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Objective:

The objective of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting of Pension Expense – amendment to GASB Statement No. 27 (GASB 68) and Statement No. 71 (GASB 71), Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68, is to improve accounting and financial reporting of pensions by state and local governments and the support for pensions provided to these governments by other entities. The information now required to be presented in the financial statements of the state and local governments related to pensions will be useful for decision-making, provide accountability, transparency and assessment of inter-period equity.

Responsibilities

State of California:

The State of California (State), as the employer of the State’s employees and a non-employer contributing entity to the California State Teachers’ Retirement System (CalSTRS) has a financial reporting responsibility related to pensions on the State’s financial statements.

State employees contribute to the retirement plans administered by California Public Employees’ Retirement System (CalPERS) for their pensions. As a result, the State has a financial reporting responsibility for the agent multi-employer defined benefit plans and single employer defined benefit plans administered by CalPERS. In addition, the State has statutory obligations towards the CalSTRS defined benefit cost-sharing retirement plan for the teachers, which creates a non-employer contributing entity obligation.

As the compiler of the State’s financial statements, and the record keeper of the payroll expense information for the majority of State employees, the State Controller’s Office (SCO) will be providing your fund’s/organization’s share of the pensionable compensation amounts and percentages with the proportionate share of accounting elements by retirement plans.

As preparer of the Comprehensive Annual Financial Report (CAFR), the SCO has to report, at the fund or functional level, the State’s net pension liability using GASB 68 accounting elements obtained from CalPERS GASB 68 Accounting Valuation Reports, which are deferred outflows of resources, deferred inflows of resources, net pension liability and pension expense. GASB 68 also requires additional note disclosures and required supplementary information.

If you are a state entity whose employees contribute towards CalPERS and have proprietary funds (enterprise and internal service funds), fiduciary funds (pension and other employee benefit trust funds), are classified as a component unit (discretely presented and fiduciary), or are a related organization and your funds/organization have payroll expenses, the SCO will be providing, by retirement plan, each applicable fund’s/organization’s pensionable compensation amounts and calculated percentages and the proportionate share of the GASB 68 accounting elements. See Attachment E for a list of entities.
General Introduction

Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 (GASB 68) and Statement No. 71 (GASB 71), Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68

The SCO obtained the CalPERS GASB 68 Accounting Valuation Reports for reporting accounting elements in the State’s financial statements. These accounting reports provide the SCO with the information needed to calculate the required GASB 68 reporting accounting elements in the State’s CAFR, and to determine the amounts that the entities of the State need to report in their respective financial statements.

The State is a non-employer contributing entity for the State Teacher’s Retirement Plan administered by CalSTRS. The employees who contribute to CalSTRS are not State employees; however, pursuant to Education Code section 22955.1 (b), the State is required to contribute to the defined benefit retirement plan for CalSTRS members. Consequently, the State’s proportionate share of these GASB 68 accounting elements must be reported and disclosed in the State’s CAFR.

State Entity Responsibilities:

All applicable State entities are responsible and are required for reporting their proportionate share of each of the accounting elements based on the information provided to them by the SCO.

All applicable State entities are to report in their proprietary funds (enterprise and internal service funds), fiduciary funds (pension and other employee benefit trust funds), or component units (discretely presented and fiduciary), their share of all GASB 68 accounting elements in their GAAP basis financial statements and submit that information to the SCO for inclusion in the State’s CAFR.
State Controller’s Office Methodology for Pensionable Compensation Percentage Calculation and Proportionate Share of GASB 68 Accounting Elements related to Defined Benefit Pension Plans

Background

Generally accepted accounting principles (GAAP) requires funds that have long-term liabilities, bonds, notes, and other long-term liabilities (e.g., capital leases, pensions, judgments and similar commitments) directly related to and expected to be paid from proprietary funds and trust funds should be included in the accounts of such funds. These are specific fund liabilities even though the full faith and credit of the [State of California] may be pledged as further assurance that the liabilities will be paid. The State Controller’s Office (SCO) identified a total of 31 entities that are reported in the State’s Comprehensive Annual Financial Report (CAFR) which are proprietary funds (enterprise and internal service) and fiduciary funds (pension and other employee benefit trust funds), component units (discretely presented and fiduciary), and related organizations, that have California State (State) employees with pensionable compensation. SCO will calculate and provide these funds/organizations with their allocated pensionable compensation percentages by plan. These percentages will be applied to the GASB 68 Accounting Valuation Reports by plan to determine the fund's/organization's proportionate amounts to be reported for each GASB 68 accounting element in their fiscal year 2014-15 financial statements as required by Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 (GASB 68), and Statement No. 71 (GASB 71), Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. See Attachment E for a list of entities.

For those funds that are governmental in nature, the SCO will make all necessary adjustments.

The State of California, for the purposes of GASB 68, is reporting on eight defined benefit retirement plans under two employer categories.

Agent Multi-Employer
- State Miscellaneous (Tier 1 and Tier 2 combined)
- State Peace Officers and Firefighters
- California Highway Patrol
- State Safety
- State Industrial

Single-Employer
- Judges'
- Judges' II
- Legislators'

The Agent Multi–Employer plan provides retirement benefits to the State's civil service and California State University (CSU) members. The Single–Employer plans provides retirement and ancillary benefits to Judges' elected or appointed prior to November 9, 1994, the Judges' Retirement II plan began on November 9, 1994 to provide retirement and ancillary benefits to judges elected or appointed on or after that date, and the Legislators' Retirement plan provides retirement and ancillary benefits for Senators and Members of the Assembly (first elected prior to November 7, 1990), Constitutional Officers (first elected prior to December 31, 2012), and Legislative Statutory Officers (first appointed prior to December 31, 2012).

1 NCGA Statement No. 1, par. 42.
2 Pensionable compensation is used interchangeably with covered employee payroll

Prepared by: State Controller's Office
Date: August 4, 2015
State Controller’s Office Methodology for Pensionable Compensation Percentage Calculation and Proportionate Share of GASB 68 Accounting Elements related to Defined Benefit Pension Plans

Pensionable Compensation vs. Retirement Contributions

The SCO believes that using pensionable compensation as a basis for determining the plan percentages for the fund and/or organization is a practical, systematic and a rational approach for the State of California since the SCO is the record keeper of the state employees’ pensionable compensation information, and it was feasible to obtain accurate information in a timely manner.

