



LIABILITIES FOR EMPLOYEE FUTURE BENEFITS

For British Columbia School Districts



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SECTION 1: BACKGROUND AND ACCOUNTING POLICIES

Boards have entered into various contracts with their employee groups to provide certain post-employment benefits. Obligations for these benefits vary between school districts, based on collective agreement terms negotiated at the school district level (vested and non-vested sick leave, early retirement/severance, vested vacation and overtime, death benefits, etc). Prior to the implementation of GAAP, boards had discretion whether or not to fund these liabilities. As a result, some boards fully provided for these amounts, others made no provisions, while the balance set aside some funds to cover a portion of the liabilities.

Effective July 1, 2004, school districts were required to report full accruals for employee future benefits (EFB) in accordance with GAAP. Beginning with the year ended June 30, 2013, school districts follow Public Sector Accounting Standards (PSAS) section PS3250 & PS3255. These standards specify that non-vested benefits must be included in the calculation of EFB and specify the discount rates to be used.

SECTION 2: PSA HANDBOOK REFERENCES

CICA Public Sector Accounting Handbook, sections PS3250 and PS3255 establishes the criteria for measurement and disclosure of retirement and other post-employment benefits.

SECTION 3: FINANCIAL STATEMENT NOTE DISCLOSURE

Sample note disclosure (see Appendix 1) has been provided to assist school districts with preparation of their audited financial statements. EFB disclosure is provided in sample notes 2(i), 10 and 11. Note 10 is generated by the Actuarial Calculation Tool Tab 2 (see Appendix 2).

Sample disclosure of the prior period adjustment (2013 restatement) discussed in Section 10 is shown in Sample Note 30.

The “2013/14 Notes to Financial Statements” document is posted on the District Financial Accountability website at: <http://www.bced.gov.bc.ca/accountability/district/>.



SECTION 4: PLAN TO RETIRE UNFUNDED LIABILITIES

A plan to fully retire the unfunded liability for EFB over a specified number of years is required and should be disclosed in the Notes to Financial Statements (see Sample Note 11).

Districts that still carry an **Unfunded Liability for EFB** (9 Districts @ June 30, 2013) are still expected to apply funds in order to eliminate this deficit. The Ministry will be monitoring the reduction of the unfunded liabilities for EFB by annual reviews of the audited Financial Statements and annual Budgets until all boards have fully provided for the unfunded accrued EFB.

SECTION 5: ACTUARIAL CALCULATION TOOL

School district financial statements and budgets must include actuarial considerations. The Ministry has provided an “Actuarial Tool” for completion as at June 30, 2014. This tool is preloaded with information specific to each school district. For completion instructions, sample actuarial appendices C and E, and a sample of a completed actuarial tool, please refer to Appendix 2.

The 2013/14 actuarial tool will also calculate an adjustment to restate the June 30, 2013 EFB liability to include April – June 2013 EFB expenses after the measurement date (see Section 10). This tool will also calculate the estimated 2014/15 EFB expense for use in budgeting.

SECTION 6: ACTUARIAL VALUATION PROCESS

Generally accepted actuarial practice is to undertake a new actuarial study every 3 years based on updated employee census data and benefit plan descriptions. Valuation Results and Projections are then provided in actuarial appendices A to E for each school district.

The result of the most recent study at March 31, 2013, based on the census data provided by School Districts at October 31, 2012, was provided to Districts in an e-mail “SDXX District March 2013 Actuarial Results & Actuarial Tool” May 8, 2013. This valuation complies with CICA Public Sector Accounting Handbook, sections PS3250 and PS3255.

SECTION 6: ACTUARIAL VALUATION PROCESS *cont'd*

In accordance with CICA Public Sector Accounting Handbook section PS3250, figures in actuarial appendix C and appendix E may be recalculated annually for a change in the discount rate at March 31. The results of the most recent rate change at March 31, 2014 were provided to districts with revised appendix C's and E's in late April/early May 2014. The financial statements and budgets should reflect these revised figures.

The next actuarial study is planned for March 31, 2016 based on data provided at October 31, 2015 and retiree experience data for the three years ended June 30, 2015. **In order to ease some of the data gathering requirements, it may be useful for Districts to collect their retiree experience data on an annual basis as at June 30, 2013 – 2015** in preparation for the 2015/16 actuarial study.

SECTION 7: EARLY MEASUREMENT DATE

CICA Public Sector Accounting Handbook section PS3250 allows for the measurement of a benefit obligation to occur prior to the date of the annual financial statements provided the government adopts this practice consistently from year to year and as long as no significant change relevant to the valuation of the plan occurs between the valuation date and the financial statement date. This allows school districts to receive information required to prepare their annual financial statements prior to fiscal year end. There is a further advantage in that the Province has a fiscal year end date of March 31.

