



## **OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM**

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March 16, 2015

**TO:** All Employers Participating in the Oklahoma Police Pension & Retirement System (OPPRS)

**RE:** Information related to GASB Statement 68 – *Accounting and Financial Reporting for Pensions*

For employers that participate in the System and follow Generally Accepted Accounting Principles (GAAP) for financial reporting, GASB Statement 68 promulgates new guidance regarding the recording and disclosure of your financial activity related to the System. In an effort to meet your reporting and disclosure needs, the OPPRS has prepared a report titled “Report on Employer Allocations and Pension Amounts by Participating Employers” for the fiscal year ended June 30, 2014.

This report provides audited information not generally included in the System’s audited financial statements nor the System’s actuarial report. It provides allocations related to each employer’s proportionate share of the System’s contributions, net pension liability (asset), pension expense, deferred inflows and outflows, and sensitivity to changes in the discount rate. The information contained in this report, used in conjunction with the System’s audited financial statements and annual actuarial valuation, will provide the information needed to prepare the reporting and disclosure requirements of GASB Statement 68.

The report on Employer Allocations, the System’s annual financial report, and the annual actuarial valuation are located on the OPPRS’s website for your convenience. Our website is located at:

[WWW.OPPRS.OK.GOV](http://WWW.OPPRS.OK.GOV)

After locating our website, select Municipalities from the menu options at the top and select GASB from the dropdown menu to find the GASB 68 report. For the System’s annual financial statements and actuarial valuations, select the Financials menu option, then select Financial Statements from the dropdown menu.

### **BACKGROUND**

GASB Statement 68 was issued in June 2012 as an amendment to GASB Statement 27. GASB Statement 68 makes significant changes to the financial reporting requirements of employers that participate in cost-sharing multi-employer plans like the OPPRS. Employers will now be required to recognize and disclose their proportionate share of the Plan’s Net Pension Liability (Asset) (NPL(A)), pension expense, deferred inflows and outflows, and to make significant new footnote disclosures.

Since a number of the data elements required under GASB Statement 68 are not readily available to employers participating in a Plan, most Plans (including OPPRS) have engaged their auditors to opine on a separate report that contains this specific information. Due to the unique preparation and auditing needs of this report, it will typically be prepared and provided under separate cover to prevent a delay in the preparation the System's annual financial statements.

### **THE OKLAHOMA POLICE PENSION & RETIREMENT PLAN**

The OPPRS has prepared this new report with a valuation and measurement date of June 30, 2014. For employers that have a fiscal year ended June 30, 2015, this report, OPPRS's audited financial statements for the fiscal year ended June 30, 2014, and the Actuarial Valuation Report dated July 1, 2014, all contain data needed for the reporting and disclosure requirements of GASB Statement 68. Any participating employers with a different fiscal year end should review GASB 68 closely with their external auditors to ensure that this report does not need to be adjusted by the roll forward procedures outlined in GASB Statement 68.

Certain note disclosures required under GASB 68, specifically employer level amortizations of deferred inflows and outflows, have not been provided at the detail level. The proportionate amounts provided by the System will need to be recorded at the employer level and amortized as outlined by the guidance recommended in GASB Statement 68.

Certain requirements under GASB Statement 68 related to changes in an employer's proportion were not calculated for the fiscal year ended June 30, 2014. Being the initial year of implementation for the data provided in this report, an employer's proportion was not deemed to have changed for this year. It is anticipated that changes in proportion will occur in future years, although the magnitude has not been determined at this time.

The OPPRS ended fiscal year 2014 with a net pension asset (NPA). Most financial guidance regarding GASB 68 anticipates that employers will have a net pension liability, so caution should be used when determining amounts to be presented. Employers should note that early expectations of the NPL(A) as calculated under GASB 68 are that it could be highly volatile. Since the OPPRS is slightly over 100% funded on a GAAP basis, poor market conditions and other factors could produce significantly different results in future years, including a net pension liability. The OPPRS will continue to manage the Plan based on the actuarial or "funding" basis due to the expected volatility of the GAAP basis for determining the systems net pension liability.

### **CONCLUSION**

GASB Statement 68 introduces a number of new and different calculations for financial reporting presentation. This information has been prepared with the expectation that employers' external auditors will have the ability to fully utilize and rely on this information as they perform their respective audits.

By providing this report, the System's financial statements, and its actuarial valuations, we believe we have prepared information sufficient for participating employers to comply with the reporting requirements of GASB Statement 68. Due to the complexity of GASB Statement 68, employers may encounter the need for additional supplementary information from the System that is not provided by any of these resources. In that circumstance, we will make every effort to provide information in as timely a manner as possible. Please feel free to contact our CFO, Deric Berousek, at (405)840-3555 should you have any additional questions.

Respectfully,



Steven K. Snyder  
Executive Director



Deric Berousek  
Chief Financial Officer