The SCO did not use retirement contributions paid by each state entity and employee as a basis for determining the percentage calculations because:

- Contributions are based on different plan rates
- Contributions are generally identified at the fund level rather than at the retirement plan level,
- Entities that use clearing funds do not allocate contribution amounts at the plan level for their respective funds

Measurement Date

The measurement date is the date that employers should use to determine the net pension liability to report in their financial statements. This date should be no earlier than the end of the employer’s prior fiscal year for each defined-benefit pension plan in which they participate. In accordance with GASB 68, paragraph 20, the measurement date used should be consistently applied from period to period. The measurement date will most likely correspond to the plan(s) year-end. Employers with the same year-end as the plan(s) must choose the measurement date as of their prior or current year-end. Even though CalPERS and the State have the same year-end, the information needed by the SCO for reporting purposes would not available in time to publish the State’s CAFR. Therefore, the SCO chose to use the prior year-end as the measurement date. For the current reporting period for the fiscal year ended June 30, 2015, the date of measurement is June 30, 2014.

For the purposes of gathering pensionable compensation for the FY 2013-14, PPSD created a report for all State civil service employees, CSU employees, Judges and Legislators by defined benefit plan, which identified the pensionable compensation that is creditable for the purposes of determining the State’s contribution obligations on behalf of the employees.

Sources:
Governmental Accounting Standards Board (GASB):
- Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 (GASB 68)
- Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68 (GASB 71)

SCO’s Uniform State Payroll System (USPS) – Payroll Total Gross Subject to Retirement for Fiscal Year 2013/2014 across Retirement Categories (Issue dates from 07/02/2013 thru 07/01/2014) [Pensionable Compensation Report]

SCO’s Bureau of Accounting and Consulting, Payroll Fiscal Consulting Section (PFCS) – One time headers for unidentified funds and or organizations (Issue dates from 07/02/2013 thru 07/01/2014)

California Public Employees Retirement System (CalPERS):
- GASB 68 Accounting Valuation Reports (8) for the measurement period ending June 30, 2014
State Controller’s Office Methodology for Pensionable Compensation Percentage Calculation and Proportionate Share of GASB 68 Accounting Elements related to Defined Benefit Pension Plans

- Earning information for centralized and non-centralized agencies

State Agencies – Payroll Information for Split and Clearing Funds

Methodology Steps:

Step 1:

a. Identified all enterprise, internal service, and fiduciary funds (pension and other employee benefit trust funds), and component units (discretely presented and fiduciary), joint ventures and related organizations, that are reported or disclosed in the State’s Comprehensive Annual Financial Report (CAFR), using the FY 2013-14 GAAP fund list and the 2013-14 Agency Request Log.

b. Funds (both audited and unaudited) or organizations identified in step 1(a) were analyzed to determine if they had reported “Personal Services” expenses (for enterprise funds, internal service funds and discretely presented component units), or “Administrative Expense” related to personal services (for fiduciary funds and fiduciary component units) in the State’s CAFR for FY 2013-14.

c. Each fund’s Personal Service expenses was analyzed to identify only those funds that had reported payroll expenses for their employees. It was identified that some funds reported non payroll related expenses such as, Other Post-Employment Benefits (OPEB), compensated absences and other personal service expenses. The Personal Service expense information provided by the agencies are either reported as the Personal Services or Administrative Expenses in the State’s CAFR as stated in Step 1 (b).

Step 2:

a. The funds identified in Step 1(c) that reported payroll related expenses in their financial statements were verified with the FY 2013-14 USPS to see if these funds were directly charged payroll expenses through the USPS.

b. Those funds identified in step 1(c) to have reported payroll expenses, but that were not directly charged by USPS were analyzed to determine if the administering entity of the fund was part of the USPS. The purpose of this exercise was to identify the clearing fund (general fund or any other fund) that was used by an entity to charge their payroll expenses and then further reallocate these expenses to their respective funds at the departmental level, reimbursing the clearing fund for those expenses. The following seven agencies were identified as using clearing funds to pay their payroll related expenses for their proprietary and/or fiduciary type funds:

- Office of Statewide Health Planning
- Department of Education
- Employment Development Department
- Department of Finance
- California Human Resources
- State Water Resources Control Board
- Department of Housing Community Development

SCO contacted the seven agencies listed above and obtained cost allocation breakdowns for the clearing funds. The CALSTARS agencies provided a Q10 -Expenditures by Organization and Object or a Q16 -Expenditures by Program, Organizations and Object report. The CALSTARS reports helped to identify the amount of payroll expenses that were charged to the proprietary funds and fiduciary funds. The non-
State Controller’s Office Methodology for Pensionable Compensation Percentage Calculation and Proportionate Share of GASB 68 Accounting Elements related to Defined Benefit Pension Plans

CALSTARS entities provided all necessary documentation that supports the amounts reported for personal services in their financial statements included in the FY 2013-14 CAFR.

Percentage Calculation Approach

Step 3

PPSD provided the “Payroll Total Gross Subject to Retirement for Fiscal Year 2013/2014 across Retirement Categories (Issue dates from 07/02/2013 thru 07/01/2014)” data file (pensionable compensation report) for individual agencies at the fund level, by defined benefit retirement plans (Plans), for all State agencies whose payroll expenses are paid through the USPS. The date of July 2nd was used because June's payroll has a July 1st issue date. The information obtained includes pensionable compensation for all funds by agency, separated by the Plans (State Miscellaneous (Tier 1, Tier 2 combined), State Peace Officers and Firefighters, California Highway Patrol, State Safety, State Industrial, Judges’, Judges’ II, and Legislators’ Plans) for the FY 2013-14.

The report received from PPSD included unidentified funds which had pensionable compensation amounts. Per PPSD these were one-time adjustments made for agencies known as “one time headers”. SCO's Bureau of Accounting and Consulting, Payroll Fiscal Consulting Section (PFCS) identified the funds and amounts charged for those unidentified funds using the organization code provided by PPSD. The PFCS identified funds and amounts charged to only those proprietary funds stated in Attachment E. The fund information was not needed for component units or related organizations, as their calculated percentages are based on the organization as a whole, rather than at the fund level. Once the amounts were identified to the funds by the PFCS, the missing information was incorporated into the PPSD data file.