The measurement date of March 31 was adopted beginning June 30, 2005 to comply with GAAP in effect at that time (CICA section 3461). Unlike CICA section 3461, PSAS is silent on the treatment of transactions occurring after the measurement date (April – June). The Office of the Auditor General has concluded that the best treatment would be to recognize both the cash payments and service and interest costs up to the financial statement date of June 30 (see Section 10). The EFB liability as at June 30 will equal the accrued benefit obligation measured as at March 31, less the April to June cash payments, plus the April to June EFB expense (service & interest costs) plus/minus any unamortized gain/loss (please refer to the “Actuarial Calculation Tool”).



SECTION 8: YEAR-END DISCOUNT RATES

The discount rate used to calculate the EFB is covered in section PS3250.044 of the Public Sector Accounting Handbook. This section prescribes that the discount rate should be based on the plan's assets earnings or the average borrowing rate. Since school districts have no plan assets, the rate used will be the average borrowing rate as determined by the actuary (province's cost of borrowing).

SECTION 9: EXPECTED AVERAGE REMAINING SERVICE LIFETIME (EARSL)

The EARSL, calculated by the actuary for each school district, is provided on Actuarial Appendix E. This figure is used as the amortization period for gains or losses that occur under the plan. The straight-line method of amortization is required under PSAS.

SECTION 10: FINANCIAL STATEMENT REPORTING AT JUNE 30, 2014 (AND JUNE 30, 2013 RESTATED)

School district's EFB liability at March 31, 2014 (for use at June 30, 2014) has been recalculated by the actuary based on the census data provided by School Districts as at October 31, 2012 and by applying the applicable interest rates at March 31, 2014. Revised appendices C and E specific to each school district and an actuarial calculation tool were provided to each district in an e-mail "SDXX District March 2014 Actuarial Results & Actuarial Tool" in late April/early May 2014.

Both CICA section 3461 and PSAS permit the use of an early measurement date for EFB (see Section 7). Unlike CICA section 3461, PSAS does not address transactions occurring after the measurement date (April – June). In order to maintain consistent reporting throughout the SUCH sector, the Office of the Auditor General has reviewed the accounting treatment and concluded that the best approach under PSAS would be to recognize both the payments and expenses up to the financial statement date of June 30.

As at June 30, 2013 all districts except two have already reduced their EFB liability by the cash payments made up to June 30, 2013 but the EFB expense reported annually by each district to date has been the expenses for the 12 months ended March 31 rather than the 12 months ended June 30. The June 30, 2014 financial statements must restate the June 30, 2013 EFB liability and the annual expense for 2012/13 to reflect the service and interest costs up to June 30.



**SECTION 10: FINANCIAL STATEMENT REPORTING AT JUNE 30, 2014
(AND JUNE 30, 2013 RESTATED) cont'd**

The June 30, 2013 EFB liability will increase by the amount of the April – June 2013 EFB expense (25% of the 2013/14 expenses per appendix E). For presentation in the 2013 comparative column of the audited financial statements, this adjustment will be split between opening operating surplus as at July 1, 2012 (April – June 2012 expenses) and the annual EFB expense adjustment for 2012/13 (April – June 2013 expense minus the April – June 2012 expense). The Actuarial Calculation Tool will calculate these adjustments, restatements and note disclosure for use in preparing the June 30, 2014 audited financial statements. The following table summarizes the effects of the EFB adjustments on the financial statement balances:

| | | Statement of Financial Position | | Statement of Operations |
|---|-----------------------------------|---------------------------------|-------------------|-------------------------|
| | | EFB Liability | Operating Surplus | EFB expense |
| July 1, 2012 restatement to opening surplus: | | | | |
| Opening Balance @ July 1, 2012 per audited Financial Statements | | \$ XX | \$ XX | N/A |
| Add: EFB Expenses April - June 2012 | (Schedule 2 - PPA - 2013 column) | CR (increase) | DR (decrease) | N/A |
| Balance as at July 1, 2012 (restated) | | \$ XX | \$ XX | N/A |
| June 30, 2013 expense restatements: | | | | |
| Deduct: EFB Expenses April - June 2012 | | DR (decrease) | CR (increase) | CR (decrease) |
| Add: EFB Expenses April - June 2013 | | CR (increase) | DR (decrease) | DR (increase) |
| Net expense restatement year ended June 30, 2013 | (Schedules 2C & 2B - 2013 column) | \$ XX | \$ XX | N/A |
| Balance as at June 30, 2013 (restated) | | \$ XX | \$ XX | \$ XX |

The EFB liability as at June 30 will equal the accrued benefit obligation measured as at March 31, less the April to June cash payments, plus the April to June EFB expense (service & interest costs) plus/minus any unamortized gain/loss (please refer to the “Actuarial Calculation Tool”).

