



PUBLIC SCHOOL & EDUCATION EMPLOYEE
RETIREMENT SYSTEMS OF MISSOURI

GASB No. 68 Sample Reporting Guidelines

Attached are DRAFT reporting guidelines for Governmental Accounting Standards (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB No. 71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date*. These guidelines include only the note disclosures and required supplementary information (RSI) required by GASB Statement No.68. **They are subject to change as new information becomes available.**

These reporting guidelines are neither authoritative nor required to be followed. Instead they provide sample displays and disclosures to ensure consistent and accurate presentations. All employers should contact their independent auditor for further analysis and guidance. Each employer is ultimately responsible for their financial statements.

Each employer will receive sample reporting guidelines for the Public School Retirement System of Missouri and the Public Education Employee Retirement System of Missouri.

**Financial Statement Information Related to the
Public School Retirement System of Missouri**

Employer Number

General Information about the Pension Plan

Plan Description. PSRS is a mandatory cost-sharing multiple employer retirement system for all full-time certificated employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and all public community colleges. PSRS also includes certificated employees of PSRS, Missouri State Teachers' Association, Missouri State High School Activities Association, and certain employees of the state of Missouri who elected to remain covered by PSRS under legislation enacted in 1986, 1987 and 1989. The majority of PSRS members are exempt from Social Security contributions. In some instances, positions may be determined not to be exempt from Social Security contributions. Any PSRS member who is required to contribute to Social Security comes under the requirements of Section 169.070 (9) RSMo, known as the "2/3's statute." PSRS members required to contribute to Social Security are required to contribute two-thirds of the approved PSRS contribution rate and their employer is required to match the contribution. The members' benefits are further calculated at two-thirds the normal benefit amount. A Comprehensive Annual Financial Report ("CAFR") can be obtained at www.psr-peers.org.

Benefits Provided. PSRS is a defined benefit plan providing retirement, disability, and death/survivor benefits. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of 5 years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.5% benefit factor. Beginning July 1, 2001, and ending July 1, 2014, a 2.55% benefit factor is used to calculate benefits for members who have 31 or more years of service. Actuarially age-reduced benefits are available for members with five to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at www.psr-peers.org. Since the prior valuation date, the benefit provisions were amended to make permanent an early retirement benefit allowing members to retire at any age after 25 years of service.

Cost-of-Living Adjustments ("COLA"). The PSRS Board has established a policy of providing a 2.00% COLA for years in which the CPI increases between 0.00% and 5.00%. If the CPI increase is greater than 5.00%, the Board will provide a COLA of 5.00%. If the CPI decreases, no COLA is provided. For any member retiring on or after July 1, 2001, such adjustments commence on the second January after commencement of benefits and occur annually thereafter. The total of such increases may not exceed 80% of the original benefit for any member.

Contributions. PSRS members were required to contribute 14.5% of their annual covered salary during fiscal year 2015. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of pay. Contributions for employees of the State of Missouri were made by the state in accordance with the actuarially determined contribution rate needed to fund current costs and prior service costs of state employees as authorized in Section 104.342.8 RSMo.

The district's contributions to PSRS were \$xxxx for the year ended June 30, 2015.

**Financial Statement Information Related to the
Public School Retirement System of Missouri**

Employer Number [REDACTED]

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the district recorded a liability of \$1,206,157 for our proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2014 and determined by an actuarial valuation as of that date. The district's proportionate share of the total net pension liability was based on the ratio of our actual contributions of \$189,324 paid to PSRS for the year ended June 30, 2014 relative to the actual contributions of \$643,964,894 from all participating employers. At June 30, 2014, the district's proportionate share was 0.0294%.

For the year ended June 30, 2015, the district recognized a pension expense of \$xxxx, our proportionate share of the total pension expense.