Step 4

To ensure that the pensionable compensation data provided by PPSD matches to the CalPERS earnings report related to contributions for the fiscal year 2013-14, SCO's GASB 68 team reconciled the pensionable compensation report by plan to PPSD's Mark 4 report (a data file sent from SCO's PPSD to CalPERS with pensionable compensation information for input into the myCalPERS system).

SCO's GASB 68 team also reconciled the Mark 4 report produced by PPSD, and subsequently entered by CalPERS into the myCalPERS system (input), to CalPERS extracts from myCalPERS (exit). The purpose of this reconciliation is to ensure the data input into myCalPERS for earnings agreed to the pensionable compensation report obtained from PPSD. This reconciliation validated that pensionable compensation was accurate and is the same data that is used by CalPERS to compute employee pensions.

The data in the myCalPERS system includes contribution information submitted by the SCO for the centralized agencies and non-centralized agencies. There are six non-centralized agencies of which three are state agencies and three are component units.

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3 Centralized agencies - Agencies whose employees are paid through the State's "Uniform State Payroll System" or USPS by SCO's Payroll and Personnel Services Division (PPSD).
4 Non-centralized agencies - Agencies whose employees are paid directly through their internal payroll system (or 3rd party payroll provider) and their compensation is not tracked by PPSD.
State Controller’s Office Methodology for Pensionable Compensation Percentage Calculation and Proportionate Share of GASB 68 Accounting Elements related to Defined Benefit Pension Plans

The CalPERS GASB 68 Accounting Valuation Report for the GASB 68 accounting elements includes pensionable compensation information submitted by PPSD for central agencies and non-central agencies who submit the pensionable compensation information directly to CalPERS.

. Step 5

SCO's GASB 68 team used the data from the PPSD’s pensionable compensation report and non-central agencies pensionable compensation provided by CalPERS to compute the allocated percentages for each proprietary fund, fiduciary fund component unit, and related organization. This percentage will be used to calculate the proportionate share of the GASB 68 accounting elements at the individual plan level.

Calculation of GASB 68 Proportionate Share of Accounting Elements

SCO contracted with CalPERS to provide GASB 68 Accounting Valuation Reports for each of the eight defined benefits plans which include: Miscellaneous (Tiers 1 & 2 combined), State Peace Officer and Firefighters, California Highway Patrol, State Safety, State Industrial, Judges’, Judges’ II and Legislators’.

The GASB 68 Accounting Valuation Reports are for the measurement period ended June 30, 2014, which is intended to be used for the fiscal year beginning after June 15, 2014 but ending on or before June 30, 2015. Thus, the reports cannot be used for reporting purposes in any other subsequent fiscal year.

GASB 68 requires employers who participate in a defined pension plan, administered by a trust or equivalent arrangement, to report accounting elements related to pensions in their financial statements. The GASB 68 Accounting Valuation Reports for the defined benefit plans consist of accounting elements (pension expense, deferred outflows of resources, deferred inflows of resources, and net pension liability) related to pensions.

Using the calculated percentages (as previously discussed), the SCO's GASB 68 team calculated the proportionate share of the accounting elements reported in each GASB 68 Accounting Valuation Report. The pensionable compensation calculated percentages and the proportionate share of each accounting elements by plan will be provided to the administering organizations of the funds, component units, and related organizations.

Using the information provided by the SCO, it is the administering organization or state entity’s responsibility to review, confirm and report the GASB 68 accounting elements on their GAAP basis financial statements (audited and unaudited).

SCO Review Process

In addition to the reviews described in the aforementioned steps, all documents prepared by the GASB 68 implementation team were reviewed by the SCO's independent expert accounting consultant and the State Accounting and Reporting Division management and executive team. Also, to decrease the risk of manual input data error, the pensionable compensation percentage calculations were performed using Excel's formula and file link functionalities.
State Controller’s Office Methodology for Pensionable Compensation Percentage Calculation and Proportionate Share of GASB 68 Accounting Elements related to Defined Benefit Pension Plans

Proprietary Funds

Pensionable compensation percentages by plans were calculated for those proprietary funds that paid their payroll expenses through the USPS. The funds’ pensionable compensation amounts, calculated percentages and proportionate share of accounting elements will be provided to the agencies for each plan.

Split Funds

A proprietary fund that has pensionable compensation in the USPS, but further allocates a portion of its payroll expenses to other funds (including other proprietary funds), will be provided with pensionable compensation amounts, calculated percentages and proportionate share of accounting elements to the fund that is directly charged in the USPS. It is the agency’s responsibility to further allocate proper percentages and amounts to those other funds.

The agencies then have to report to SCO the appropriate percentages and amounts related to the GASB 68 accounting elements for all their proprietary funds (including the directly charged fund) that were paid through the directly charged fund in the USPS. Refer to Exhibit B.

If an agency used a proprietary fund (directly charged fund) to pay payroll expenses of any non-proprietary type fund, the agency is required to provide the percentage breakdown of each non-proprietary fund that used that proprietary fund to pay the payroll expenses. Refer to Exhibit B.

Clearing Funds

The SCO identified some proprietary funds that reported payroll expenses in the State's FY 2013-14 CAFR but the payroll expenses are not directly charged through the USPS. The SCO contacted agencies associated with those funds for further analysis. These include the seven state agencies that have been identified in Step 2. The SCO was informed that those agencies pay all their payroll expenses through a non-proprietary fund, which acts as a clearing fund (general or governmental funds). The clearing fund then further reallocates the actual payroll expenses to its respective funds including enterprise and internal service funds (proprietary funds).

The SCO then obtained cost allocation breakdowns from these agencies for their clearing funds, and those funds that used clearing funds to charge their payroll expenses, and reimburse the clearing fund. The State agencies that are part of the CALSTARS accounting system provided CALSTARS reports that helped identify the actual payroll amounts after the cost allocation that was charged to the clearing fund, and other funds including the proprietary funds. The non-CALSTARS agencies provided SCO with the supporting documents for cost allocation.

For each of the seven agencies that used general or governmental clearing funds, the SCO added the total payroll amounts of all the funds that paid through the clearing fund, and calculated the payroll percentage of the proprietary fund charged through the clearing fund.