Districts will need to populate the actuarial tool with actual vested benefits paid (cash payments) for the periods April 1, 2013 to March 31, 2014 and April 1, 2014 to June 30, 2014 (after measurement date). This payment information includes all employees. Individual amounts for each employee group are not required. The tool will then calculate the balances and adjustment required for the June 30, 2014 audited financial statements. Sample financial statement note disclosure is provided in Appendix 1.



SECTION 11: PLAN AMENDMENTS & CURTAILMENT GAINS/LOSSES

The change in the Accrued Benefit Obligation for employee future benefits may include increases or decreases relating to plan amendments or curtailments. These will be calculated and presented in the Appendix E provided to districts and will be preloaded into the actuarial tool. Per PSAS, these gains and losses must be recognized immediately as part of employee benefit expenses. If available, unamortized gains/losses carried forward must be recognized up to the amount available to offset the gain/loss from plan amendments. The actuarial tool will automatically calculate these amounts and whether or not they should be recognized. Districts should ensure that the total amount recognized as expense for the year ended June 30, 2014 agrees with the amount calculated by the actuarial tool's "Net Benefit Expense (Income)" line.

Extract from "2013/14 Notes to Financial Statements"
Pertaining to Liabilities for Employee Future Benefits

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- i) Employee Future Benefits
PS 3250.84, .100-.104, PS 3255.35-.36

The School District provides certain post-employment benefits including vested and non-vested benefits for certain employees pursuant to certain contracts and union agreements.

The School District accrues its obligations and related costs including both vested and non-vested benefits under employee future benefit plans. Benefits include vested sick leave, accumulating non-vested sick leave, early retirement, retirement/severance, vacation, overtime and death benefits. The benefits cost is actuarially determined using the projected unit credit method prorated on service and using management's best estimate of expected salary escalation, termination rates, retirement rates and mortality. The discount rate used to measure obligations is based on the cost of borrowing except as per the election described in note 2.

The cumulative unrecognized actuarial gains and losses are amortized over the expected average remaining service lifetime (EARSLS) of active employees covered under the plan.

The most recent valuation of the obligation was performed at March 31, 2013 and projected to June 30, 2016. The next valuation will be performed at March 31, 2016 for use at June 30, 2016. For the purposes of determining the financial position of the plans and the employee future benefit costs, a measurement date of March 31 was adopted for all periods subsequent to July 1, 2004.

The School district and its employees make contributions to the Teachers' Pension Plan and Municipal Pension Plan. The plans are multi-employer plans where assets and obligations are not separated. The costs are expensed as incurred.

Extract from "2013/14 Notes to Financial Statements"
Pertaining to Liabilities for Employee Future Benefits
(Continued)

NOTE 10 EMPLOYEE FUTURE BENEFITS

PS 3255.35-.36

Benefits include vested sick leave, accumulating non-vested sick leave, early retirement, retirement/severance, vacation, overtime and death benefits. Funding is provided when the benefits are paid and accordingly, there are no plan assets. Although no plan assets are uniquely identified, the School District has provided for the payment of these benefits. The portion of these benefits that have not been provided for is identified as Unfunded Accrued Employee Future Benefits and disclosed in Note 11.

(this note can be copied/pasted from tab 2 of the Actuarial Calculation Tool provided early May 2014).

| | June 30, 2014 | June 30, 2013 (Restated) |
|--|---------------|-----------------------------|
| Reconciliation of Accrued Benefit Obligation | | |
| Accrued Benefit Obligation – April 1 | \$ | \$ |
| Service Cost | | |
| Interest Cost | | |
| Benefit Payments | | |
| Increase (Decrease) in obligation due to Plan Amendment | | |
| Actuarial (Gain) Loss | | |
| Accrued Benefit Obligation – March 31 | \$ | \$ |
| Reconciliation of Funded Status at End of Fiscal Year | | |
| Accrued Benefit Obligation – March 31 | \$ | \$ |
| Market Value of Plan Assets – March 31 | | |
| Funded Status – Surplus (Deficit) | | |
| Employer Contributions After Measurement Date | | |
| Benefits Expense After Measurement Date | | |
| Unamortized Net Actuarial (Gain) Loss | | |
| Accrued Benefit Asset (Liability) – June 30 | \$ | \$ |
| Reconciliation of Change in Accrued Benefit Liability | | |
| Accrued Benefit Liability – July 1 | \$ | \$ |
| Recognize Benefit Expense April 1 – June 30, 2012 | | |
| Accrued Benefit Liability – July 1 (restated) | | |
| Net expense for Fiscal Year | | |
| Employer Contributions | | |
| Accrued Benefit Liability – June 30 | \$ | \$ |