At June 30, 2015, we reported deferred outflows of resources and deferred inflows of resources from the following sources related to PSRS pension benefits:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance of Deferred Outflows and Inflows Due to:		
- Differences between expected and actual experience	\$ 56,193	\$ 0
- Changes of assumptions	0	0
- Net difference between projected and actual earnings on pension plan investments	0	580,076
- Changes in proportion and differences between Employer contributions and proportionate share of contributions	26,919	0
- Employer contributions subsequent to the measurement date	TBD	TBD
Total	<u>\$ 83,112</u>	<u>\$ 580,076</u>

**Financial Statement Information Related to the
Public School Retirement System of Missouri**

Employer Number [REDACTED]

- Mortality Assumption

Actives:

RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.

Non-Disabled Retirees,
Beneficiaries and Survivors:

RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA.

Disabled Retirees:

RP 2000 Disabled Mortality Table

Changes in Actuarial Assumptions and Methods

There were no changes in actuarial assumptions or methods for the June 30, 2014 valuation.

Fiduciary Net Position

PSRS issues a publicly available financial report that can be obtained at www.psr-peers.org

Changes DRAFT Pending

**Financial Statement Information Related to the
Public School Retirement System of Missouri**

Employer Number

- Expected Rate of Return

The long-term expected rate of return on PSRS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PSRS' target allocation as of June 30, 2014 is summarized below along with the long term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cashflows.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Return Arithmetic Basis</u>	<u>Weighted Long-term Expected Real Return Arithmetic Basis</u>
U.S. Public Equity	27.0%	5.85%	1.58%
Public Credit	12.0%	2.44%	0.29%
Hedged Assets	6.0%	5.22%	0.31%
Non-U.S. Public Equity	15.0%	6.64%	1.00%
U.S. Treasuries	16.0%	1.01%	0.16%
U.S. TIPS	4.0%	1.12%	0.04%
Private Credit	2.0%	7.61%	0.15%
Private Equity	10.5%	8.61%	0.90%
Private Real Estate	7.5%	4.60%	0.35%
Total	100.0%		4.78%
		Inflation	2.50%
		Long term arithmetical nominal return	7.28%
		effect of covariance matrix	0.81%
		Long term expected geometric return	8.09%

**Financial Statement Information Related to the
Public School Retirement System of Missouri**

Employer Number [REDACTED]

- Discount Rate

The discount rate used to measure the total pension liability was 8.00% as of June, 30, 2014, and is consistent with the long-term expected geometric return on plan investments. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

- Discount Rate Sensitivity

The sensitivity of the district's net pension liability to changes in the discount rate is presented below. The district's net pension liability calculated using the discount rate of 8.0% is presented as well as the net pension liability using a discount rate that is 1.0% lower (7.0%) or 1.0% higher (9.0%) than the current rate.

Discount Rate	<u>1% Decrease (7.00%)</u>	<u>Current Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Proportionate share of the Net Pension Liability / (Asset)	\$ 2,554,050	\$ 1,206,157	\$ 75,579

**Financial Statement Information Related to the
Public School Retirement System of Missouri**

Employer Number [REDACTED]

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

<u>Year Ended*</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Actual Covered Member Payroll</u>	<u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Fiduciary Net Position as a Percentage of Total Pension Liability</u>
6/30/2015	0.0294%	\$ 1,206,157	\$ 1,316,207	91.64%	89.30%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

* The data provided in the schedule is based as of the measurement date of PSRS' net pension liability, which is as of the beginning of the district's fiscal year.

**Financial Statement Information Related to the
Public School Retirement System of Missouri**

Employer Number [REDACTED]

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Schedule of Employer Contributions

<u>Year Ending</u>	<u>Statutorily Required Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contribution Excess / (Deficiency) (Deficiency)</u>	<u>Actual Covered Member Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
6/30/2013	\$ 182,962	\$ 182,962	\$ -	\$ 1,269,725	14.41%
6/30/2014	189,324	189,324	-	1,316,207	14.38%
6/30/2015	xxxx	xxxx	#VALUE!	xxxx	#VALUE!

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.