



NEWS TO USE

A newsletter for PERSI employers

October 2013

- GASB Rule Changes
- New PERSI PIO
- IRIS Update



NEW RULES FOR PENSION ACCOUNTING AND REPORTING

As a contributing PERSI employer, you've probably heard rumblings about recent changes approved by the Governmental Accounting Standards Board (GASB) affecting financial reporting practices for public pension plans and the employers participating in the plans.

GASB made the rule change to provide consistency so all public pension systems report the market value of their assets and liabilities on a given date, making it easier to compare the performance of each system.

Please remember these rule changes affect accounting practices only. They do not affect the actual value of PERSI's assets or obligations. They do not affect contributions by employers and employees.

The applicable rule change can be broken into two parts -- GASB Statements 67 and 68.

GASB Statement 67 (Applies to PERSI)

Revises existing guidance for financial reports of most pension plans, changing the method used to calculate and report the costs and obligations of the plan. Plans will no longer be allowed to "smooth" their reported assets over a three to five year period, but will be required to report them immediately. "Smoothing" is a method of spreading unusually high or low returns over several years to lower volatility of gains/losses from investment returns.

Unlike most of its peer systems, PERSI does not "smooth", but instead uses a daily mark-to-market approach because that approach reflects the value of an asset based on its current market price, thereby providing a well-defined picture of returns in real time. For this reason, the GASB measure will have little impact on PERSI directly. Conversely, the majority of other pension plans could see their unfunded liability increase substantially when forced to abandon the practice of "smoothing".

Plan liabilities will have to be calculated using a model called the Individual Entry Age Cost Method.

PERSI currently uses the Aggregate Entry Age cost method. PERSI's actuary, Milliman, has determined the switch to the Individual Entry Age cost method would change PERSI's reported funded ratio 0.9 percent. For this reason, again, the new GASB rule will have little effect on PERSI -- and will not affect its assets, obligations or funding strategy.

PERSI Employer Service Center

Toll-free 1-866-887-9525

Treasure Valley 208-287-9525

Email: [Click here to email PERSI](#)
(GASB on the dropdown menu)

Who is GASB?

GASB is the official source of generally accepted accounting principals for state and local governments.

GASB website: www.gasb.org

PERSI encourages employers to consult with their own auditor about the recent GASB changes.

Effective date

Fiscal years beginning after June 15, 2014

continued on back

continued from front

GASB Statement 68 (Applies to Employers)

Starting in fiscal year 2015, employers will be required to report their share of the pension liability on the face of their financial statement. (Until now, they reported their contribution expense as a footnote)

PERSI will work with its actuary and accountants to determine what data is needed to calculate the proportional share of the employer liability. (GASB prescribes using contributions as a factor in determining an employer's proportional share.) The GASB change only affects how an employer's share

of a pension fund's liabilities are calculated and reported. It does not change the employer's actual obligation or required contributions.

As an employer, you are responsible for determining what applies to your organization's financial statements, and what accounting standards you use.

You will continue to receive updated information regarding the GASB rules. For employers, the new GASB rules go into effect for fiscal years beginning after June 15, 2014.

NEW PUBLIC INFORMATION OFFICER FOR PERSI



Kelly Cross has joined PERSI as Public Information Officer, replacing Patrice Perow who is retiring after 9 years with the system.

Kelly comes to PERSI with a broad background in management, journalism and marketing. He has worked in newsrooms around the state and brings a unique blend of public relations, traditional media and social media skills to the organization. Kelly will take over as Editor of PERSI's newsletters as well as other outreach efforts.

Before coming to PERSI, Kelly was the National

Marketing Director for a startup green energy company focused on efficiency in construction and renewable energy.

Before that, Kelly held management positions with KMTV Television in Twin Falls, and KBCI (now KBOI) Television in Boise and most recently KTRV Television in Nampa, where he served as News Director and Managing Editor. He holds a B.S. in Telecommunication from the University of Idaho.

Kelly is quickly gaining an understanding of PERSI's current operations and its history. He is looking forward to meeting and talking with lawmakers, employers, employees, retirees and constituency groups from around Idaho.



Training continues to roll out throughout the state for employers using our online IRIS system to generate their files from pay period to pay period.

PERSI trainers and Employer Service Center staff will be in Pocatello and Idaho Falls on October 7th and 8th offering training to around 80 employers in the eastern side of the state. These employers will begin reporting in the IRIS system beginning the last week in October.

Only two regions remain to be trained and to begin reporting in IRIS. Training will be offered in the Treasure Valley in December and in North Idaho in February of next year.

As a reminder, a File Specification document has been made available to employers who electronically transmit files to PERSI. These are generally larger employers (e.g., BSU). Known as "uploaders," these employers have begun a certification process so they can use IRIS. Each employer must show it can electronically submit transmittal files according to IRIS specifications.