Extract from "2013/14 Notes to Financial Statements"
Pertaining to Liabilities for Employee Future Benefits
(Continued)

NOTE 10 EMPLOYEE FUTURE BENEFITS (continued)

| | June 30, 2014 | June 30, 2013 (Restated) |
|---|---------------|-----------------------------|
| <i>Components of Net Benefit Expense</i> | | |
| Service Cost | \$ | \$ |
| Interest Cost | | |
| Immediate Recognition of Plan Amendment | | |
| Amortization of Net Actuarial (Gain)/Loss | | |
| Net Benefit Expense (Income) | \$ | \$ |

The significant actuarial assumptions adopted for measuring the School District's accrued benefit obligations are:

| | June 30, 2014 | June 30, 2013 |
|------------------------------------|-------------------|-------------------|
| Discount Rate – April 1 | 3.00% | 4.25% |
| Discount Rate – March 31 | 3.25% | 3.00% |
| Long Term Salary Growth – April 1 | 2.50% + seniority | 2.50% + seniority |
| Long Term Salary Growth – March 31 | 2.50% + seniority | 2.50% + seniority |
| EARSL – March 31 | | |

NOTE 11 UNFUNDED ACCRUED EMPLOYEE FUTURE BENEFITS

It is planned that the initial unfunded liability for accrued employee future benefits upon adoption of accrual accounting and PSA standards will be eliminated in ___ years.

| | |
|---|----------|
| Unfunded liability, as at July 1, 2013 | \$ |
| Reductions during the year | _____ |
| Unfunded liability, as at June 30, 2014 | \$ _____ |

NOTE 30 PRIOR PERIOD ADJUSTMENT

(Disclose per PS 2120)

In prior years school districts reported Employee Future Benefit (EFB) expense equal to the 12 months ended March 31 as determined by the actuary rather than the 12 months ended June 30. An adjustment was made to increase the Employee Future Benefit (EFB) liability to include benefits expense incurred after the early measurement date of March 31 (see Note 10). The June 30, 2013 EFB liability increased by \$xx representing the EFB expenses April 1 to June 30, 2013. The opening surplus as at July 1, 2012 was decreased by \$xx representing the April 1 – June 2012 EFB expenses. The surplus (deficit) for the year ended June 30, 2013 was increased (decreased) by \$xx representing the April 1 – June 2013 EFB expense minus the April 1 – June 2012 EFB expense.

ACTUARIAL CALCULATION TOOL INSTRUCTIONS – DUE JULY 15, 2014
Please e-mail the completed actuarial tool to Linda.seabrook@gov.bc.ca by July 15, 2014

For your convenience, Ministry staff has preloaded your specific school district figures as provided by Mercer into the **Actuarial Calculation Tool**.

1. Actuarial Calculation Tool (tab 1)

The Actuarial Calculation Tool will calculate district's Employee Future Benefits (EFB) liability, expenses and journal entries for use in preparing your June 30, 2014 GRE report and audited financial statements. This tool will calculate the balances to report as at June 30, 2013 (restated) and June 30, 2014 under Public Sector Accounting Standards (PSAS). Ministry staff preloaded the most recent actuarial figures provided by the Actuarial Consultants as well as comparative figures reported by districts in the previous year. Ministry staff populated the yellow shaded cells.

Please refer to the paper "Liabilities for Employee Future Benefits (April 2014)" that is posted on the District Financial Accountability Website <http://www.bced.gov.bc.ca/accountability/district/> in the Reference and Resource section under the heading "Employee Future Benefits".

Actuarial figures are those provided by Mercer at March 31, 2014 (early measurement date for June 30, 2014). The package specific to your school district was provided in an e-mail "SDXX District March 2014 Actuarial Results & Actuarial Tool" in early May 2014 from the Ministry.

Figures provided in this tool should be those reported in your 2013/14 audited financial statements.

