in conditions. Economic assumptions consist of an underlying rate of growth, inflation and investment return over a long-term average time of return plus an assumption for a long-term average rate of inflation.

Actuarial Equivalent
A single amount or series of amounts of equal actuarial value to another actuarial valuation.

Actuarial Cost Method
A mathematical weighting 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 loading method.

Actuarial Gain (Loss)
The difference in liabilities between two actuarial valuations in the gain (loss) on the actuarial liabilities.

Actuarial Present Value (APV)
The amount of funds currently required to provide a present or series of payments in the future. The present value is determined by discounting future payments at predetermined rates of interest and probability of death.

Actuarial Valuation
The actuarial valuation report documents, 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
A calculated contribution into a defined benefit pension plan for the reporting period, plus the actuarial liability, as of the ending price of the plan. Equivalently, the Actuarial (Discounted) Contribution has a normal cost payment and an investment payment.



GASB 68 Up Close

GASB68

GASB 68 changes the way an employer can calculate the present value of its Total Pension Liability.

GASB 68 Up Close

Simplified GASB 68 Discount Rate Example	
Employer's Total Pension Liability:	\$500,000.00
Amount of Total Pension Liability the employer has in assets:	\$400,000.00
Amount of Total Pension Liability the employer does not have in assets:	\$100,000.00
The Long Term Discount Rate of 7.50% is used only on the amount of the employer's liability that it does have an equal number of assets to cover. $400,000.00 \times 7.5\% =$	\$30,000.00
The 20-year Municipal Bond Rate is used on the amount of the employer's liability that it does not have an equal number of assets to cover. <i>(The 20-year Municipal Bond Rate for December 2012 is 3.58%.)</i> $\$100,000.00 \times 3.58\% =$	\$3,580.00
Add these two discount amounts together to obtain the amount to subtract from the Total Pension Liability: $\$30,000.00 + \$3,580.00 =$	\$33,580.00
Subtract this amount from the Total Pension Liability to get the <i>present value</i> : $\$500,000.00 - \$33,580.00 =$	\$466,420.00
Present value of the employer's Total Pension Liability:	\$466,420.00

**For illustrative purposes only*


GASB 68 Up Close

Simplified GASB 68 Discount Rate Example	
Employer's Total Pension Liability:	\$500,000.00
Amount of Total Pension Liability the employer has in assets:	\$400,000.00
Amount of Total Pension Liability the employer does not have in assets:	\$100,000.00
The Long Term Discount Rate of 7.50% is used only on the amount of the employer's liability that it does have an equal number of assets to cover. $400,000.00 \times 7.5\% =$	\$30,000.00
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Add these two discount amounts together to obtain the amount to subtract from the Total Pension Liability: $\$30,000.00 + \$3,580.00 =$	\$33,580.00
Subtract this amount from the Total Pension Liability to get the <i>present value</i> : $\$500,000.00 - \$33,580.00 =$	\$466,420.00
Present value of the employer's Total Pension Liability:	\$466,420.00

Blended Discount Rate would be 6.716%




GASB 68 Up Close



2016 SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER

FOR THE YEAR ENDED DECEMBER 31, 2016



• LOCALLY FUNDED, FINANCIALLY SOUND •



2016 GRS vs IMRF RECONCILIATION ADJUSTMENTS SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2016



GRS vs IMRF GASB 68 Adjustment Reconciliation Schedule

The following spreadsheet provides a detailed reconciliation of the GRS vs IMRF GASB 68 Adjustment Reconciliation Schedule. The information is presented in a format that is consistent with the GASB 68 reporting requirements. The information is presented in a format that is consistent with the GASB 68 reporting requirements.