SCO used the following formula to calculate proprietary funds payroll percentage charged through the clearing fund:

\[
\text{% of Payroll Expense} = \frac{\text{Total Proprietary Funds Payroll Expenses}}{\text{Total Payroll Expense of All Funds charged thru Clearing Fund}}
\]
State Controller’s Office Methodology for Pensionable Compensation Percentage Calculation and Proportionate Share of GASB 68 Accounting Elements related to Defined Benefit Pension Plans

The percentage of payroll expenses calculated for the proprietary fund was then multiplied to the clearing fund’s pensionable compensation amounts by plans. The proprietary fund's pensionable compensation percentages on a per plan basis were then calculated using the derived pensionable compensation amounts.

Note: The Clearing Funds’ pensionable compensation percentage is based on the State’s Pensionable Compensation as a whole on a per plan basis.

These agencies will be provided the calculated pensionable compensation amount, percentages and proportionate share of accounting elements pensionable by plans that only relates to their proprietary funds.

Fiduciary Funds

The SCO applied the same methodology that was described for proprietary funds to the Fiduciary funds.

Exceptions:

The fiduciary funds that reported the Deferred Compensation in the Fiduciary Fund and Similar Component Unit's financial statements for the FY 2013-14 CAFR, which included the portion of state employee's income that is paid out at a date later than when the income was actually earned, were excluded from the allocation for the purposes of GASB 68.

Component Units

The component units will be provided with the calculation of their pensionable compensation percentages by plans for their organization as a whole. It is the component unit’s responsibility to further allocate the appropriate percentages to their respective funds and report to the SCO the correct amounts that relate to GASB 68 accounting elements. See Attachment D for instructions.

Related Organizations

During the review of the funds, SCO noted that the USPS also includes related organizations pensionable compensation information, since the employees of these organizations are state employees and the PPSD maintains the pensionable compensation information for them. In order to ensure that the related organizations share of the GASB 68 accounting elements are excluded from the primary government's amounts, the SCO allocated pensionable compensation percentages by plan to these organizations. As related organization's financial information is not included as part of the State's CAFR, the SCO will provide these organizations their share of the pensionable compensation amounts, and calculated percentage by plan and their proportionate share of the GASB 68 accounting elements; however, it will be at the related organizations discretion to utilize the provided information in their financial statements.

Note:

Those agencies and/or organizations that do not agree with their share of the percentage calculation are to provide SCO with their calculations and a justification, including all the supporting documentation, which were used to determine their own percentages. The SCO may agree or disagree with the agency’s and/or organization’s determination, based on the accuracy, validity, and reasonableness of the approach used in comparison to the
State Controller’s Office Methodology for Pensionable Compensation Percentage Calculation and Proportionate Share of GASB 68 Accounting Elements related to Defined Benefit Pension Plans

systematic and rational approach used by SCO in determining all state entities percentages. The entities should be prepared to have their independent determinations reviewed by the California State Auditor in conjunction with their annual review of the preparation of the State’s CAFR.

Formulas:

SCO’s approach to Calculate Pensionable Compensation Percentages and Proportionate Share of GASB 68 Accounting Elements for Fund/Organization:

a. Pensionable Compensation Percentages Calculated for Fund/Organization:

\[
\text{Pensionable Compensation Percentage} = \frac{\text{Pensionable Compensation for the Fund or Organization by Plan for Period Ending the Measurement Date}}{\text{Total State’s Pensionable Compensation for ALL Funds by Plan for Period Ending the Measurement Date}}
\]

b. Proportionate Share of GASB 68 Accounting Elements amounts ($):

Accounting Elements on a per plan basis:

\[
\text{Pensionable Compensation Percentage} \times \text{GASB 68 Accounting Elements on a per plan basis}
\]

multiplied by GASB 68 Accounting Elements on a per plan basis (from GASB 68 Accounting Valuation Reports).
State's Pensionable Compensation

The State Controller's Office Personnel and Payroll Systems Division (PPSD) is the administrator of payroll information and pays state employees through the Uniform State Payroll System (USPS). The PPSD is also responsible for submitting employer and employee contributions related information to CalPERS for state employee's retirement plans. The PPSD is the keeper of the pensionable compensation\(^1\) information for state entities whose employees' payroll is paid through the USPS. CalPERS refers to these entities as "Centralized" agencies. However, there are few state entities that do not pay their employee's through the USPS. Per CalPERS, these are referred to as "Non-Centralized" agencies. The PPSD does not maintain payroll information related to these non-centralized agencies.

The State's pensionable compensation data for the Fiscal Year (FY) 2013-14 was obtained for each of the defined benefit retirement plans (Plans), by fund and agency, from PPSD for state centralized agencies and CalPERS for state non-centralized agencies. The pensionable compensation data is the gross earnings amount that is used in the calculation of the pension benefits of those state employees who participate in the CalPERS plans. CalPERS administers eight retirement plans for the State which are: State Miscellaneous (Tier 1, Tier 2), State Peace Officers and Firefighters, California Highway Patrol, State Safety, State Industrial, Judges', Judges' II, and Legislators'. State employees can participate in any one of the eight plans based on job classification and employee election.

Compensation for State employees who participate in the Alternative Retirement Plan (ARP), and retirement plans other than the CalPERS defined benefit retirement plans, are not included in the pensionable compensation amounts. The ARP and other retirement plans are also not part of any one of the eight plans and the State does not have similar obligations towards these plans as it does for these CalPERS defined benefit plans.

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\(^1\) Pensionable compensation is used interchangeably with covered employee payroll.
State's Pensionable Compensation

The State's Pensionable Compensation for all eight of CalPERS plans is $16.28 billion for FY 2013-14. Below are the pensionable compensation amounts, broken down by each plan, for those state employees whose payroll is paid through the USPS.

<table>
<thead>
<tr>
<th>Defined Benefit Retirement Plans (Plans)</th>
<th>FY 2013-14 Pensionable Compensations ($$)</th>
<th>Percentage of State's Pensionable Compensations (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Miscellaneous: Tier 1 &amp; Tier 2</td>
<td>$10,019,739,286</td>
<td>60.89%</td>
</tr>
<tr>
<td>State Peace Officers and Firefighters</td>
<td>$3,030,525,435</td>
<td>18.42%</td>
</tr>
<tr>
<td>California Highway Patrol</td>
<td>$765,283,436</td>
<td>4.65%</td>
</tr>
<tr>
<td>State Safety</td>
<td>$1,901,234,642</td>
<td>11.55%</td>
</tr>
<tr>
<td>State Industrial</td>
<td>$532,489,900</td>
<td>3.24%</td>
</tr>
<tr>
<td>Judges'</td>
<td>$199,244,742</td>
<td>1.22%</td>
</tr>
<tr>
<td>Judges II</td>
<td>$4,805,479</td>
<td>0.03%</td>
</tr>
<tr>
<td>Legislators'</td>
<td>$1,470,789</td>
<td>0.01%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$16,454,793,708</strong></td>
<td><strong>100 %</strong></td>
</tr>
</tbody>
</table>

The “Percentage of State's Pensionable Compensation” column above, shows the percentage of pensionable compensation for each plan in relation to the State's Total Pensionable Compensation.