Please enter amounts in the green shaded cells only, which are:

- **D13** - Vested Benefit Payments – April 1, 2013 to March 31, 2014 (see *NOTE below)
(Please enter as a negative figure)
- **E30** - Employer Contributions (Vested only) After Measurement Date – April 1, 2014 to June 30, 2014 (3 months)
(Please enter as a positive figure)

ENTRY IS NOT PERMITTED IN THE BALANCE OF CELLS. THEY ARE PROTECTED.

***NOTE:** The measurement date for the actuarial figures is March 31. As such, the opening accrued benefit obligation is as at April 1. In cell D13, districts need to enter their actual cash payments, for vested benefits only, for the period April 1, 2013 to March 31, 2014 (12 months). This amount should be the April 1, 2013 to June 30, 2013 payments (3 months) reported last year (see cell H30) plus the July 1, 2013 – March 31, 2014 payments (9 months) made in the current fiscal year. Cell E30 should equal the April 1 to June 30, 2014 payments (3 months after measurement date) used to arrive at the June 30, 2014 fiscal year end balance.

1. Actuarial Calculation Tool (tab 1) *cont'd*

The actual cash payments made by the district in the 2013/14 school year (July – June) for VESTED benefits only, should equal the total of the following amounts reported on tab 1:

Employer Contributions July 1, 2013 – March 31, 2014 (-cell D13 – cell H30)

Employer Contributions April 1, 2013 – June 30, 2013 (cell E30)

Budget Reporting: The estimate of the **2014/15 expenses** calculated at the bottom of the actuarial tool should be used as the employee future benefit expense (vested & non-vested) reported in the 2014/15 Annual Budget and Amended Annual Budget as part of employee benefits. This amount will be calculated to include any amortization of gains/losses that must be reported in 2014/15.

2. Note Disclosure (tab 2) – no entry required

This tab automatically populates from tab 1.

This tab may be copied/pasted into District's Notes to Financial Statements (see Sample Notes to Financial Statements – Note 10).

3. Employee Future Benefits – Sample Journal Entries (tab 3)

All entries automatically populate from tab 1.

4. UNFUNDED LIABILITY

The Ministry will be monitoring the reduction of the unfunded liabilities for EFB by annual reviews of the audited Financial Statements and annual Budgets. A plan to fully retire the unfunded liability over a specified number of years is required and should be disclosed in the Notes to Financial Statements (see Sample Note 11).