Reconciliation Table A: Reconciliation Between Actuary GASB 68 Report and IMRF Schedule of Changes in Fiduciary Net Position by Employer

Actuary Schedule of Changes	GRS vs IMRF		IMRF Schedule of Changes	Net Change
	GRS vs IMRF	Change		
Actuary Schedule of Changes				
GRS vs IMRF				
Change				
IMRF Schedule of Changes				
Net Change				

Reconciliation Table B: Detailed Reconciliation of Fiduciary Net Position Variance

Ending Plan Fiduciary Net Position	GRS vs IMRF		IMRF		Net Change
	GRS vs IMRF	Change	IMRF	Change	
Ending Plan Fiduciary Net Position					
GRS vs IMRF					
Change					
IMRF					
Change					
Net Change					

GASB 68 Up Close



ILLINOIS MUNICIPAL RETIREMENT FUND *TABLE OF CONTENTS*

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GASB 68 Up Close

The screenshot shows the IMRF website interface. At the top, there is a search bar and navigation links for Home, Contact Us, and Español. The main navigation menu includes MY ACCOUNT, MEMBERS, RETIREES, EMPLOYERS, INVESTMENTS, ABOUT IMRF, and FORMS AND PUBLICATIONS ARCHIVE. Below this is the EMPLOYER ACCESS section with links for Home, Wages and Contributions, Payments, Members, Documents, Web Account, and Contact Us. The DOCUMENTS AND FORMS section is highlighted, containing a list of links: Display Document Archive, Display Annual Documents (circled in blue), and Display Adopted Resolutions. A yellow arrow points from this link to another 'Display Annual Documents' link in the 'Documents' section at the bottom left. Another yellow arrow points from the 'Display Annual Documents' link in the 'DOCUMENTS AND FORMS' section to the 'Download Forms' link in the 'DOCUMENTS AND FORMS' section. The 'Payments' section includes links for Pay Online, Display Payment History, and Display Account Balance. The 'Members' section includes links for Enroll Member, Display Member Information, Terminate Member, and Report Disability or Return to Work. The 'Documents' section includes links for Display Document Archive, Display Annual Documents (with a 'New' tag), Display Adopted Resolutions, Download Forms, and Display Authorized Agents Manual. A sidebar on the right contains information about the Employee Support Number and a 'LEARN MORE' button. The bottom right corner features the IMRF logo and the text 'Employer Support Videos'.

GASB 68 Up Close: IMRF's References



EMPLOYER DIGEST 

April 28, 2017

In This Issue:

- [2017 Rate Meeting Webinar Registration Now Open](#)
- [GASB 68 Statements, SOC-1 Document Available](#)
- [April 2017 Employer Reminder](#)

Quick Links:

- [Visit IMRF's website](#)
- [Log in to Employer Access](#)
- [Employer Digest email archive](#)

2017 Rate Meeting Webinar Registration Now Open

Registration is now open for **IMRF's 2017 Rate Meeting Webinar**.

Taking place Wednesday, May 3, IMRF employers will have an online opportunity to review the impact of year-end financial and actuarial data on IMRF, and the data's estimated impact on individual employers. A question-and-answer session will follow the presentation.

The program will begin at 2 PM (attendees will be able to log in to the event beginning at 1:30 PM). All Authorized Agents, financial officers, governing body members, and interested parties may [register here for the 2017 Rate Meeting Webinar](#).

GASB 68 Statements, SOC-1 Document Available

Your employer's **GASB 68 Statements and Census Data** are now available in the Annual Documentation section of Employer Access.

This information is intended for your employer's auditors in their review. All Authorized Agents are encouraged to [log in to Employer Access](#) to retrieve their employer's documents.

Additionally, IMRF's **SOC-1, Type 2 Document** is now available in the Annual Documentation section of Employer Access for all employers to download.

In the report, independent auditors examined and verified the adequacy of IMRF's internal controls. The document is required by some IMRF employers for financial reporting purposes.

