

EMPLOYER FINANCIAL REPORTING FOR FISCAL YEAR 2014-15 AND NEW AUDIT REQUIREMENTS

The purpose of this circular is to alert employers that Governmental Accounting Standards Board Statement No. 68 (GASB 68), effective for fiscal years beginning after June 15, 2014, will result in significant changes to their financial statements as a participating employer in the State Teachers' Retirement Plan (STRP), a cost-sharing, multiple-employer defined benefit pension plan. GASB standards call for employers (i.e. Local Education Agency/State of California) and nonemployer contributing entities (i.e. State of California) who participate in cost-sharing, multiple employer defined benefit pension plans to recognize their proportionate share of the total net pension liability (NPL) in their financial statements, consistent with their established accounting policies. In addition, these employers and nonemployer contributing entities must determine and recognize their proportionate share of pension expense and deferred items (inflows and outflows). The NPL for the Defined Benefit Program at June 30, 2012, which comprises the majority of the STRP, was approximately \$167 billion, based on preliminary calculations. A more current calculation of the NPL for the STRP will be available in the June 30, 2014, financial statements.

CalSTRS is Providing Additional Schedules in its June 30, 2014, Financial Statements to Assist Employers in Implementing GASB 68

To assist you in implementing GASB 68, CalSTRS will include a Schedule of Proportionate Share of Contributions for Employers and Nonemployer Contributing Entity (Schedule of Proportionate Share) and a Schedule of Pension Amounts for Employers and Nonemployer Contributing Entity (Schedule of Pension Amounts) in its June 30, 2014, financial statements. Employers may use the information included in these schedules as the basis for determining their portion of the collective NPL, pension expense, and deferred items for financial reporting for the fiscal year ended June 30, 2015. The Schedule of Proportionate Share will present employer contributions for each individual employer as calculated in accordance with GASB 68 guidance and CalSTRS policy.

CalSTRS is Providing Additional Reports on the Contributions Account Portal to Help Employers Understand Amounts in the Additional Schedules in CalSTRS June 30, 2014, Financial Statements

To help you understand the amount presented for your employer in the Schedule of Proportionate Share, CalSTRS will provide a Reconciliation of Employer Contributions report through the Contributions Account Portal (CAP) beginning in April 2014. This report will reconcile contributions due to CalSTRS as calculated by CalSTRS pension administration system, based on contribution reports submitted by employers to the amount presented in the Schedule of Proportionate Share. These figures should align with monthly contribution settlement information currently provided through the CAP. A job aid explaining how to generate and use the report will also be available in the 'Help' page on the CAP.

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CalSTRS External Auditor Will Issue an Opinion on the Schedule of Proportionate Share as part of CalSTRS June 30, 2014, Financial Statements

CalSTRS has engaged its external auditor (Crowe Horwath LLP) to provide an opinion on the Schedule of Proportionate Share in accordance with AU-C section 805, *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement*. The audit opinion will be included in CalSTRS June 30, 2014, financial statements, along with the external auditor’s opinion on the financial statements as a whole. This opinion may be used to facilitate discussions with your external auditor if your employer chooses to use the information in CalSTRS Schedule of Proportionate Share as the basis for calculating your portion of the NPL.

CalSTRS External Auditor Will Perform Field Work at Employers in Order To Form an Opinion on the Schedule of Proportionate Share

In order for CalSTRS external auditor to form an opinion on the Schedule of Proportionate Share, testing of the underlying payroll and census data reported by employers is necessary. Since records supporting the reported data are retained by employers and not by CalSTRS, a sample of employers will be selected for audit by CalSTRS external auditor. It is anticipated that this testing will take place from May to September 2014. Employers who are selected for audit will receive a separate audit notification from CalSTRS.

CalSTRS encourages sharing this circular with your Accounting and Human Resource offices as well as your external auditor. In conjunction with your auditor, CalSTRS encourages employers to study and become familiar with GASB 68. Many resources are available on the GASB website (www.gasb.org), including a pension implementation toolkit, as well as on the CalSTRS website (<http://www.calstrs.com/gasb-accounting-changes>).

CalSTRS has scheduled a webinar for May 8, 2014 from 1:30 – 2:30 p.m. where more details regarding the Schedule of Proportionate Share and Reconciliation of Employer Contributions report will be provided.

Please refer questions on the various topics covered in this circular to the contacts below:

Topic	Contact Name or Unit	Email Address
Security / Access to SEW	Employer Help	EmployerHelp@calstrs.com
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