



JLARC Briefing

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Objectives

- Discuss impact of implementation of GASB 67 on VRS financial statements for 6/30/2014
- Discuss additional work needed for implementation of GASB 68 for Employer financial statements for 6/30/2015
 - Census Data
 - Cost Sharing Plans
 - Agent Multiple-Employer Plans

2014

- VRS implemented GASB 67
- Actuarial calculation of total and net pension liability
- Comprehensive footnote disclosure:
 - Pension Liability
 - Sensitivity of the net pension liability to the discount rate
 - Increased investment activity disclosures

Supplemental Schedule

Change in the Net Pension Liability	VRS State 2014	VRS Teacher 2014	VRS Political Subdivisions 2014				
Total pension liability:				Plan fiduciary net position:			
Service cost	\$ 369,120	\$ 831,501	\$ 524,758	Contributions – employer	\$ 343,259	\$ 853,634	\$ 539,366
Interest	1,436,064	2,722,787	1,243,386	Contributions – member	198,035	371,241	225,555
Benefit changes	-	-	-	Net investment income	2,243,999	4,042,441	2,272,284
Difference between actual and expected experience	-	-	-	Benefit payments	(1,081,866)	(1,874,636)	(754,706)
Assumption changes	-	-	-	Refunds of contributions	(25,036)	(36,103)	(36,876)
Benefit payments	(1,081,866)	(1,874,636)	(754,706)	Administrative expense	(12,341)	(22,036)	(12,153)
Refunds of contributions	(25,036)	(36,103)	(36,876)	Other	123	217	120
Net change in total pension liability	698,282	1,643,549	976,562	Net change in plan fiduciary net position	1,666,173	3,334,758	2,233,590
Total pension liability – beginning	21,068,651	39,852,334	18,158,446	Plan fiduciary net position – beginning	14,502,362	26,076,425	14,393,949
Total pension liability – ending (a)	\$21,766,933	\$41,495,883	\$19,135,008	Plan fiduciary net position – ending (b)	\$16,168,535	\$29,411,183	\$16,627,539
				Net pension liability – ending (a-b)	\$5,598,398	\$12,084,700	\$ 2,507,469

2015

- APA will expand audit work at VRS
 - In support of the Commonwealth's CAFR
 - In support of the Business-type activities
 - Colleges and Universities
 - ABC, Lottery, VCSP
 - Localities and other political subdivisions
- APA will issue new reports on which auditing firms at localities will rely

Measurement Date

- Standards allow a choice in the date used to measure the net pension liability
- Once the choice is made, it is required to be used consistently in the future
- For fiscal year 2015, the Commonwealth will measure the pension liability as of June 30, 2014

Census Data

- Expanded requirements for testing census data
 - Calculations by the actuary depend on accurate census data
 - Amounts are now reported in the financial statements rather than just being disclosures in the notes to the statements
 - Period tested matches the measurement date

Responsibility for Testing Census Data

- Active Employees
 - Tested by the Employer auditors
 - Added as a requirement to the APA issued Specifications for Audits of Counties, Cities and Towns and Specifications for Audits of Authorities, Boards and Commissions
 - Results reported to APA

Responsibility for Testing Census Data cont.

- Inactive Employees and Retirees
 - Tested by APA when auditing VRS
 - Results reported by APA to the Employers and their auditors

myVRS Navigator

- VRS implemented a web based benefits management system
- VNav allows employers to take responsibility for both member and employer data
- Monthly reconciliations are required
- Audit specifications require testing of reconciliation process at employers

Types of Plans

- Cost Sharing
 - Teachers
 - State and Component Units
- Agent Multiple-Employer
 - Political Subdivisions

Teachers Retirement Plan

- All teachers are in one plan
- Must allocate certain information to all of the localities
 - Net pension liability
 - Pension Expenses
 - Deferred inflows and outflows of resources

Teachers Retirement Plan

Net Pension Liability =

Total pension liability (calculated by the actuary)

minus

Fiduciary net position (net assets that have accumulated in the Plan)

Teachers Retirement Plan

Pension Expense

- Recognized as employees earn their pension benefits instead of being based on funding requirements

Teachers Retirement Plan

Deferred outflows/inflows of Resources

- Certain elements of the change in pension liability are amortized rather than immediately being expenses
 - Changes in actuarial assumptions
 - Differences between expected and actual experience
 - Differences between projected and actual investment earnings

Teachers Retirement Plan

- VRS working with its actuary will prepare a schedule that allocates the teacher information to all localities
 - Based on actual contributions
- APA will audit the schedule and issue a report for the localities and their auditors

VRS State Plan and VaLORS Plan

- Handled similar to the teachers plan
- Allocation to agencies and institutions based on contributions
- Individual agencies and institutions that issue financial statements will have to include these allocated amounts
- This will impact Lottery and ABC calculations for transfers

Locality Plans

- All of the localities are in one plan at VRS
- Certain elements are readily associated with a locality:
 - Employer and employee contributions
 - Retirement payments, refunds
- Need to allocate other elements from the Plan to each locality:
 - Earnings on investments
 - Administrative costs

Locality Plans

- VRS's actuary will prepare a report for each locality
- VRS, working with the actuary, will also prepare reports to allocate:
 - Pension Expense
 - Change in Fiduciary Net Position
 - Change in Total Pension Liability
 - Deferred Outflows/Inflows

Locality Plans

- Standards allow a choice in how these reports are audited by the Plan auditor
 - Opinion on the totals AND opinion on each political subdivision
 - Opinion on the totals AND report on the controls VRS has in place over the allocation of the amounts

Locality Plans

- For the report on controls option, the work needed to be done during the year the data was being accumulated and allocated
 - For fiscal year 6/30/2015 financial statements, this would be during the measurement period of 7/1/2013 to 6/30/2014

Locality Plans

- As a result, in order for the localities' auditors to have sufficient audit evidence, we have to provide an audit opinion for EACH locality
 - Plan our testing and calculate materiality for each locality

Locality Plans

- Looking at the possibility of using the approach for reporting on controls in future years, and starting that work now
- Once we do the work for this year, we will make a determination of what is the most cost effective approach

Locality Plans

- Many of the controls are information technology system controls so we cannot include a lot of details in our report because we do not want to describe the Commonwealth's safeguards in a public document

Impact on Employer Financial Statements

- Significant liability will be included in the financial statements
 - Locality employer plans
 - Allocation of teachers
- Use of Market Value for plan assets will increase the volatility of the plan Net Pension Liability

Outreach Efforts

- VRS has sent several communications to employers
- VRS has established a webpage for employers and will continue to add new information as it is available
- VRS and APA have provided training to VGFOA, VACo, VML and VASBO

Other Item to Consider

- Will be required to do something similar in a few years for Other Post Employment Benefits
 - Retiree Health Care Credits
 - Group Life
 - Line of Duty

Questions