| Ministry staff populated YELLOW cells | | SD staff please populate GREEN cells | |
|--|--|---|--------------------|
| SD: | SAMPLE | SD #: | XX |
| ACTUARIAL CALCULATION TOOL FISCAL YEAR - 2013/14 | | | |
| | | 2014 | (restated) 2013 |
| | | Notes | Notes |
| Reconciliation of Accrued Benefit Obligation | | | |
| Accrued Benefit Obligation - April 1 | | 2,519,612 | 2,579,637 |
| Service Cost | | 138,280 (1) | 136,500 (1) |
| Interest Cost | | 129,000 (1) | 130,400 (1) |
| Benefit Payments - April 1 to March 31 - VESTED | (Enter as a NEGATIVE number) (158,000) | | |
| Benefit Payments - April 1 to March 31 - NON-VESTED | (10,530) | (168,530) | (99,200) |
| Increase (Decrease) in obligation due to plan amendment | | 0 (1) | (427,000) (1) |
| Actuarial (Gain)/Loss | | (25,700) | 199,275 |
| Accrued Benefit Obligation - March 31 | | 2,592,662 (1) | 2,519,612 (1) |
| Change in Plan Assets | | | |
| Market Value of Plan Assets - April 1 | | 0 | 0 |
| Actual Return on Plan Assets | | 0 | 0 |
| Employer Contributions - April 1 to March 31 | | 168,530 | 99,200 |
| Benefit Payments - April 1 to March 31 | | (168,530) | (99,200) |
| Market Value of Plan Assets - March 31 | | 0 | 0 |
| Reconciliation of Funded Status at End of Fiscal Year | | | |
| Accrued Benefit Obligation - March 31 | | 2,592,662 | 2,519,612 |
| Market Value of Plan Assets - March 31 | | 0 | 0 |
| Funded Status - Surplus (Deficit) | | (2,592,662) | (2,519,612) |
| Employer Contributions After Measurement Date - April 1 to June 30 - VESTED | (Enter as a POSITIVE number) 31,000 | 31,000 | 40,000 |
| Benefit Expense After Measurement Date - April 1 to June 30 | | (66,500) | (66,820) |
| Unamortized Net Actuarial (Gain)/Loss | | 156,829 | 199,275 |
| Accrued Benefit (Liability) Asset - June 30 | | (2,471,333) | (2,347,157) |
| Components of Net Benefit Expense | | | |
| Service Cost - July 1 to March 31 | | 103,710 | 102,375 |
| Service Cost - April 1 to June 30 | | 34,500 | 34,570 |
| Interest Cost - July 1 to March 31 | | 96,750 | 97,800 |
| Interest Cost - April 1 to June 30 | | 32,000 | 32,250 |
| Immediate Recognition of Plan Amendment | | 0 | (427,000) |
| Amortization of Net Actuarial (Gain)/Loss | | 16,746 | 260,000 |
| Net Benefit Expense (Income) | | 283,706 | 99,995 |
| Reconciliation of Change in Accrued Benefit Liability (Asset) | | | |
| Accrued Benefit Liability (Asset) - July 1 | | 2,347,157 | 2,239,637 |
| Recognize Benefit Expense April 1 - June 30, 2012 | | | 66,725 |
| Accrued Benefit Liability (Asset) - July 1 (restated) | | 2,347,157 | 2,306,362 |
| Net Expense for Fiscal Year | | 283,706 | 99,995 |
| Employer Contributions - July 1 to March 31 | | (128,530) | (19,200) |
| Employer Contributions - April 1 to June 30 | | (31,000) | (40,000) |
| Accrued Benefit Liability (Asset) - June 30 | | 2,471,333 | 2,347,157 |
| Assumptions | | | |
| Discount Rate - April 1 | | 3.00% | 4.25% |
| Discount Rate - March 31 | | 3.25% | 3.00% |
| Long Term Salary Growth - April 1 | | 2.50% + seniority | 2.50% + seniority |
| Long Term Salary Growth - March 31 | | 2.50% + seniority | 2.50% + seniority |
| EARSL - March 31 | | 11.9 | 11.9 |
| ESTIMATE OF 2014/15 EXPENSE | | | |
| Service Cost | | 137,625 | |
| Interest Cost | | 126,250 | |
| Amortization of Net Actuarial (Gain)/Loss (straight-line over EARSL) | | 14,586 | |
| Net Benefit Expense (Income) | | 278,461 | |
| Forecast data per Appendix E - March 31, 2014: | | | |
| Service Cost - April 1 to March 31, 2015 | 138,000 | (1) | |
| Interest Cost - April 1 to March 31, 2015 | 128,000 | (1) | |
| Service Cost - April 1 to March 31, 2016 | 136,500 | (1) | |
| Interest Cost - April 1 to March 31, 2016 | 121,000 | (1) | |
| NOTE (1) As per Appendix E - March 31, 2014 (prepared April 2014) (includes vested & non-vested results) | | | |
| Please e-mail completed actuarial tool to: | | Linda Seabrook (Resource Management Division) | |
| | | linda.seabrook@gov.bc.ca | |
| | | (250) 356-5088 | |
| DUE DATE | | July 15, 2014 | |

| | | | | |
|-------------------|--|--|--|-----------------|
| SD: SAMPLE | | | | SD #: XX |
|-------------------|--|--|--|-----------------|

