**Disclaimer:** The GASB 68 Employer Template Note Disclosures provided by the North Dakota Public Employees Retirement System (NDPERS) is intended to provide participating employers with general guidance in accounting and financial reporting matters. The materials do not constitute, and should not be treated as, professional advice regarding the use of any particular or financial reporting technique. Every effort has been made to assure the accuracy of these materials. However, NDPERS participating employers and auditors should independently verify all statements made before applying them to a particular fact situation, and should independently determine the consequences of any particular technique before implementing.

**NOTE: Items in yellow will be input by employer or employer auditor each year. The text in red gives direction to where the information can be found.**

**Employer Name**

**Notes to the Financial Statements**

**for the Year Ended June 30, 2015**

**Summary of Significant Accounting Policies**

*Pensions*. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS’ fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**General Information about the Pension Plan**

*North Dakota Public Employees Retirement System (Main System)*

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees.

*Pension Benefits*

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members’ accumulated contributions plus interest.

***Death and Disability Benefits***

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member’s accumulated contributions, plus interest, is paid to the member’s beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member’s accrued normal retirement benefit, or monthly payments in an amount equal to the member’s accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member’s accumulated pension benefits are paid, the balance will be payable to the surviving spouse’s designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of $100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

*Refunds of Member Account Balance*

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

The member’s account balance includes the vested employer contributions equal to the member’s contributions to an eligible deferred compensation plan. The minimum member contribution is $25 and the maximum may not exceed the following:

1 to 12 months of service – Greater of one percent of monthly salary or $25

13 to 25 months of service – Greater of two percent of monthly salary or $25

25 to 36 months of service – Greater of three percent of monthly salary or $25

Longer than 36 months of service – Greater of four percent of monthly salary or $25

*Member and Employer Contributions*

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At mm/dd/yyyy(employer’s fiscal year-end), the Employer reported a liability of $$$ (from Appendix B for Main System, column 7 in NDPERS GASB Report) for its proportionate share of the net pension liability. The net pension liability was measured as of mm/dd/yyyy, (date of NDPERS GASB Report) and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At mm/dd/yyyy, (date of NDPERS GASB Report) the Employer's proportion was X.XXXXXX percent, (from Appendix A for Main System, Column 6 in NDPERS GASB Report) which was an increase or decrease of X.XXXXXX (employer will select increase or decrease and calculate change – not applicable for first year of implementation) from its proportion measured as of mm/dd/yyyy (one year prior to date above).

*[If there had been a change of benefit terms that affected the measurement of the total pension liability since the prior measurement date, the Employer should disclose information required by paragraph 80e of Statement 68.]* ***(NDPERS will provide if applicable.)***

*[If changes expected to have a significant effect on the measurement of the Employer’s proportionate share of the net pension liability had occurred between the measurement date and the reporting date, the Employer should disclose information required by paragraph 80f of Statement 68.]*

For the year ended mm/dd/yyyy, (employer’s fiscal year-end) the Employer recognized pension expense of $$$ (from Appendix B for Main System, Column 20 of NDPERS GASB Report). At mm/dd/yyyy, (employer’s fiscal year-end) the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (from Appendix B for Main System, Columns 8 – 17 of NDPERS GASB Report with the exception of employer contributions subsequent to the measurement date):

|  |  |  |
| --- | --- | --- |
|  | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** |
|  | | |
| Differences between expected and actual experience | $ X,XXX | $ X,XXX |
| Changes of assumptions | X,XXX | X,XXX |
| Net difference between projected and actual earnings on pension plan investments | X,XXX | X,XXX |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | X,XXX | X,XXX |
| Employer contributions subsequent to the measurement date (see below) | \*,\*\*\* | - |
| Total | \*$ X,XXX | $X,XXX |
|  |  |  |
|  |  |  |

$\*,\*\*\* reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended mm/dd/yyyy (employer’s subsequent fiscal year-end). (Because valuation/measurement date will generally be one year prior to employers’ fiscal year end, this amount will be the actual employer contributions **(do not include employer paid member contributions)** paid during the fiscal year for which this disclosure applies - employers’ responsibility to calculate).

