Notes to the Financial Statements Template

***Instructions** – The Notes to the Financial Statements template below includes sample language and schedules to be used as a guide by TRSL employers in the development of their GASB 68 note disclosures. Please be aware of the highlighted and bracketed areas (refer to legend below) of the template where the notes require employer input and/or input from the GASB 68 exhibits on the website.*

TRSL has provided this template as a courtesy to its employers, but each employer is responsible for its own Notes to the Financial Statements. Employers should review the language and other information contained in the template with their auditors.

Note: The GASB 68 employer template example for cost-sharing employers may be found in the GASB 68 Implementation Guide, pages 155-161, Illustration 3a-Note Disclosures and Required Supplementary Information for a Cost-Sharing Employer (No Nonemployer Contributing Entities). Please also note that this illustration does not include nonemployer contributing entities. For cost sharing employers, GASB 68 refers to pages 48-82 in the index.

Denotes Employer Input
Denotes Input from GASB 68 Exhibits

Employer Name (Agency)
Notes to the Financial Statements
For the Year Ended June 30, 2017*

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 Teachers' Retirement System of Louisiana (TRSL), and additions to/deductions from TRSLs' fiduciary net position have been determined on the same basis as they are reported by TRSL. 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

Plan Description

Employees of [the Agency] are provided with pensions through a cost-sharing multiple-employer defined benefit plan administered by the Teachers' Retirement System of Louisiana (TRSL). Chapter 2 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) grants to TRSL Board of Trustees and the Louisiana Legislature the authority to review administration, benefit terms, investments, and funding of the plan. TRSL issues a publicly available financial report that can be obtained at www.trsl.org.

Benefits Provided

The following is a description of the plan and its benefits and is provided for general informational purposes only. TRSL provides retirement, deferred retirement option (DROP), disability, and survivor's benefits. Participants should refer to the appropriate statutes for more complete information.

*For fiscal year July 1, 2016 through June 30, 2017.

Retirement Benefits:

1. **NORMAL RETIREMENT**

Members hired prior to July 1, 1999	
2.0% benefit factor	At least age 60 with at least 5 years of service credit, or Any age with at least 20 years of service credit
2.5% benefit factor	At least age 65 with at least 20 years of service credit, or At least age 55 with at least 25 years of service credit, or Any age with at least 30 years of service credit

Members joining system between July 1, 1999 and December 31, 2010	
2.5% benefit factor	At least age 60 with at least 5 years of service credit, or At least age 55 with at least 25 years of service credit, or Any age with at least 20 years of service credit (actuarially reduced), or Any age with at least 30 years of service credit

Members first eligible to join and hired between January 1, 2011 and June 30, 2015	
2.5% benefit factor	At least age 60 with at least 5 years of service credit, or Any age with at least 20 years of service credit (actuarially reduced)

Members first eligible to join and hired on or after July 1, 2015	
2.5% benefit factor	At least age 62 with at least 5 years of service credit, or Any age with at least 20 years of service credit (actuarially reduced)

Plan A - Plan A is closed to new entrants.

All Plan A members	
3.0% benefit factor	At least age 60 with at least 5 years of service credit, or At least age 55 with at least 25 years of service credit, or Any age with at least 30 years of service credit

Plan B

Members hired before July 1, 2015	
2.0% benefit factor	At least age 60 with at least 5 years of service credit, or At least age 55 with at least 30 years of service credit

Members first eligible to join and hired on or after July 1, 2015	
2.0% benefit factor	At least age 62 with at least 5 years of service credit, or Any age with at least 20 years of service credit (actuarially reduced)

Benefit Formula

For all plans, retirement benefits are based on a formula which multiplies the final average compensation by the applicable accrual rate, and by the years of creditable service. For Regular Plan and Lunch Plan B members whose first employment makes them eligible for membership in a Louisiana state retirement system on or after January 1, 2011, final average compensation is defined as the highest average 60-month period. For all other members, final average compensation is defined as the highest average 36-month period.

Payment Options

A retiring member is entitled to receive the maximum benefit payable until the member's death. In lieu of the maximum benefit, the member may elect to receive a reduced benefit payable in the form of a Joint and Survivor Option, or as a lump sum that can't exceed 36 months of the members' maximum monthly benefit amount.