The FY 2013-14 pensionable compensation data received from PPSD was reconciled with the pensionable earnings information used by CalPERS for the calculation of information in the State's Actuarial Valuation Report (AV) and the eight GASB 68 Accounting Valuation Reports for the plans. Immaterial differences were noted.

The State's total pensionable compensation amounts for each plan was used as the base (denominator) to calculate the fund's and/or organization's pensionable compensation percentages by plan. As described in Step 5 of the Methodology, pensionable compensation includes payroll for all State entities. The FY 2013-14 pensionable compensation was used to calculate the pensionable compensation percentages by plan.
Proprietary Fund's Pensionable Compensation Percentage Calculation and Proportionate Share of GASB 68 Accounting Elements

The State Controller's Office (SCO) calculated the pensionable compensation percentages by fund and/or organization for state agencies, component units (discretely presented and fiduciary) and related organizations. The calculated percentage will be used for each applicable entity to determine its appropriate proportionate share of GASB 68 accounting elements (pension expense, net pension liability, deferred inflows of resources and deferred outflows of resources) for each of the State's eight defined benefit retirement plans (Plans) to be reported in the entities FY 2014-15 financial statements, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68 (GASB 68), Accounting and Financial Reporting of Pension Expense - amendment to GASB Statement No. 27 and Statement No. 71 (GASB 71), Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.

The SCO believes that using pensionable compensation as a basis for determining the plan percentages for the fund and/or organization is a practical, systematic and a rational approach for the State of California since the SCO is the record keeper of the state employees' pensionable compensation information, and it was feasible to obtain accurate information in a timely manner.

SCO did not use retirement contributions paid by each state entity and employee as a basis for determining the percentage calculations because:

- Contributions are based on different plan rates
- Contributions are generally identified at the fund level rather than at the retirement plan level
- Entities that use clearing funds do not allocate contribution amounts at the plan level for their respective funds

In order to obtain information regarding the GASB 68 accounting elements, the SCO obtained GASB 68 Accounting Valuation Reports for State Miscellaneous (Tier 1, Tier 2 combined), State Peace Officers and Firefighters, California Highway Patrol, State Safety, State Industrial, Judges', Judges’ II, and Legislators' Plans, from CalPERS. The SCO will make these Accounting Valuation Reports available to the applicable entities.

For proprietary funds (enterprise and internal service), fiduciary funds (pension and other employee benefit trust funds), component units (discretely presented and fiduciary), and related organizations that have state employees with payroll expenses, their proportionate pensionable compensation percentage was calculated based on the FY 2013-14 State’s pensionable compensation for all state employees. The pensionable compensation percentages are broken down by plan.

For the proprietary funds, a percentage has been calculated for those funds that directly pay their payroll through the USPS. If a proprietary fund further reallocates a portion of the payroll expense to other funds (including other proprietary funds), the agency is responsible for calculating appropriate percentages for those respective funds. The SCO also calculated percentages on a per plan basis for those proprietary funds that use non-proprietary “clearing funds” in the USPS to charge their payroll expenses to, and that later reallocate those expenses to appropriate proprietary funds by reimbursing the clearing fund.
Proprietary Fund's Pensionable Compensation Percentage Calculation and Proportionate Share of GASB 68 Accounting Elements

The SCO used the following formula to calculate the plan percentages for the Funds:

**Percentage (%) calculation for the Funds:**

\[
\text{Percentage} = \left( \frac{\text{Pensionable Compensation for the Fund by Plan for the Period Ending the Measurement Date}}{\text{Total State's Pensionable Compensation for ALL Funds by Plan for the Period Ending the Measurement Date}} \right) 
\]

For Fund XXX FY 2013-14 Pensionable Compensation amounts, the pensionable compensation percentage by plan and proportionate share of GASB 68 accounting elements, refer to Exhibit A-1.

Additional Information:

1. There are some agencies that charge their payroll expenses through a clearing fund. The SCO obtained from the agency the breakdown of the amounts allocated to the proprietary funds and determined the percentage of payroll expenses that were allocated to the proprietary fund. This percentage was used to calculate the proprietary fund's pensionable compensation amount by plan, and the derived pensionable compensation amount was used to calculate the fund's pensionable compensation percentage by plan.

2. Proprietary funds that further reallocate part of their payroll expenses to other funds (including other enterprise or internal service funds) and receive reimbursements from those other funds, will be provided with only the pensionable compensation percentage calculated to the main or primary fund from which the payroll expenses have been paid. It is the agency's responsibility to determine the appropriate percentage and accounting elements allocated to the other funds based on the information available to them.

3. The SCO calculated and provided the fund's proportionate share of the accounting elements to be reported by the Fund in the GAAP basis financial statements (audited or non-audited). See Exhibits A-2 and A-3. It is the entity's responsibility to further allocate the appropriate amounts of the accounting elements to its respective funds based on the information available to them.

4. For each of its proprietary funds, the agency is to provide an additional entry for all deferred employer contributions made after the measurement date of June 30, 2014 (i.e. employer share of the retirement contributions made in the FY 2014-15). See Exhibit A-4. This entry should be reversed in the subsequent reporting year (FY 2015-16). See Exhibit A-5.

