



Public Pension Financial Forum
c/o Ohio Public Employees Retirement System
277 E. Town Street
Columbus, OH 43215
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P2F2 Board Meeting
2011 Conference, Portland, Oregon
October 2, 2011

Directors present: Huelskamp, DeJonge, Carraher, Nix, Covarrubias, Greve, Auten, Hewig and Musselman

Directors absent: None

President Huelskamp called the meeting to order at 9:11 a.m. Pacific Time. He thanked the Board for all their hard work, in particular thanking Dave DeJonge for all his work on the conference and Karen Carraher for setting up the sessions. Dave said there were 115 members attending the conference, 37 or 38 sponsor participants, and 27 speakers. Luke also thanked Karl Greve for all his GASB work and Michele Nix for her work in getting conference sponsors; we have thirteen sponsors this year. Last year we had approximately the same number of participants but many of them were from Minnesota. There were 127 participants at the Sacramento conference and 150 at the Alabama conference. Luke also expressed his thanks to Nancy Mikola for all the work she has done, Glenna Musselman for the minutes, and Beulah Auten for the Treasurer's job. Beulah said she could not have done it without Karen and Nancy. Luke thanked Rhonda Covarrubias for her work on CPE. A gift card or flowers will be given to Debra Hembree for taking over conference preparations from Dale Orr. Dave thanked Rhonda for all her help coordinating things and helping Debra. Hats off to Dave and Rhonda for their conference work! Dave said he ran into an issue last week with the count for the bus when the count went to 175. He had to get another bus and contact the lodge to see if they could accommodate that many people. The buffet dinner at the lodge is supposed to be really nice. The brochure is nice; very professional. The cost was about \$14,000. When they are done out of Ohio the costs are about \$10,000 and another \$3,000 for the printer. Dave suggested that we may want to consider finding a less expensive option. Luke said that Michigan prints in-house; they may be able to print the brochure. Luke also thanked Art Hewig for being President next year. Luke said the organization almost runs itself with the way everyone chips in. Art responded that it is a great organization and that the conference gets better and better. A GASB discussion meeting was planned for 7:10 Monday morning during breakfast. Rhonda said the conference would provide 26 hours of CPE; maybe we could add CPE for the GASB breakfast meeting.

Karl headed a discussion regarding the GASB Exposure Drafts related to pension accounting and financial reporting for state and local governments. Beulah distributed copies of the joint response from NCPERS, NCTR, and NASRA to the Board prior to the Board meeting. Copies of Karl's drafts for P2F2 had also been sent to the Board. They had changed the recommended alternative and were going to note disclosures for employers having an allocation (cost-sharing employers). There would be a contingent pension liability on the financial statements, with no dollar value, and then the reader would be directed to the note disclosure. The plan-level would be shown in the note disclosure, so if someone wanted to make the allocations themselves, it would be easier for them. IT changes will be needed. In the Exposure Draft approach, the allocations are done at the employers' year-end. We are recommending a simplified allocation

method, going to note disclosures and doing away with special funding. It is hard to know how many special funding situations are out there that no one is aware of. There is a problem with how employers will incorporate the new information into their financial statements; there are concerns with employers that are a component unit with a discrete year-end. Do we give the allocation to them twice? With our proposed changes, the employer could do the allocations themselves. The GASB approach is so theoretical that it is hard to apply. Karen suggested repeating "this is our preferred approach. If you go down this path...." Luke commented that he thinks the net pension liability is a given and that there is no going back at this point; but maybe changes will be made to the disclosures. Karl stated that field testing should have been done before the Exposure Drafts. Rhonda asked if field testers are expected to provide different responses. There is a list of questions that must be submitted, along with pro-forma financial statements and disclosures. Karen said that OPERS is linked up with their employers and OPERS is using an in-house actuary. They got a thirty percent response to "what is your year-end?" OPERS then put together a webinar. They had 400-500 employers participate, as well as some stakeholders. Therefore, they had much more involvement. OPERS picked five employers, a couple large employers and a couple small employers. OPERS recorded the webinars; they are available to watch and can be put on the P2F2 website. OPERS also put a draft response letter together for their employers to use to respond to GASB. Michele Nix commented that Casey is wonderful with the P2F2 website; he has a rapid turn-around time. Karl said Colorado PERA got about a twenty-five percent response rate from employers. Some CPA firms were not even aware of the GASB proposals. This hits enterprise-wide and discrete component units. Luke commented that smaller and medium-sized auditors are unaware of the GASB proposals, but the Big Four are. A comment was made that there are many rural areas where CPA firms do the financials. Everyone is understaffed with too little time for this. Karl stated that the AICPA response is available; they came down hard on the GASB. They like the overall approach but it is way too complex. What do you do with the information if it is unaudited? They may have to go back to the last audited numbers; they really have no answer. It is an estimated number that we allocate. Karen commented that Girard Butler is scheduled to testify when Karl and she testify. Art asked how we answer school districts wanting to know how we got the number; no one knows. Karl asked what we do regarding subsequent events; will we have to update all of the employers' numbers? Derivatives, interest sensitivity, securities lending, etc. will have to be updated and sent to the employers. This will be very ugly and the hope is that GASB may reconsider. The timeline is not realistic and the implementation date is bad. Luke said he thinks GASB will have to give us another year. He said Michigan spent \$2.1 million for IT costs to do their allocations and that is not including upgrades. Karen commented that OPERS has 3,700 employers. Luke said that we need to let GASB know how expensive this will be. Year-end procedures will have to be done monthly (private equity, real estate, etc.). Auditors will expect updates and valuations will have to be updated. There may be consideration for plan year-end, rather than employer year-end. We need to impress upon GASB the costs involved. Karl said he knows of one employer that has 13 financials periods because they have an October 25 year-end. Karen commented that it would be nice to be able to show the nation-wide impact to get perspective. There is no data clearing house. Karen also said that they have a hybrid plan which combines a DC and a DB plan; the GASB has no plan for dealing with these. We must also allocate to discrete component units. How will the employers' auditors accept asset roll forwards? There are also volatility issues. Beulah asked Karl what he needed from the Board and Karl responded that the P2F2 responses still need to be refined. Michele asked if we should bring it up to the membership and Luke responded that he would. Michele said she monitors email accounts about twice daily. Karl suggested letting members know the list of issues is out there and encourage members to write responses. Michele commented that MOSERS is a single-employer system. Luke said that with Michigan's employers, they have divisions; they already have assets broken down, but the divisions have subsets. They are already dealing with these

