



Office of Retirement Services
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STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY,
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ALPENA PUBLIC SCHOOLS
DIANE BLOCK
2373 GORDON RD
ALPENA, MI 49707

New GASB Standards Established: Accounting and Financial Reporting for Pensions

Dear Diane Block:

The Governmental Accounting Standards Board (GASB) has established new accounting and financial reporting standards that require, for the first time, that the net pension liability is reported in financial statements for pensions across the country, including the Michigan Public School Employees Retirement System (MPSERS). This letter provides an estimate of the amounts of net pension liability and the GASB 68 required pension expense for your reporting unit.

GASB 68 requires that pension expense be reported using a new method. Effective for fiscal years beginning after June 15, 2014, GASB Statement 68 requires all reporting units in a multi-employer cost sharing pension plan to record a balance sheet liability for their proportionate share of the net pension liability of the plan. This liability is calculated as the plan's total pension liability minus the market value of the plan's assets. The Office of Retirement Services (ORS) will annually determine each reporting unit's proportionate share of the liability and expense by measuring their proportionate share of the prior year's liability contributions.

This change is for financial reporting purposes only and does **not** result in new retirement costs for reporting units. Additionally, the liability and the associated expenses will **ONLY** be reported on your government-wide financial statements (Statement of Net Position and Statement of Activities) and as any full accrual funds that also include payroll costs, and not your modified accrual fund level statements.

To assist your reporting unit in transitioning to the new reporting standards, the Michigan Department of Education (MDE) will provide you with the accounting information needed to accurately record both the pension liability and related expenses on your books. ORS will provide this data in a format such that your auditor will not have to audit these numbers.

Listed on the next page is your estimated proportionate share of pension liability and pension expense based on plan fiscal year 2012 data. Please note that this information is provided only as a high-level estimate for informational purposes. Your reporting unit does not need this information for budgeting purposes since the method used to fund the pension system has not

changed. Ultimately, these financial reporting changes will only affect your reporting unit's financial statements starting with your fiscal year 2015.

Fiscal Year 2012 Estimates	Net Pension Liability	Pension Expense
Your Proportionate Share	\$55,522,000	\$2,106,000
System Totals	\$25,015,617,000	\$923,532,000

Net pension liability and pension expense information will be provided to your reporting unit in three phases. This letter is the first phase. Your reporting unit's estimated pension liability based on fiscal year 2012 contributions is in the table below. The second phase will provide you an update containing your estimated pension liability and expense, in greater detail, based on fiscal year 2013. The final phase will provide the actual pension liability and expense amounts for your fiscal year 2015, as of September 2014 (MPERS plan fiscal year), in the detailed components required under GASB 68. Your proportionate share of the pension liability and expense as of September 2014 must be reported and accounted for on your financial statements as of June of 2015, per GASB Statement 68.

GASB 68 Financial Reporting Changes

MPERS Plan Fiscal Year	When must reporting units record GASB 68 liability and expense in their financial statements?
2012-estimated	The estimated liability and expense are informational only and are <u>not</u> to be recorded in the school's financial statements
2013-estimated	The estimated liability and expense are informational only and are <u>not</u> to be recorded in the school's financial statements
2014-actual	School fiscal year 2015
2015-actual	School fiscal year 2016

For more information please visit www.gasb.org and www.michigan.gov/gasb68 website for frequently asked questions.

Once you have reviewed these references, if you have any questions, please contact Kevin Kubacki at (517) 322-6994 or Steve Crippen at (517) 322-6857.

Sincerely,

Office of Retirement Service