Information Provided by SCO:

1. In this package the SCO has provided the following:

   a. The pensionable compensation amounts and calculated percentage on per plan basis for your fund. (Refer to Exhibit A)
   
   b. Based on the fund's calculated percentages and the plan's GASB 68 Accounting Valuation Reports, the SCO has calculated the fund's proportionate share of accounting elements to be reported by the fund. (Refer to Exhibit A - Funds Proportionate Share of Accounting Elements)
   
   c. The GASB 68 Accounting Valuation Reports, prepared by CalPERS on a per plan basis, will be provided to the appropriate entities. Please note there are eight separate GASB 68 Accounting Valuation Reports for the plans.
Proprietary Fund’s Pensionable Compensation Percentage Calculation and Proportionate Share of GASB 68 Accounting Elements

Instructions for Proprietary Funds:

2. For the Fund XXX, please perform the following:
   a. In order to report the deferred amount of contributions for Fund XXX, the agency must determine all 2015 employer contribution amounts, made after the measurement date of 6/30/2014, attributable to the period 07/01/2014 through 06/30/2015. (See Exhibit A-4) Please note, the contribution amounts are only related to the employer's share and not the employees withholding. As of July 1, 2015 (FY 2015-16), this entry would be reversed in the subsequent reporting year (FY 2015-16). (See Exhibit A-5).
   b. The amounts calculated above in 1(b) and 2(a) for the proportionate share of the accounting elements are to be reported by the agency in the fund’s GAAP basis financial statements (audited or unaudited), using the appropriate account titles. The fund is to make the journal entries for the following transactions related to pensions:
      1. Beginning Balance Adjustment for the FY 2014-15 (See Exhibit A-2)
      2. Current Year Activity FY 2014-15 (See Exhibit A-3)
      3. Deferred Employer Contribution Amounts (for the periods 7/01/2014 through 6/30/2015) (See Exhibit A-4)

For audited funds, these entries should be included as part of the audited financial statements.

For unaudited funds, these entries should be provided to the SCO as part of the GAAP Information Request, in the GASB 68 columns of the CY tab of your fund’s excel workbook. Also, supporting documents for the amounts calculated for the item 2(a) entry - Deferred Employer Contributions, must be provided.

Refer to Exhibits A-2, A-3 and A-4 for appropriate Journal Entries.

3. Special Treatment – Split Funds
   a. If your agency uses the fund stated above as a spilt fund that further allocates all or a portion of the payroll expenses charged to other funds (including other proprietary funds), and is reimbursed for the payroll expenses, it is the agency's responsibility to allocate the appropriate percentages and associated accounting elements to its respective funds.
   b. The agency is required to complete the GASB 68 Percentage Split Allocation Worksheet (Exhibit B) for all applicable funds that were part of the split payroll charges. This worksheet must be submitted as part of the annual GAAP Information Request.
   c. For the proprietary-type funds only (unaudited), and based on the fund split, the agency is required to provide the SCO with an allocation break down and all journal entries related to GASB 68, as previously stated in 2(b).

(Refer to Exhibit B - Proportionate Share of Accounting Elements for Proprietary Split Funds)

4. Clearing Funds: If your agency uses a governmental fund as a clearing fund, further allocating all or a portion of the payroll expenses to proprietary funds (enterprise and internal service), and the fund is
Proprietary Fund's Pensionable Compensation Percentage Calculation and Proportionate Share of GASB 68 Accounting Elements

reimbursed for those payroll related expenses, the percentages provided in Exhibit A-1 for the fund are only related to that proprietary fund and does not require the provided percentages to be broken down further. Report the accounting elements provided using the criteria stated in the instructions 2(a-b) above.

5. If you do not agree with the information provided for your fund above please provide a detailed justification as to why you do not believe that the pensionable compensation percentage and the proportionate share of accounting elements calculated for the fund are correct. Also provide your calculation of the percentages and proportionate share of accounting elements by plan and supporting documentations.

If you have additional questions, please feel free to contact Samprit Shergill at 916-445-5930 or S Sher@co.ca.gov or Judy Eng at 916-322-6061 or JEng@co.ca.gov.
Component Units and Related Organizations Pensionable Compensation Percentage Calculations and Proportionate Share of GASB 68 Accounting Elements

The State Controller’s Office (SCO) calculated the pensionable compensation percentages by fund and/or organization for state agencies, component units (discretely presented and fiduciary) and related organizations. The calculated percentage will be used for each applicable entity to determine its appropriate proportionate share of GASB 68 accounting elements (pension expense, net pension liability, deferred inflows of resources and deferred outflows of resources) for each of the State’s eight defined benefit retirement plans (Plans) to be reported in the entities FY 2014-15 financial statements, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68 (GASB 68), Accounting and Financial Reporting of Pension Expense - amendment to GASB Statement No. 27 and Statement No. 71 (GASB 71), Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.

The SCO believes that using pensionable compensation as a basis for determining the plan percentages for the fund and/or organization is a practical, systematic and a rational approach for the State of California since the SCO is the record keeper of the state employees’ pensionable compensation information, and it was feasible to obtain accurate information in a timely manner.

SCO did not use retirement contributions paid by each state entity and employee as a basis for determining the percentage calculations because:

- Contributions are based on different plan rates
- Contributions are generally identified at the fund level rather than at the retirement plan level
- Entities that use clearing funds do not allocate contribution amounts at the plan level for their respective funds

In order to obtain information regarding the GASB 68 accounting elements, the SCO obtained GASB 68 Accounting Valuation Reports for State Miscellaneous (Tier 1, Tier 2 combined), State Peace Officers and Firefighters, California Highway Patrol, State Safety, State Industrial, Judges’, Judges’ II, and Legislators’ Plans, from CalPERS. The SCO will make these Accounting Valuation Reports available to the applicable entities.

For proprietary funds (enterprise and internal service), fiduciary funds (pension and other employee benefit trust funds), component units (discretely presented and fiduciary), and related organizations that have state employees with payroll expenses, their appropriate pensionable compensation percentage was calculated based on the FY 2013-14 State’s pensionable compensation for all state employees. The pensionable compensation percentages are broken down by plan.

For component units and related organizations, the pensionable compensation percentage calculations have been provided for the organization as a whole for each plan. The organization is responsible for allocating applicable percentages to their appropriate funds.

The SCO used the following formula to calculate the percentage allocation to the organization:

**Percentage (%) Calculation for the Organization:**

\[
\text{Percentage} = \left( \frac{\text{Pensionable Compensation for Organization by Plan for Period Ending the Measurement Date}}{\text{Total State’s Pensionable Compensation for ALL Funds (for all Organizations) by Plan for Period Ending the Measurement Date}} \right) 
\]

Prepared by: State Controller’s Office
Date: August 4, 2015
Component Units and Related Organizations Pensionable Compensation Percentage Calculations and Proportionate Share of GASB 68 Accounting Elements

For NME OF ORG XXX FY 2013-14 Pensionable Compensation amounts, the pensionable compensation percentage by plan and proportionate share of GASB 68 accounting elements, refer to Exhibit A-1.