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (from Section 3, Exhibit B in NDPERS GASB Report; multiply total for Main System for each fiscal year times employer proportionate share percentage. Years will need to be rolled forward one year from dates in report):

|  |  |
| --- | --- |
| **Year ended June 30:** |  |
| 2016 | $ X,XXX |
| 2017 | X,XXX |
| 2018 | X,XXX |
| 2019 | X,XXX |
| 2020 | X,XXX |
| Thereafter | X,XXX |

***Actuarial assumptions*.** The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | | |
| Inflation | | | 3.50% |
| Salary increases | | | 3.85% per annum for four years, then 4.50% per annum |
| Investment rate of return | | | 8.00%, net of investment expenses |
| Cost-of-living adjustments | | | None |
|  |  | | |

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back three years.. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for NDPERS. *[If assumption changes result from a future experience study, the employer should summarize the changes.]* ***(NDPERS will provide if applicable.)***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation are summarized in the following table:

|  |  |  |
| --- | --- | --- |
| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
| Domestic Equity | 31% | 6.90% |
| International Equity | 21% | 7.55% |
| Private Equity | 5% | 11.30% |
| Domestic Fixed Income | 17% | 1.55% |
| International Fixed Income | 5% | 0.90% |
| Global Real Assets | 20% | 5.38% |
| Cash Equivalents | 1% | 0.00% |

***Discount rate*.** The discount rate used to measure the total pension liability was 8 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014. [If there had been a change in the discount rate since the prior measurement date, the Employer should disclose information about that change, as required by paragraph 78a of Statement 68.] ***(NDPERS will provide if applicable.)***

***Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate*.** The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate: (from Page 4 of NDPERS GASB report; multiply total for Main System times employer proportionate share percentage.)

|  |  |  |  |
| --- | --- | --- | --- |
|  | **1% Decrease (7%)** | **Current Discount Rate (8%)** | **1% Increase (9%)** |
| Employer's proportionate share of the net pension liability | $X,XXX | $X,XXX | $X,XXX |

***Pension plan fiduciary net position*.** Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. [If significant changes had occurred that indicate that the disclosures included in the pension plan's financial report generally did not reflect the facts and circumstances at the measurement date, the Employer should disclose additional information, as required by paragraph 79 of Statement 68.] ***(NDPERS will provide if applicable.)***

**Payables to the pension plan**

[If the Employer reported payables to the defined benefit pension plan, it should disclose information required by paragraph 122 of Statement 68 – employers’ responsibility to calculate.]

**Schedules of Required Supplementary Information**

**Schedule of Employer’s Share of Net Pension Liability**

**ND Public Employees Retirement System**

**Last 10 Fiscal Years\***

(from Appendix A, Appendix B and Exhibit 2 for Main System of NDPERS GASB Report)

|  |  |
| --- | --- |
|  | 2015 |
| Employer’s proportion of the net pension liability (asset) | XX.XXXXXX%  1. Appendix A, Column 6 |
| Employer’s proportionate share of the net pension liability (asset) | $X,XXX  2. Appendix B, Column 7 |
| Employer’s covered-employee payroll | $X,XXX  3. Appendix A, Column 4 |
| Employer’s proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | XXX.XX%  4. Calculate, 2 divided by 3 |
| Plan fiduciary net position as a percentage of the total pension liability | XXX.XX%  5. Exhibit 2, Main System Column |

\*Complete data for this schedule is not available prior to 2015.

If employer is using prior year measurement date may want to note that the amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

**Schedule of Employer Contributions**

**ND Public Employees Retirement System**

**Last 10 Fiscal Years\***

(from Appendix A for Main System of NDPERS GASB Report)

|  |  |
| --- | --- |
|  | 2015 |
| Statutorily required contribution | $X,XXX  1. Appendix A, Column 6 |
| Contributions in relation to the statutorily required contribution | ($X,XXX)  2. Subtract Appendix A, Column 6 |
| Contribution deficiency (excess) | $X.XXX  3. Calculate, Sum of 1 and 2 |
| Employer’s covered-employee payroll | $X,XXX  4. Appendix A, Column 5 |
| Contributions as a percentage of covered-employee payroll | XX.XX%  5. Calculate, -2 divided by 4 |

\*Complete data for this schedule is not available prior to 2015.

**Notes to Required Supplementary Information**

**for the Year Ended June 30, 2015**

***Changes of benefit terms.***

(NDPERS will provide if applicable.)

***Changes of assumptions.***

(NDPERS will provide if applicable.)