November 13, 2015

Dear Colleagues:

Many of you are aware of the Government Accounting Standards Board (GASB) which establishes uniform accounting standards thought the country. GASB’s Rule 68, adopted in 2012, requires the State of New Jersey to allocate, for reporting purposes only, pension liabilities of its centralized pension systems to all participating employers. Although GASB 68 is intended to improve comparability between public pension plans by standardizing the way certain financial data relating to pension plans are disclosed, GASB 68 does not change the methods used by pension plans to compute actual employer contributions to the plan. Employer contributions to the pension plans will continue to be calculated pursuant to the governing State statutes using generally accepted actuarial procedures and practices.

Among the employers who are being allocated liabilities, for GASB 68 reporting purposes only, are public higher education institutions. New Jersey Department of Treasury’s Division of Pension and Health Benefits is releasing data today and each institution’s allocation can be found at http://www.nj.gov/treasury/pensicns/gasb-68-notice.shtml

It is important to note the following when reviewing the liability that has been allocated to your institution.

- Because GASB 68 dictates reporting requirements, the State was required to report these allocations.
- Allocations were audited by KPMG, the Pension Plan’s auditor, for compliance with GASB 68.
- GASB 68 reporting requirements solely govern financial reporting. Therefore, the allocation of the liabilities does not result in any change to the longstanding annual State budget tradition (in place since at least 1986) whereby the State pays for institutional fringe costs with reimbursements for certain positions.

You should be aware that the State has reached out to the rating agencies to discuss the new GASB 68 reporting requirements. The State informed the rating agencies that the allocations do not impact state laws or past funding arrangements that have been established annually in the State budget. Generally, the rating agencies informed the State that the allocations will have little impact on their credit analyses as they long ago factored pension liabilities and State funding arrangements into their ratings.
As a final note, I want to reiterate that GASB 68 sets forth accounting and financial reporting requirements. GASB 68 does not result in a change with respect to the calculation under State law of assets, liabilities and contribution requirements for State and local employers.

Sincerely yours,

[Signature]

Elizabeth S. Garlatti
Chief of Staff

C        VPs of Finance & Administration