Additional Information:

1. The percentages provided to your organization for each plan are based on your organization’s code/name that is used in the USPS or CalPERS to pay your entity’s state employees. It is the organization’s responsibility to allocate the appropriate percentages for each fund, by plan that has payroll expenses.

2. Component Units are still required to submit their financial statements to the SCO in a timely manner to be reported in the State’s Comprehensive Annual Financial Report (CAFR).

3. Due to the nature of relationship of the related organizations with the State of California, the related organizations are not required to submit their financial information (unless otherwise asked) including GASB 68 accounting elements to the SCO. The information provided to related organizations above is for informational purposes only and their management may utilize it at its own discretion. The SCO calculated and provided the organization’s proportionate share of the accounting elements to be reported by the Fund in the GAAP financial statements (audited or non-audited). See Exhibits A-2 and A-3. It is the organization’s responsibility to further allocate the appropriate amounts of the accounting elements to its respective funds based on the information available to them.

4. Component unit funds are to make an additional entry for all deferred employer contributions made after the measurement date of June 30, 2014 (i.e. employer share of the retirement contributions made in the FY 2014-15. See Exhibit A-4. This entry should be reversed for in the subsequent reporting (FY2015-16). See Exhibit A-5.

Information Provided by SCO:

1. In this package the SCO has provided the following:
   a. The pensionable compensation percentage amounts and calculated percentages on per plan basis for your organization. (Refer to Exhibit A)
   b. Based on the organization’s calculated percentages, and the plan’s GASB 68 Accounting Valuation Reports, the SCO has calculated the organization’s proportionate share of accounting elements to be reported. (Refer to Exhibit A - Funds Proportionate Share of Accounting Elements)
   c. The GASB 68 Accounting Valuation Reports, prepared by CalPERS on a per plan basis, will be provided to the appropriate entities. Please note there are eight separate GASB 68 Accounting Valuation Reports for the plans.

Instructions for Component Units:

2. For each of your funds, the organization is to perform the following:
   a. As necessary, allocate appropriate proportionate share of accounting elements to its respective funds. (Refer to Exhibit B – Proportionate Share of Accounting Elements for Component Funds Fund Allocations).
b. In order to report the deferred amount of contributions, the organization, for each of its applicable funds, needs to determine all 2015 employer contribution amounts made after the measurement date of 6/30/2014, attributable to the period 07/01/2014 through 06/30/2015. (See Exhibit A-4) Please note, the contribution amounts are only related to the employer's share and not the employees withholding. As of July 1, 2015, this entry would be reversed in the subsequent reporting year (FY2015-16). (See Exhibit A-5).

c. The amounts calculated above in 2(a-b) for the proportionate share of the accounting elements are to be reported by the organizations in their applicable fund's GAAP basis financial statements (audited or unaudited), using the appropriate account titles and submitted to the SCO as part of the GAAP Information Request. The organization, for its funds, is to make the journal entries for the following transactions related to pensions:
   1. Beginning Balance adjustment for the FY 2014-15 (See Exhibit A-2)
   2. Current Year activity FY 2014-15 (See Exhibit A-3)
   3. Deferred Employer Contribution amounts (for the period 7/01/2014 through 6/30/2015) (See Exhibit A-4)

   For audited funds, these entries should be included as part of the audited financial statements.

   For unaudited funds, these entries should be provided to the SCO as part of the GAAP Information Request, in the GASB 68 columns of the CY tab of your fund’s excel workbook. Also, supporting documents for the amounts calculated for the item 2(a) entry - Deferred Employer Contributions, must be provided.

   Refer to Exhibit A-2, A-3 and A-4 for appropriate Journal Entries

d. The organization is also required to complete the GASB 68 Percentage Split Allocation Worksheet (Exhibit B) provided for all applicable funds for the entity and must be submitted as part of the GAAP Information Request.

3. If you do not agree with the information provided for your organization, please provide a detailed justification as to why you do not believe that the pensionable compensation percentage and the proportionate share of accounting elements calculated for the organization are correct. Also, provide your calculation of the percentages and proportionate share of accounting elements by plan and supporting documentations.

If you have additional questions, please feel free to contact Samprit Shergill at 916-445-5930 or SShergill@sco.ca.gov, or Judy Eng at 916-322-6061 or JEng@sco.ca.gov.
### Attachment E - GASB 68 Entity Listing

<table>
<thead>
<tr>
<th>Organization Code</th>
<th>SCO Fund Type</th>
<th>Entities</th>
</tr>
</thead>
<tbody>
<tr>
<td>4140</td>
<td>EN</td>
<td>Office of Statewide Health Planning and Development</td>
</tr>
<tr>
<td>2240</td>
<td>EN</td>
<td>Department of Housing Community Development</td>
</tr>
<tr>
<td>0850</td>
<td>EN</td>
<td>California State Lottery Commission</td>
</tr>
<tr>
<td>0954</td>
<td>EN</td>
<td>Scholarshare Investment Board</td>
</tr>
<tr>
<td>7100</td>
<td>EN</td>
<td>Employment Development Department</td>
</tr>
<tr>
<td>8955</td>
<td>EN</td>
<td>Department of Veterans Affairs</td>
</tr>
<tr>
<td>3940</td>
<td>EN</td>
<td>State Water Resources Control Board</td>
</tr>
<tr>
<td>6100</td>
<td>EN</td>
<td>Department of Education</td>
</tr>
<tr>
<td>6610</td>
<td>EN</td>
<td>California State University</td>
</tr>
<tr>
<td>7760/1760</td>
<td>IS</td>
<td>Department of General Services</td>
</tr>
<tr>
<td>5420</td>
<td>IS</td>
<td>Prison Industry Authority</td>
</tr>
<tr>
<td>3860</td>
<td>IS</td>
<td>Department of Water Resources</td>
</tr>
<tr>
<td>7502/0502</td>
<td>IS</td>
<td>Department of Technology</td>
</tr>
<tr>
<td>0531/0530</td>
<td>IS</td>
<td>Secretary for California Health and Human Services Agency</td>
</tr>
<tr>
<td>8880</td>
<td>IS</td>
<td>Financial Information System for California</td>
</tr>
<tr>
<td>8860</td>
<td>IS</td>
<td>Department of Finance</td>
</tr>
<tr>
<td>0509</td>
<td>CU</td>
<td>I-Bank - Governor’s Office of Business and Economic Development (GO-Biz)</td>
</tr>
<tr>
<td>2260/2245</td>
<td>CU</td>
<td>California Housing Finance Agency</td>
</tr>
<tr>
<td>0971</td>
<td>CU</td>
<td>California Alternative Energy &amp; Advanced Transportation Financing Authority</td>
</tr>
<tr>
<td>1900/7900</td>
<td>CU</td>
<td>Public Employees' Retirement System</td>
</tr>
<tr>
<td>1920/7920</td>
<td>CU</td>
<td>State Teachers’ Retirement System</td>
</tr>
<tr>
<td>8560</td>
<td>CU</td>
<td>California Fairs and Exposition</td>
</tr>
<tr>
<td>8570</td>
<td>CU</td>
<td>District Agriculture Association</td>
</tr>
<tr>
<td>7501</td>
<td>PT</td>
<td>Department of Human Resources</td>
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<tr>
<td>0974</td>
<td>Related Org</td>
<td>California Pollution Control Financing Authority (CPCFA)</td>
</tr>
<tr>
<td>0977</td>
<td>Related Org</td>
<td>California Health Facilities Financing Authority (CHFFA)</td>
</tr>
<tr>
<td>0985</td>
<td>Related Org</td>
<td>California School Finance Authority (CSFA)</td>
</tr>
<tr>
<td>0989</td>
<td>Related Org</td>
<td>California Educational Facilities Authority (CEFA)</td>
</tr>
<tr>
<td>4800</td>
<td>Related Org</td>
<td>California Health Benefit Exchange</td>
</tr>
<tr>
<td>6980</td>
<td>Related Org</td>
<td>California Student Aid Commission</td>
</tr>
<tr>
<td>8430</td>
<td>Related Org</td>
<td>State Compensation Insurance Fund (State Fund)</td>
</tr>
</tbody>
</table>

