



BACKGROUND

GASB issued Statement No. 82 (GASB 82), *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73* which addresses issues regarding:

1. The presentation of payroll-related measures in the Required Supplementary Information (RSI)
2. Selection of assumptions and treatment of deviations from the Actuarial Standards of Practice for financial reporting purposes, and
3. Classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB 82 provides guidance to improve consistency in the application of the pension standards by clarifying and amending the current guidance. The requirements of this Statement are generally effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

DEFINE ISSUES

The University must determine whether GASB Statement No. 82 changes any existing financial reporting and disclosure requirements for any of the University's financial reporting entities.

AUTHORITATIVE GUIDANCE AND APPROACH

Prior to issuance of GASB 82, Statement No. 67 and No. 68 required presentation of covered-employee payroll within the RSI, which is the payroll of employees who are provided with pensions. GASB Statement No. 82 instead requires the presentation of covered payroll, commonly known as pensionable payroll, which is defined as the payroll on which contributions to a pension plan are based (paragraphs 5 and 6).

This Statement clarifies that a deviation from the guidance in Actuarial Standards of Practice would not be acceptable for purposes of selecting assumptions to be used in the measurement of the total pension liability and related measures (paragraph 7).

In addition, this Statement also addresses payments made by the employers to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements. When applying Statement No. 67, these amounts should be classified as plan member contributions; and when applying Statement No. 68, these amounts should be classified as employee contributions. The employers' expense and expenditures should be recognized in the period for which the contribution is assessed and classified in the same manner as similar compensation other than pensions such as salaries and wages (paragraph 8).



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IMPLEMENTATION

1. *The presentation of payroll-related measures in the Required Supplementary Information (RSI)*

Required presentation of covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure: the employers' expense and expenditures should be recognized in the period for which the contribution is assessed and classified in the same manner as similar compensation other than pensions such as salaries and wages.

Covered-employee payroll, as disclosed by the University in the annual financial report, medical center report, and retirement system report, is based on pensionable earnings as defined in GASB 82. Therefore, no additional changes to current University reporting are required.

2. *Selection of assumptions and treatment of deviations from the Actuarial Standards of Practice for financial reporting purposes*

GASB 82 clarifies that a *deviation*, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statements 67, 68, or 73 for the selection of assumptions used in determining the total pension liability and related measures.

We believe that this is not applicable as there are no deviations identified in the selection of assumptions used in determining the total pension liability and related measures for the University of California Retirement Plan (UCRP), Children's Hospital and Research Center at Oakland's (CHRCO) pension plan, or Orange County Employee Retirement System (OCERS) pension plan. Therefore, no additional changes to current University reporting are required.

3. *Classification of payments made by employers to satisfy employee (plan member) contribution requirements.*

UCRP:

Contributions to the UCRP are based upon rates determined by The Regents. The Regents funding policy provides for contributions at rates to maintain UCRP on an actuarially sound basis. While the University's independent actuary annually determines the total funding policy contributions, the University is not required to contribute an amount equal to the total funding contribution. The actual contributions and the contribution rates of the University and employees are based on numerous factors, including the availability of funds to the University, the impact of employee contributions on the competitiveness of the University's total remuneration package, and collective bargaining agreements.

The Regents determines the portion of the total contribution to be made by the employer and by the employees, and employee contribution rates for represented employee are subject to collective bargaining. Effective July 1, 2014, employee member and employer contributions were 8.0 percent and 14.0 percent, respectively. Member contributions for the employees in the new benefit tier



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applicable to employees hired on or after July 1, 2013 are 7.0 percent and the employer rate is uniform across all members.

We believe that the University does not need to change its current reporting practice under GASB 82 as the University does not have the flexibility to designate whether the contributions are employer or employee (plan member) contributions. Contributions to UCRP are consistent with the designation by the pension plan terms and the University (as the employer) cannot affect the classification of contributions for financial reporting purposes without amending the plan terms.

CHRCO Pension Plan

The CHRCO Pension Plan is a noncontributory defined benefit plan subject to the single employer defined benefit under ERISA rules. Employer contributions for the CHRCO Pension Plan are determined under IRC Section 430. Employees are not required or permitted to contribute to the plan. Therefore, this is not applicable.

OCERS

UC Irvine's participation in OCERS is closed to new members. All contributions to OCERS are from the employer. Therefore, this is not applicable.

CONCLUSION:

Implementation of GASB Statement No. 82 has no effect on the financial statements for the year ended June 30, 2016 as the University is currently reporting under this guidance. The University will continue to assess future impacts to the financial statements.