**Templates for the tables included in this pension footnote—as well as tables that may be included in the MD&A and other footnotes to the Financial Statements—are contained in the excel file titled “2017 Tables for MD&A and Footnotes” with one worksheet (tab) for each table. Please read the “Instructions” page, located on the first tab of that file, to learn how to best incorporate the tables into a financial report.**

**NOTE 1. 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 Utah Retirement Systems (Systems) Pension Plan and additions to/deductions from the Systems’ fiduciary net position are now determined on the same basis as they are reported by the Systems. 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.

\*\*\*\*\*\*

**Deferred Outflows/Inflows of Resources –** In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

**NOTE #: PENSION AND RETIREMENT PLANS**

**Description of plans –** Eligible employees of [the Entity] are provided with pensions through the Utah Retirement Systems (Systems). The Systems comprise several pension trust funds, the following in which employees at [the Entity] participate:

**(Note: The Entity should list here and in the tables below only those plans applicable to the Entity)**

**Defined Benefit Pension Plans** (cost-sharing, multiple-employer plans):

• Public Employees Noncontributory Retirement System (Noncontributory System)

• Public Employees Contributory Retirement System (Contributory System)

• Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System)

• Public Safety Retirement System (Public Safety System)

• Tier 2 Public Safety and Firefighter Contributory Retirement Systems (Tier 2 Public Safety Firefighters System)

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Systems, are members of the Tier 2 Public Employees System.

The Systems are established and governed by the respective sections of Title 49 of the *Utah* Code. The Systems’ defined benefit plans are amended statutorily by the Utah Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah Retirement Systems Board (URS Board), whose members are appointed by the governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. The Systems are a component unit of the State of Utah. Title 49 of the *Utah Code* grants the authority to establish and amend the benefit terms.

The Systems issue a publicly available financial report that can be obtained by writing to the Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

The Systems provide retirement, disability, and death benefits to participants in the defined pension plans. Retirement benefits are as follows:

**[NOTE: Paste Excel tables as “PICTURES” into your word processing document.]**



As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), 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. For the year ended June 30, 2017, contribution rates were as follows:



For fiscal year ended June 30, 2017, the employer and employee contributions to the Systems were as follows:



Contributions reported are the URS Board approved required contributions. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities of the Tier 1 Systems.

At June 30, 2017, [the Entity]’s net pension asset and liability were as follows:



The net pension asset and liability were measured as of December 31, 2016. The total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2016 and rolled forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer’s actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2017, [the Entity] recognized a pension expense of $xxx,xxx.

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



Of the amount reported as deferred outflows of resources related to pensions, $xxx,xxx resulted from contributions made by [the Entity] prior to their fiscal year end, but subsequent to the measurement date of December 31, 2017. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:



The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:



Mortality rates were developed from actual experience and mortality tables, based on gender, occupation, and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2013.

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 and is applied consistently to each defined benefit pension plan. 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:



The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60%, a real return of 4.60% that is net of investment expense.

The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 7.20% from 7.5% from the prior measurement period.

The following presents the proportionate share of the net pension (asset)/liability calculated using the discount rate of 7.20%, as well as what the proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.20%) or 1 percentage point higher (8.20%) than the current rate:



Detailed information about the pension plan’s fiduciary net position is available in the Systems’ separately issued financial report.

**Defined Contribution Plans**

[The Entity] offers employees the choice between the Systems and Teachers Insurance and Annuity Association (TIAA) for individual retirement funds.

Employees who participate in the State and School Noncontributory and Tier 2 pension plans also participate in qualified contributory 401(k) and 457 savings plans administered by the Systems. [The Entity] contributes 1.5% and 1.78%, respectively, of participating employees’ annual salaries to a 401(k) plan administered by the Systems. For employees participating in the Tier 2 Public Employees [and Tier 2 Public Safety and Firefighter] defined contribution plan[s], [the Entity] is required to contribute 20.02%[ and 30.54%, respectively] of the employee’s salary, of which 10% [ and 12%, respectively] is paid into the 401(k) or 457 plan while the remainder is contributed to the Tier 1 Systems, as required by law. During the year ended June 30, 2017, [the Entity]’s contributions totaled $xxx,xxx, which was included in the pension expense, and the participating employees’ voluntary contributions totaled $xxx,xxx. Detailed information regarding plan provisions is available in the separately issued Utah Retirement Systems financial report.

TIAA provides individual retirement fund contracts with each participating employee. Employees may allocate contributions by [the Entity] to the provider and the contributions to the employee’s contract become vested at the time the contribution is made. Employees are eligible to participate in TIAA from the date of employment and are not required to contribute to the fund. Benefits provided to retired employees are generally based on the value of the individual contracts and the estimated life expectancy of the employee at retirement.

For the year ended June 30, 2017, [the Entity] was required to contribute 14.2% of the employees’ annual covered salary to this defined contribution plan. [The Entity]’s contributions for the years ended June 30, 2017 were $402,079. [The Entity] has no further liability once annual contributions are made.

Employees can make additional contributions to defined contribution plans subject to limitations. Contributions to the defined contribution plans for the fiscal year ended June 30, 2017, were as follows:

|  |  |
| --- | --- |
| **401(k) Plan** |  |
| Employer Contributions | $ xxx,xxx |
| Employee Contributions | xxx,xxx |
| **457 Plan** |  |
| Employer Contributions | xxx,xxx |
| Employee Contributions | xxx,xxx |
| **Roth IRA Plan** |  |
| Employer Contributions | xxx,xxx |
| Employee Contributions | xxx,xxx |