Effective July 1, 2009, members may make an irrevocable election at retirement to receive an actuarially reduced monthly benefit which increases 2.5% annually, beginning on the first retirement anniversary date, but not before age 55 or before the retiree would have attained age 55 in the case of a surviving spouse. This option can be chosen in combination with the above options.

2. DEFERRED RETIREMENT OPTION PROGRAM (DROP)

In lieu of terminating employment and accepting a service retirement, an eligible member can begin participation in the Deferred Retirement Option Program (DROP) on the first retirement eligibility date for a period not to exceed 3 years. A member has a 60 day window from his first eligible date to participate in the program in order to participate for the maximum number of years. Delayed participation reduces the three year maximum participation period. During participation, benefits otherwise payable are fixed, and deposited in an individual DROP account.

Upon termination of DROP participation, the member can continue employment and earn additional benefit accruals to be added to the fixed pre-DROP benefit.

Upon termination of employment, the member is entitled to the fixed benefit, an additional benefit based on post-DROP service (if any), and the individual DROP account balance which can be paid in a lump sum or an additional annuity based upon the account balance.

3. DISABILITY RETIREMENT BENEFITS

Active members whose first employment makes them eligible for membership in a Louisiana state retirement system before January 1, 2011, and who have five or more years of service credit are eligible for disability retirement benefits if certified by the State Medical Disability Board (SMDB) to be disabled from performing their job. All other members must have at least 10 years of service to be eligible for a disability benefit. Calculation of the disability benefit as well as the availability of a minor child benefit is determined by the plan to which the member belongs and the date on which the member's first employment made them eligible for membership in a Louisiana state retirement system.

4. SURVIVOR BENEFITS

A surviving spouse with minor children of a deceased active member with at least five years of creditable service (2 years immediately prior to death) but less than 10 years of creditable service is entitled to a benefit equal to the greater of (a) $600 per month, or (b) 50% of the member's benefit calculated at the 2.5% accrual rate for all creditable service. When a minor child(ren) is no longer eligible to receive survivor benefits, the surviving spouse's benefit ceases.

A surviving spouse with minor children of a deceased active member with at least 10 years of creditable service (2 years immediately prior to death) or 20 years of creditable service (regardless when earned) is entitled to a benefit equal to the greater of (a) $600 per month, or (b) the option 2 equivalent of the benefit calculated at the 2.5% benefit factor for all creditable service. If a surviving spouse remarries before the age of 55 and the deceased active member had less than 20 years of creditable service, the surviving spouse's benefit will cease.

Each minor child (maximum of 2) shall receive an amount equal to the greater of (a) 50% of the spouse's benefit, or (b) $300 (up to 2 eligible children). Benefits to minors cease at attainment of age 21, marriage, or age 23 if enrolled in an approved institution of higher education.

A surviving spouse without minor children of a deceased active member with at least 10 years of creditable service (2 years immediately prior to death) or 20 years of creditable service (regardless when earned) is entitled to a benefit equal to the greater of (a) $600 per month, or (b) the option 2 equivalent of the benefit calculated at the 2.5% benefit factor for all creditable service. If a surviving spouse remarries before the age of 55 and the deceased active member had less than 20 years of creditable service, the surviving spouse's benefit will cease.

Permanent Benefit Increases/Cost-of-Living Adjustments

As fully described in Title 11 of the Louisiana Revised Statutes, the System allows for the payment of permanent benefit increases, also known as cost-of-living adjustments

(COLAs) that are funded through investment earnings when recommended by the Board of Trustees and approved by the State Legislature.

Optional Retirement Plan (ORP)

The Optional Retirement Plan (ORP) was established for academic employees of public institutions of higher education who are eligible for membership in TRSL. This plan was designed to provide certain academic and unclassified employees of public institutions of higher education an optional method of funding for their retirement.

The ORP is a defined contribution pension plan which provides for portability of assets and full and immediate vesting of all contributions submitted on behalf of the affected employees to the approved providers. These providers are selected by the TRSL Board of Trustees. Monthly employer and employee contributions are invested as directed by the employee to provide the employee with future retirement benefits. The amount of these benefits is entirely dependent upon the total contributions and investment returns accumulated during the employee's working lifetime. Employees in eligible positions of higher education can make an irrevocable election to participate in the ORP rather than TRSL and purchase annuity contracts—fixed, variable, or both—for benefits payable at retirement.

