Finance and Audit Oversight Committee

GASB Stmt 68 – Projected Impacts to COEP

ROUND #1

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GASB

- Governmental Accounting Standards Board
- Sets financial accounting and reporting standards for state and local governments
- GASB Statements 67/68 replace Statements 25/27
- Do statements change often? Big impacts?
- Why all the hoopla for GASB Stmt 68?

Current City Disclosure

- Entity-wide Statements (2013) include;
  - Fire and Police Pension Fund (FPPF)
    - Net Pension Asset $58,431,130
  - City Employee Pension Fund (CEPF)
    - Net pension obligation $1,169,712 (Govt)
    - Net pension obligation $2,010,109 (BTA)
- Note 13 (p.75-87, 2013 CAFR)
  - FPPF unfunded actuarial liability $283 million
  - CEPF unfunded actuarial liability $206 million

New Rules

- Change rules for calculating pension values
  - Eliminate smoothing features of market changes
- Highlights swings of changes in market values of pension funds’ investments (snapshots)
- Change reporting of liability….not buried in note 13 anymore

Comparative Figures ($Millions)

	FPPF 2014	CEPF 2013	"TOTAL"
OLD RULE Net Asset (Net Liability)	$55	($3)	$52
NEW RULE (Net Liability)	($241)	($202)	($443)
CHANGE in LIABILITY	+$291	+$199	+$490

Is the Sky Falling?

- Rules apply to all state and local governments
- Bond rating agencies already know the score
- Fitch – “RATING SENSITIVITIES” #1 is “ESCALATING PENSION LIABILITY: Continued underfunding of the city's pension programs--particularly the public safety plan--will increase the liability of the city and would not be consistent with the current rating.”

Key to the Change

- Liability vs. funding
  - Old rule focus tied ARC to liability
  - New rules change not only permitted calculations of the liability, but also separate the concepts of funding from the accounting issue
- Education, education, education
  - New light shining on funding decisions because impact now will be seen on the face of the CAFR

Impacts to Planning/Operations

- Debt policy review – current focus is on debt obligations outstanding with a property tax pledge
- Debt covenants – review so far shows restrictions apply to bonded debt (and will need to continue into the future)
- Credit ratings – no surprises
- New calculations can impact related measurements (i.e., funding ratio)
- Increased variability in liability due to enhanced role of “snapshot” of investment market values

Round #2

- Impacts of new rule more clearly defined after actuarial valuations this fall and winter
- Pro-forma statements presentation 2014 will help show differences (change in liability will cause change in unrestricted net position, etc.) we can expect to be part of the 2015 CAFR

Questions?