issues and are giving them individual liabilities. Rhonda said they have confidentiality issues and cannot give retiree information. Luke said they send their information in password-protected format; they strip out the social security numbers and only provide names. Karen commented that OPERS can't do that. Beulah asked if P2F2 will also be responding to the Exposure Draft modifying GASB 25. Karl responded yes, but we still do not have a response yet. Luke said he will ask members at the Business Meeting to send an email to Karl if they are interested in helping with the responses. We will meet 7:00 a.m. Tuesday regarding GASB 25.

Michele led a discussion about the Board elections to be held at the Annual Meeting. She said we ask current Board members if they want to serve again. Rhonda and Karen said yes and Luke said he was okay either way. Michelle Camuglia had expressed an interest and said that she is still interested, so she is on the ballot this year. Luke said that he has really enjoyed and treasured everyone on the Board. Michele commented that Luke has been a tremendous resource. Luke said that we will have to change the phone number on the website to Art. Michele thanked Luke for his service and said that Luke's rolling off the Board was a mutual decision. The Board thanked Luke. Michelle Camuglia is with the New York State and Local Retirement System and Art is with the Teacher's system. Luke and Art will both sign the GASB letters. Michele said the ballots are included with the registration information. She can also put it on Twitter. There will be a social media session during the conference and Michele asked the speaker to mention our Twitter account. Luke will announce our Twitter account, as well as request members interested in helping with the response to the Exposure Draft related to GASB 25 to come forward. We will meet in the Crystal Ballroom in the lobby. Michelle Camuglia has done a lot with field testing and with the On-site Committee. Luke is now on the Michigan GFOA. Michele announced that Karen got a promotion; congratulations to her! Luke suggested we include in the GASB response that everyone does everything differently. Karl followed up with a comment that all these rules don't work and Luke added that the systems then bump up against state rules. Beulah suggested inviting the rest of the membership to the Tuesday morning meeting. We will have the meeting in the Crystal Ballroom and this will also work for any carryover from the Monday morning GASB meeting. Rhonda said that the Plain Language Supplement laid it out as answer these questions. A lot will be missed doing that. Karen said that Scott from GASB spoke at the GFOA Conference. OPEB will likely be next and worse. Karen said OPERS is massively revamping their OPEB. Karen and Karl said they do less than and greater than 65. Karen said OPERS uses Extend Health. They have reasonable rates and they contract with all the different plans. Karl said the GASB proposals will cause the small employers to double the size of their financial reports.

The next Board meeting, during which the Board officers will be elected, will be Wednesday morning 7:00-8:00 a.m. Karen said the last session will be Wednesday. It will be interactive, with speakers Brad and Janet Ritter. The committee wanted to put something exciting at the end of the conference to encourage people to stay.

There has been some confusion regarding the login for presentations on the website. Michele will have Casey move the presentations to the member-only site after the conference. When dues are presented with the conference registration, there has been some confusion as to what year the dues are being paid for. The current method is set up to avoid people getting a free year of membership. The Board decided to keep things as they are, but maybe make things clearer and have Beulah discuss this during her presentation at the Annual Business Meeting.

Karl suggested having a member responsible for each topic on the website. Michele suggested advertising the Forum more and Karen suggested tapping into people known to be more active in P2F2. The Forum will email you when someone posts to your topic. Luke will take the

topic of Benefits and Taxes, Karl will do GASB, Rhonda will handle Hot Topics, Karen will do Legislation (she has a research person), no one is needed for the Meet and Greet as it is for a social aspect, Michele will do Outside Service Providers, the Board will be done by the President or the Secretary, Dave will do the Conference, Karen will do Pension Studies, and Michele will do Technology. Michele will also get Employer Reporting and Compliance added as Forum topics. Karen and Karl will reach out to Walt, Drucie, or Lisa for Employer Reporting. KC Tran might be good for Compliance. Karl said Amy Crumpler in Florida may be good for Investments. We can provide the categories and ask for volunteers. We can have more than one person per category; the more the better. Michele said the Forum is set up to email once per week, but people can opt out.

General gift cards will be given to Debra Hembree and Nancy Mikola.

With no further new business, the meeting was adjourned at 11:10 a.m. Pacific Time.