Contributions

The employer contribution rate is established annually under La. R.S. 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the System's actuary. Each sub plan pays a separate actuarially determined employer contribution rate. However, all assets of TRSL are used for the payment of benefits for all classes of members, regardless of their plan. The rates in effect during the fiscal year ended June 30, 2017 are as follows:

2017 TRSL Sub Plan	Employer Contributions
K-12 Regular Plan	25.5%
Higher Ed Regular Plan	24.4%
Plan A	30.7%
Plan B	28.2%

ORP	Employer UAL
2017	21.2%

NOTE: In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations.

The agency's contractually required composite contribution rate for the year ended June 30, 2017 was {insert rate} % of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any Unfunded Actuarial Accrued Liability. Contributions to the pension plan from the Agency were ${insert amount} for the year ended June 30, 2017.

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

At June 30, 2017, the Employer reported a liability of $[Exhibit 2 Column A] for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Agency's proportion of the Net Pension Liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Agency's proportion was [Exhibit 2 Column B]%, which was an increase/decrease of [Exhibit 2 Column C]% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Agency recognized pension expense of $[Exhibit 2 Column D} plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions of $[Enter CY amortization of ER Specific Amounts].

At June 30, 2017, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$[Exhibit 2 Column E]	$[Exhibit 2 Column H]
Changes of assumptions	[Exhibit 2 Column F]	[Exhibit 2 Column I]
Net difference between projected and actual earnings on pension plan investments	[Exhibit 2 Column G]	[Exhibit 2 Column J]
Changes in proportion and differences between Employer contributions and proportionate share of contributions and deferred outflows and inflows of resources		
Employer contributions subsequent to the measurement date	[insert amount]	-
Total	$ -	$ -

$[insert amount] reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	$[Exhibit 2 Column K]	Plus /Less Amortization of employer specific amounts? (ER/Non-ER contribution differences and Change in Proportion
2019	$[Exhibit 2 Column L]	Plus /Less Amortization of employer specific amounts? (ER/Non-ER contribution differences and Change in
2020	$[Exhibit 2 Column M]	Plus /Less Amortization of employer specific amounts? (ER/Non-ER contribution differences and Change in Proportion
2021	$[Exhibit 2 Column N]	Plus /Less Amortization of employer specific amounts? (ER/Non-ER contribution differences and Change in Proportion

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2016 are as follows:

Actuarial cost method	Entry Age Normal
Amortization approach	Closed
Actuarial assumptions:	
ExpectedRemaining Service Lives	5 years
Investment rate of return	7.75% net of investment expenses*
Inflation rate	2.5% per annum
Projected salary increases	3.50% - 10.0% varies depending on duration of service
Cost-of-living adjustments	None
Mortality	Mortality rates were projected based on the RP-2000 Mortality Table with projection to 2025 using Scale AA.
Termination and disability	Termination, disability, and retirement assumptions were projected based on a five year (2008-2012) experience study of the System's members.

*The investment rate of return used in the actuarial valuation for funding purposes was 8.10%, recognizing an additional 25 basis points for the experience account and 10 basis points to offset administrative expenses.

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 expenses 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 of 2.5% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return was 8.23% for 2016. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

Asset Class	**Target Allocation***	**Long-Term Expected Real Rate of Return***
Domestic equity	31.0%	4.50%
International equity	19.0%	5.31%
Domestic fixed income	14.0%	2.45%
International fixed income	7.0%	3.28%
Private Equity	29.0	6.80%
Other private assets		4.82%

****For reference only:** *Target Allocation presented in TRSL 2016 CAFR, page 62, and Long-Term Expected Real Rate of Return, page 38.*

Discount Rate

The discount rate used to measure the total pension liability was 7.75%.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined contribution rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

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 using the discount rate of 7.75%, 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 one percentage-point lower (6.75%) or one percentage-point higher (8.75%) than the current rate:

	1.0% Decrease (6.75%)	Current Discount Rate (7.75%)	1.0% Increase (8.75%)
Employer's proportionate share of the net pension liability	$[Exhibit 2 Column Q]	$[Exhibit 2 Column A]	$[Exhibit 2 Column R]

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TRSL 2016 Comprehensive Annual Financial Report at www.trsl.org.

Payables to the Pension Plan

[If the Agency reported payables to TRSL, it should disclose information required by paragraph 122 of GASB 68 – Agency's responsibility to calculate and complete disclosure].