

ALAN M. ARAKAWA
Mayor



RECEIVED
2016 JUN 16 PM 3:49
DANILO F. AGSALOG
Director
MARK R. WALKER
Deputy Director
OFFICE OF THE MAYOR

COUNTY OF MAUI
DEPARTMENT OF FINANCE
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793

May 10, 2016

RECEIVED
JUN 20 AM 9:41
OFFICE OF THE
COUNTY CLERK

Honorable, Alan M. Arakawa
Mayor, County of Maui
200 South High Street
Wailuku, HI 96793

For Transmittal to:

Honorable Mike White, Chairman
Maui County Council
Maui County
200 South High Street
Wailuku, HI 96793

APPROVED FOR TRANSMITTAL

Mayor Date

Dear Chair White:

SUBJECT: MOU - GASB 68 Accounting & Reporting Requirements

Transmitted herewith please find a proposed bill entitled, "A BILL FOR AN ORDINANCE AUTHORIZING THE MAYOR OF THE COUNTY OF MAUI TO ENTER INTO AN INTERGOVERNMENTAL AGREEMENT WITH THE EMPLOYEES RETIREMENT SYSTEM OF THE STATE OF HAWAII" relating to the acquisition of a governmental accounting standards board statement No. 68 Report.

This is an annual request by the ERS to obtain actuarial information required by the new GASB 68 requirements. This MOU will authorize the payment of \$1,500.00 as the County of Maui's share for this GASB 68 Report.


COUNTY COMMUNICATION NO. 16-124

Honorable Mike White, Chair
Maui County Council
May 10, 2010
Page 2 of 2

Should you have any further questions or need additional information, please contact me at extension 7475.

Sincerely,

A handwritten signature in black ink, appearing to read 'Danilo F. Agsalog', with a stylized, flowing script.

DANILO F. AGSALOG
Director of Finance

cc: Mark R. Walker - Finance Deputy Director

ORDINANCE NO. _____

BILL NO. _____ (2016)

A BILL FOR AN ORDINANCE AUTHORIZING THE MAYOR OF THE
COUNTY OF MAUI TO ENTER INTO AN INTERGOVERNMENTAL
AGREEMENT WITH THE EMPLOYEES' RETIREMENT SYSTEM OF THE
STATE OF HAWAII RELATING TO THE ACQUISITION OF A GOVERNMENTAL
ACCOUNTING STANDARDS BOARD STATEMENT NO. 68 REPORT

BE IT ORDAINED BY THE PEOPLE OF THE COUNTY OF MAUI:

SECTION 1. Purpose. The Employees' Retirement System of the State of Hawaii ("ERS") has been requested by various governmental employers, including the County of Maui, to obtain, from its actuary, a Governmental Accounting Standards Board Statement No. 68 Report ("GASB 68 Report"), on their behalves. This GASB 68 Report is required for our Comprehensive Annual Financial Report. ERS is willing to obtain the GASB 68 Report provided at least nine requesting employers agree to share the cost, in which event the cost to the County is anticipated to be \$1,500. However, if fewer than nine employers request the GASB 68, the requesting employers will share equally the cost of \$15,000 charged by the actuary. The Memorandum of Understanding ("MOU"), attached hereto and incorporated herein as Exhibit "1", places a financial obligation on the County and is intended be executed between the County and a State agency.

SECTION 2. Council Authorization. Pursuant to Section 2.20.020, Maui County Code, the Council of the County of Maui hereby authorizes the Mayor to enter into an intergovernmental agreement, which would include the execution of the MOU, all other necessary documents between the State of Hawaii and the County of Maui relating to the MOU, and any amendments thereto.

SECTION 3. Effective date. This ordinance shall take effect upon its approval.

APPROVED AS TO FORM AND LEGALITY:

A handwritten signature in black ink, appearing to read 'JEFF UEOKA', is written over a horizontal line.

JEFF UEOKA
Department of the Corporation Counsel
County of Maui
2016-0566

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") is effective the _____ day of _____, 2016, by and between the EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII ("ERS") and the COUNTY OF MAUI, 200 S. High Street, Kalana O Maui Building, 2nd Floor, Wailuku, HI 96793 ("Employer").

