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From: Auditor of State's Center for Audit Excellence
To: All IPA Firms
Subject: GASB 68 Disclosures – SERS Change in Discount Rate
Date: January 11, 2017

We have learned that the School Employees Retirement System adopted changes to assumptions used in the actuarial valuations of information related to the pension plan in April 2016. Since the amounts reported in the FY 2016 financial statements are based on a June 30, 2015 measurement date, these changes to the assumptions do not impact the GASB 68 amounts reported in the FY 2016 financial statements. While the changes to the assumptions do not affect the amounts reported in the financial statements for FY 2016, *GASB 68 Implementation Guide*, question 207 indicates the employer should disclose information about the nature of the change and the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known, when there is a change in a relevant factor that occurs between the measurement date of the collective net pension liability and the employer's current fiscal year end, in accordance with GASB 68, paragraph 80f.

Among the changes in assumptions is a reduction of the discount rate from 7.75% to 7.5%. This change is expected to have a significant impact on the Net Pension Liability that employers will have to report for FY 2017. As a result, employers with employees participating in SERS should include a disclosure in the notes to the financial statements regarding the changes in assumptions. While the expected amount of the change is not known, the disclosure should make users of the statements aware that there have been changes in assumptions between the measurement date and the fiscal year end that is expected to have a significant impact on the amounts reported in future financial statements.

The disclosure does not need to be lengthy. We believe something like the following language would be appropriate:

Changes Between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Schools District's net pension liability is expected to be significant.

For any FY 2016 audits that have not been completed, please request employers to include an appropriate disclosure regarding the change in assumptions.

If you have any questions please contact Eric Kline at EJKline@ohioauditor.gov.