**EMPLOYEE FUTURE BENEFITS - SAMPLE NOTE TO FINANCIAL STATEMENTS
FISCAL YEAR 2013/14**

| | June 30, 2014 | June 30, 2013 (Restated) |
|--|--------------------|-----------------------------|
| Reconciliation of Accrued Benefit Obligation | | |
| Accrued Benefit Obligation – April 1 | 2,519,612 | 2,579,637 |
| Service Cost | 138,280 | 136,500 |
| Interest Cost | 129,000 | 130,400 |
| Benefit Payments | (168,530) | (99,200) |
| Increase (Decrease) in obligation due to Plan Amendment | 0 | (427,000) |
| Actuarial (Gain) Loss | (25,700) | 199,275 |
| Accrued Benefit Obligation – March 31 | <u>2,592,662</u> | <u>2,519,612</u> |
| Reconciliation of Funded Status at End of Fiscal Year | | |
| Accrued Benefit Obligation - March 31 | 2,592,662 | 2,519,612 |
| Market Value of Plan Assets - March 31 | 0 | 0 |
| Funded Status - Surplus (Deficit) | (2,592,662) | (2,519,612) |
| Employer Contributions After Measurement Date | 31,000 | 40,000 |
| Benefits Expense After Measurement Date | (66,500) | (66,820) |
| Unamortized Net Actuarial (Gain) Loss | 156,829 | 199,275 |
| Accrued Benefit Asset (Liability) - June 30 | <u>(2,471,333)</u> | <u>(2,347,157)</u> |
| Reconciliation of Change in Accrued Benefit Liability | | |
| Accrued Benefit Liability (Asset) - July 1 | 2,347,157 | 2,239,637 |
| Recognize Benefit Expense April 1 - June 30, 2012 | | 66,725 |
| Accrued Benefit Liability (Asset) - July 1 (restated) | 2,347,157 | 2,306,362 |
| Net Expense for Fiscal Year | 283,706 | 99,995 |
| Employer Contributions | (159,530) | (59,200) |
| Accrued Benefit Liability (Asset) - June 30 | <u>2,471,333</u> | <u>2,347,157</u> |
| Components of Net Benefit Expense | | |
| Service Cost | 138,210 | 136,945 |
| Interest Cost | 128,750 | 130,050 |
| Immediate Recognition of Plan Amendment | 0 | (427,000) |
| Amortization of Net Actuarial (Gain)/Loss | 16,746 | 260,000 |
| Net Benefit Expense (Income) | <u>283,706</u> | <u>99,995</u> |
| Assumptions | | |
| Discount Rate - April 1 | 3.00% | 4.25% |
| Discount Rate - March 31 | 3.25% | 3.00% |
| Long Term Salary Growth - April 1 | 2.50% + seniority | 2.50% + seniority |
| Long Term Salary Growth - March 31 | 2.50% + seniority | 2.50% + seniority |
| EARSL - March 31 | 11.9 | 11.9 |

| | | | |
|-------------------|--|--|--|
| SD: SAMPLE | | SD staff can populate GREEN cells | |
| | | SD #: XX | |

**EMPLOYEE FUTURE BENEFITS - SAMPLE JOURNAL ENTRIES
FISCAL YEAR - 2013/14**

| AJE | | | Debit | Credit |
|-----|---------------|---|---------|---------|
| (1) | June 30, 2013 | Operating Surplus, beginning of the year (PPA Schedule 2) | 66,725 | |
| | (PPA) | Salaries & Benefits expense (2013 Schedule 2C) | 95 | - |
| | | Accrued Employee Future Benefits | | 66,820 |
| | | To restate EFB liability at June 30, 2013 to recognize EFB expense after the measurement date. | | |
| (2) | June 30, 2014 | Accrued Employee Future Benefits | 159,530 | |
| | | Cash (or benefits expense to reclassify if payments already posted to expense accounts) | | 159,530 |
| | | To record the annual benefit payments made from operating. | | |
| (3) | June 30, 2014 | Salaries & Benefits expense | 283,706 | |
| | | Accrued Employee Future Benefits | | 283,706 |
| | | To record the annual EFB expense (PSAS) per the actuarial report | | |
| (4) | June 30, 2014 | Operating Surplus | | |
| | | Unfunded Accrued Employee Future Benefits | | - |
| | | To record the amount of the 2013/14 annual surplus applied to unfunded. (ONLY APPLIES TO THOSE 9 DISTRICTS THAT HAVE AN UNFUNDED EFB BALANCE) | | |
| | | | 510,056 | 510,056 |

| Statement of Financial Position | | | | |
|--------------------------------------|-----------------------------|---------|---------|---------------|
| | June 30, 2013 (restated) | Debit | Credit | June 30, 2014 |
| Financial Assets | | | | |
| Cash | 2,347,157 | | 159,530 | 2,187,627 |
| Liabilities | | | | |
| Accrued Employee Future Benefits | (2,347,157) | 159,530 | 283,706 | (2,471,333) |
| Accumulated (Surplus) Deficit | | | | |
| Operating Surplus | | 283,706 | - | 283,706 |
| Unfunded Accrued EFB | | | - | - |
| | - | 443,236 | 443,236 | 0 |
| | | | | |
| Statement of Operations | | | | |
| Expenses | | | | |
| Employee Benefits | | 283,706 | | 283,706 |
| | - | 283,706 | - | 283,706 |