**Note:** Due to the Governor's Governmental Reorganization Plan, some entities have more than one Organization number assigned to their entity.

**SCO Fund Types:** EN - Enterprise Funds, IS - Internal Service Funds, CU - Component Unit (Funds), PT - Pension Trust Funds, and Related Org - State's Related Organizations
### Agent Multi-Employer Plans
A multi-employer defined benefit pension plan in which pension plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees. For the State of California employees, the plans include State Miscellaneous (Tier 1 and Tier 2), State Peace Officers and Firefighters, California Highway Patrol, State Safety, State Industrial.

### CalPERS

### CalSTRS
California State Teachers’ Retirement System. CalSTRS is the administrator of the pension benefit plans for California public school teachers and certain other employees of the public school system. The State of California has a non-employer contributing entity relationship with CalSTRS.

### Central Agencies
Agencies whose employees are paid through the State's Uniform State Payroll System (USPS) by SCO's Personnel and Payroll Services Division (PPSD).

### Clearing Fund
A clearing fund is a governmental-type fund used by an agency that pays its payroll expenses through that governmental-type fund, and then further allocates all or a portion of those expenses to proprietary-type funds.

### Covered Employee Payroll
The pensionable compensation payroll earned by State employees that are provided with pensions through the pension plans as identified in the PPSD data file (“Payroll Total Gross Subject to Retirement for Fiscal Year 2013/2014 across Retirement Categories”).

### Defined Benefit Retirement Plans
CalPERS pension plans for the State (five plans in the Agent Multi–Employer Plans, and three separate Single-Employer Plans).

### Entity
Includes State agencies and organizations such as component units and related organizations.

### Fiduciary Net Position
Assets dedicated for the use of satisfying the pension obligations of the employer. Fiduciary Net Position equals assets, plus deferred outflows of resources, minus liabilities, minus deferred inflows of resources.

### GASB 68 Accounting Elements
The accounting elements being allocated and reported include the Net Pension Liability (difference between the Total Pension Liability and the plan's Fiduciary Net Position), Deferred Outflows of Resources, Deferred Inflows of Resources, and Pension Expense.
### Measurement Date
The date of measurement of the pension liability. The net pension liability is required to be measured as of a date no earlier than the end of the employer’s prior fiscal year (the measurement date), consistently applied from period to period. For the State of California, for the fiscal year 2014-15, the measurement date is June 30, 2014.

### myCalPERS database
The system used by the CalPERS pension plans to record and maintain member benefit data.

### Net Pension Liability
The liability of employers and non-employer contributing entities to employees for benefits provided through a defined benefit pension plan.

### Non-Central Agencies
Agencies whose employees are paid directly through their internal payroll system (or 3rd party payroll provider). Non-central agency’s pensionable compensation information is not included in the USPS.

### Non-Employer Contributing Entity
Entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities. For purposes of this Statement, employees are not considered non-employer contributing entities.

### Pension Expense
Pension Expense is a calculated amount for the fiscal year 2014-15.

### Pensionable Compensation
Compensation earned by members of defined benefit retirement plans that is used to determine the amounts the member and the member’s employer must contribute to the plan based upon established plan contribution rates. Pensionable compensation is also called covered employee payroll. This pensionable compensation is being utilized by the SCO as the basis of allocation for the accounting elements.

### PPSD
For the State Controller’s Office, this is the Payroll and Personnel Services Division. PPSD maintains the State employee payroll records of all Central Agency employees paid through the Uniform State Payroll System, and communicates pensionable compensation to CalPERS.

### Pensionable Compensation Reports
Reports generated by the SCO's Personnel and Payroll Services Division (PPSD) and CalPERS for the pensionable compensation earned by the State's employees attributable to each of the discretely defined benefit pension plans. This compensation is reported by fund and by organization.

### Proportionate Share
The calculated and allocated share of accounting elements to be reported in the State's financial statements that are related to defined benefit pension plans per GASB Statement No. 68.
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single-Employer Plans</td>
<td>A defined benefit pension plan used to provide pensions to employees of only one employer. For the State of California employees, these plans include Judges’, Judges II, and Legislators’ Plans.</td>
</tr>
<tr>
<td>Split Fund</td>
<td>A split fund is a proprietary-type or fiduciary-type fund that further allocates all or a portion of the payroll expenses charged to other funds (including other proprietary-type and fiduciary-type funds), and is reimbursed for the payroll expenses.</td>
</tr>
<tr>
<td>Total Pension Liability</td>
<td>The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB Statement No. 68.</td>
</tr>
</tbody>
</table>