- **GASB 68 Documentation**
(Available April/May)
- **SOC-1 Type 2 Report**
(Currently available for April 1, 2016, through March 31, 2017)
- **Schedule of Changes in Fiduciary Net Position**
(By employer)

Appendix

- **IMRF is an Agent Multiple-Employer Public Employee Retirement System**
- **Cost method of valuation:
Aggregate Entry Age Normal**

Appendix

IMRF Mission, Vision, and Values

Mission - To efficiently and impartially develop, implement, and administer programs that provide income protection to members and their beneficiaries on behalf of participating employers in a prudent manner.

Vision - To provide the highest quality retirement services to our members, their beneficiaries, and employers.

Values - (REAACH)

Respect

Empathy

Accountability

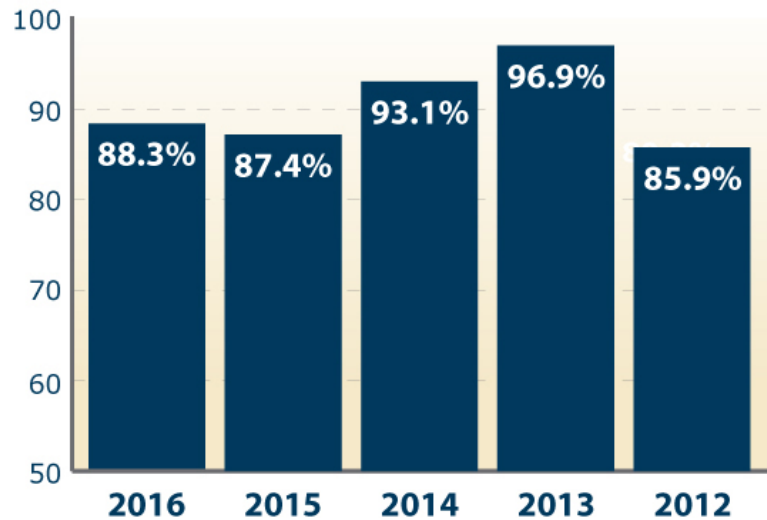
Accuracy

Courage

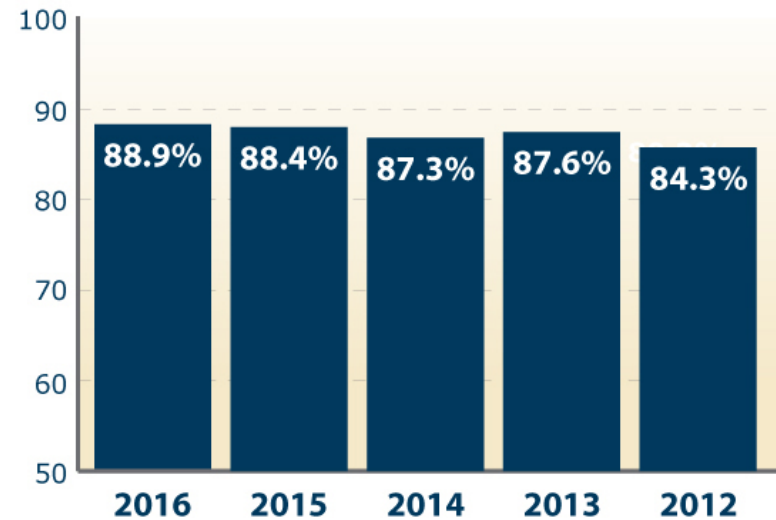
Honesty

Appendix

Market Funding Status For The Past 5 Years



Actuarial Funding Status For The Past 5 Years



Illinois Municipal Retirement Fund

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Employer 800-number: 1-800-728-7971

IMRF website:

www.imrf.org

- Comprehensive Annual Financial Report
- Annual Budget
- GASB 68 Resource Page
- Schedule of Changes in Fiduciary Net Position (by employer)
- SOC-1 Type 2 Document (in Employer Access)
- *Also available: GASB 50 (in Employer Access)*



Thank you for attending!

What GASB 68 Means For You