Vested/Non-Vested Results at June 30, 2014
SAMPLE SCHOOL DISTRICT
Actuarial Appendix C

| District | | Teachers | Administrative Officers | Union Groups | Other Employees | Grand Total |
|-------------------------|---------------------------------------|----------|----------------------------|-----------------|--------------------|-------------|
| XX | Number of Employees | 1,060 | 85 | 725 | 24 | 1,894 |
| | Accrued Benefit Obligation | | | | | |
| | - Vested Sick Leave | 0 | 0 | 1,498,362 | 179,500 | 1,677,862 |
| | - Early Retirement | 0 | 0 | 0 | 0 | 0 |
| | - Retirement/Severance | 0 | 0 | 376,000 | 0 | 376,000 |
| | - Vacation | 0 | 0 | 0 | 55,400 | 55,400 |
| | - Overtime | 0 | 0 | 0 | 0 | 0 |
| | - Death Benefit | 348,000 | 0 | 0 | 1,300 | 349,300 |
| | - Non Vested Sick Leave | 108,000 | 4,100 | 20,000 | 2,000 | 134,100 |
| | Total | 456,000 | 4,100 | 1,894,362 | 238,200 | 2,592,662 |
| | 2014/15 Service Cost | | | | | |
| | - Vested Sick Leave | 0 | 0 | 103,500 | 1,280 | 104,780 |
| | - Early Retirement | 0 | 0 | 0 | 0 | 0 |
| | - Retirement/Severance | 0 | 0 | 12,500 | 0 | 12,500 |
| | - Vacation | 0 | 0 | 0 | 2,000 | 2,000 |
| | - Overtime | 0 | 0 | 0 | 0 | 0 |
| | - Death Benefit | 7,050 | 0 | 0 | 100 | 7,150 |
| | - Non Vested Sick Leave | 8,900 | 750 | 1,470 | 450 | 11,570 |
| | Total | 15,950 | 750 | 117,470 | 3,830 | 138,000 |
| | 2014/15 Cash Costs | | | | | |
| - Vested Sick Leave | 0 | 0 | 20,000 | 15,000 | 35,000 | |
| - Early Retirement | 0 | 0 | 0 | 0 | 0 | |
| - Retirement/Severance | 0 | 0 | 45,000 | 0 | 45,000 | |
| - Vacation | 0 | 0 | 0 | 13,600 | 13,600 | |
| - Overtime | 0 | 0 | 0 | 0 | 0 | |
| - Death Benefit | 34,300 | 0 | 0 | 2,100 | 36,400 | |
| - Non Vested Sick Leave | 8,700 | 300 | 900 | 100 | 10,000 | |
| Total | 43,000 | 300 | 65,900 | 30,800 | 140,000 | |

Vested and Non-Vested Benefit Projections
PSAB Accounting Basis
SAMPLE SCHOOL DISTRICT
Actuarial Appendix E

| District | | Based on March 31, 2010 valuation (CICA) | | | Based on March 31, 2013 valuation (PSAB) | | |
|----------|--|--|----------------|----------------|--|----------------|----------------|
| | | 2010 / 2011 | 2011 / 2012 | 2012 / 2013 | 2013 / 2014 | 2014 / 2015 | 2015 / 2016 |
| XX | Accrued Benefit Obligation – July 1 | 1,971,637 | 2,028,637 | 2,579,637 | 2,519,612 | 2,592,662 | 2,718,662 |
| | Non-Vested accrued benefit obligation - July 1, 2011 | | 116,500 | | | | |
| | Service Cost* | 128,000 | 136,500 | 136,500 | 138,280 | 138,000 | 136,500 |
| | Interest Cost* | 139,000 | 131,500 | 130,400 | 129,000 | 128,000 | 121,000 |
| | Subtotal | 2,238,637 | 2,413,137 | 2,846,537 | 2,786,892 | 2,858,662 | 2,976,162 |
| | Expected Cash Costs - Vested Benefits | (110,000) | (140,000) | (115,000) | (135,700) | (130,000) | (125,000) |
| | Expected Cash Costs - Non-Vested Benefits | | (8,500) | (9,200) | (10,530) | (10,000) | (9,500) |
| | Curtailement (Gain) / Loss | (150,000) | | | | | |
| | Change in Obligation Due to Plan Amendment*** | | | (427,000) | | | |
| | (Gain) / Loss | 50,000 | 315,000 | 224,275 | (48,000) | | |
| | Accrued Benefit Obligation – June 30** | 2,028,637 | 2,579,637 | 2,519,612 | 2,592,662 | 2,718,662 | 2,841,662 |
| | Interest Rate at Beginning of Period | 7.00% | 5.00% | 4.25% | 3.00% | 3.25% | 3.25% |
| | Interest Rate at End of Period | 5.00% | 4.25% | 3.00% | 3.25% | 3.25% | 3.25% |

| | |
|--------------|-------------|
| EARSL | 11.9 |
|--------------|-------------|

*NOTE: Beginning 2011/12, service and interest costs include non-vested

**NOTE: The Accrued Benefit Obligation is measured as at March 31

***NOTE: The change in obligation due to plan amendments is for both the Vested and Non-Vested benefits combined