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From: Auditor of State's Center for Audit Excellence
To: All IPA Firms
Subject: GASB 68 Disclosure - STRS Change in Assumptions
Date: September 11, 2017

We have learned that the State Teachers Retirement System (STRS) adopted changes to assumptions used in the actuarial valuations of information related to the pension plan in March 2017. Since the amounts reported in the June 30, 2017 financial statements are generally based on a June 30, 2016 measurement date, these changes to the assumptions do not impact the GASB 68 amounts reported in the June 30, 2017 financial statements. While the changes to the assumptions do not affect the amounts reported in the financial statements for June 30, 2017, *GASB 68 Implementation Guide*, question 207 indicates employers 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 7.45%. This change is expected to have a significant impact on the Net Pension Liability that employers will have to report for 2017. As a result, employers with employees participating in STRS 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.

Additionally, in April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. This change is also expected to have a significant impact on the Net Pension Liability reported in the June 30, 2018 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 March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

For any June 30, 2017 audits that have not been completed, please request employers to include an appropriate disclosure regarding the change in assumptions. For any June 30, 2017 audits that have been completed, we do not believe the omission of this disclosure is material enough to require us to reissue the reports.

Questions can be directed to Eric Kline at EJKline@ohioauditor.gov.