



September 4, 2014

Dear (Legislator):

For more than two years, I have been communicating directly with legislators and employers about Government Accounting Standards Board (GASB) statement 68 -- which changes the way individual employers report their share of PERSI net pension liability (NPL) in their financial statements. Understanding that GASB 68 officially goes into effect for fiscal years starting after June 15, 2014, I spent the bulk of the spring and early summer traveling the state and meeting with employers. This letter is meant to give you a snapshot of what I shared, and what I learned. I went into the meetings with four specific talking points:

NPL - what it is and what it is not:

Net pension liability (sometimes called unfunded liability) is the difference between the present value of all current and future benefits and the present value of assets on hand. While GASB 68 requires the consideration of all future liabilities, it does not account for the current and future contributions continually paying down that debt. Net pension liability is **not new**, and GASB 68 has **no substantive effect**, outside of spelling out how and where employers recognize their share in their financial statements. PERSI has more than enough assets on hand to honor all present day obligations, and current contribution rates are on track to erase PERSI's NPL well within the 25-year amortization period set forth in Idaho Code.

How NPL will be calculated and allocated:

PERSI's auditors and actuaries will use each employer's percentage of total contributions to calculate their percentage of the total NPL. Once the audited results are available, PERSI will distribute the data to the employers - likely in December or January.

Encourage discussion with auditors:

It is up to the individual employers to work with their auditors to determine exactly how they will incorporate the data PERSI provides into their statements.

Encourage discussion with leadership:

It is critical to understand that pension liabilities have always been the shared responsibility of participating employers. Employers must understand the realities of NPL, and be able to effectively communicate with leadership before GASB 68 is implemented.

The meetings with employers were very positive and constructive. In general, employers seem to have a solid understanding of the GASB changes, and plan to proceed with confidence in PERSI. The most common concern the employers shared with me is that contribution rates have reached the point where their budgets can no longer absorb additional increases. I want you to know that I continue to travel the state meeting with lawmakers. If you would like to meet with me to discuss GASB, employer issues, or other PERSI related items, please call my assistant, Jess Simonds. He can be reached at 208-334-3365.

Warm regards,

Don Drum
PERSI Executive Director