RECITALS

A. The following state or county government employers (the "employers") have requested assistance from the ERS in obtaining actuarial information to meet reporting requirements under Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" the employers' financial statements for the fiscal year ending June 30, 2016 (FYE 2016):

- i. State of Hawaii;
- ii. City and County of Honolulu;
- iii. County of Maui;
- iv. County of Kauai;
- v. County of Hawaii;
- vi. Board of Water Supply, City and County of Honolulu;
- vii. Department of Water Supply, County of Hawaii;
- viii. Department of Water, County of Kauai;
- ix. Honolulu Authority for Rapid Transportation; and
- x. University of Hawaii.

B. The ERS is willing to obtain the information ("GASB 68 Report") for the employers from the ERS's actuary, Gabriel, Roeder, Smith & Company ("GRS");

C. GRS is willing to provide GASB 68 Reports to the employers for a total of \$15,000.00, provided that GRS is able to bill the ERS for all of the GASB 68 Reports. The total fee of \$15,000.00 will be divided equally among all of the employers listed above who enter into a MOU with the ERS to obtain their GASB 68 from GRS through the ERS.

D. Because of concerns arising from federal tax-qualification requirements applicable to the ERS, the ERS is unable to advance the fees for the GASB 68 Reports.

E. GRS has agreed that it will not require the ERS to pay for the GASB 68 Report(s) until the ERS has received payment from the employers who receive a GASB 68 Report from GRS.

F. The purpose of this MOU is to provide for payment by the Employer for the GASB 68 Report provided to it by GRS.

TERMS AND CONDITIONS

1. Upon execution of this MOU, the ERS will request GRS to prepare a GASB 68 Report for Employer as provided in the letter attached to this MOU as Exhibit "A" and incorporated herein by reference.

2. The cost to Employer for the GASB 68 Report will be \$1,500.00; provided that all of the employers listed above enter into a MOU with the ERS to obtain their GASB 68 Report from GRS through the ERS. If all of the employers listed above do not enter into an MOU with the ERS to obtain their GASB 68 report from GRS through the ERS, the cost to Employer for the GASB 68 Report will be equal to: \$15,000/number of participating employers. In addition, if Employer requests additional services or information beyond what GRS understands to be customary or reasonable for a GASB 68 Report, the cost for the Employer may be higher.

3. Upon execution of this MOU, Employer will pay ERS \$1,500.00 for remittance to GRS for the GASB 68 Report. If all of the employers do not enter into an MOU with the ERS to obtain their GASB 68 report from GRS through the ERS, the ERS will bill Employer for the difference between \$1,500.00 and the cost of the GASB 68 Report as determined pursuant to paragraph 2 (the "additional cost"). The ERS will bill Employer for any additional services or information requested by Employer after the ERS receives the bill from GRS for such additional services or information. Employer will pay ERS within thirty days from receipt of the bill from the ERS for any additional cost or for any additional services or information. Upon receipt of payment from Employer, the ERS will promptly remit the payment to GRS.

4. This MOU may be amended or modified only by a written agreement signed by both parties.

IN WITNESS WHEREOF, the parties have executed this MOU as of the last date written below.

EMPLOYEES' RETIREMENT SYSTEM
OF THE STATE OF HAWAII

EMPLOYER:
COUNTY OF MAUI

By _____
Thomas Williams
Executive Director

By _____

DATE: _____

DATE: _____

By: _____

DATE: _____

APPROVED AS TO FORM:

APPROVED AS TO FORM:

Deputy Attorney General
State of Hawaii



March 28, 2016

Mr. Thom Williams
Executive Director
Employees' Retirement System of the State of Hawaii
201 Merchant Street, Suite 1400
Honolulu, Hawaii 96813

**Re: Scope of Work and Fees for Providing Required Actuarial Information
 Needed for GASB 68 for Fiscal Year 2016**

Dear Thom:

As you are aware, the current actuarial consulting services contract between the Employees' Retirement System of the State of Hawaii (ERS) and Gabriel, Roeder, Smith & Company (GRS) provides a fee quote for work performed in providing information in connection with the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". This letter outlines the deliverables and services GRS will provide to assist ERS in providing this information that your participating employers will need to conform to the requirements of the GASB No. 68 disclosures. We will also restate the fees from the contract and the manner in which they will be invoiced and collected.

Scope of Work

The scope of work outlined in this letter pertains to information (to be prepared by GRS) necessary for the employers' financial statements for the fiscal year ending June 30, 2016. This information is based on our understanding of the disclosure requirements of GASB # 68.

Please note that there are several items that the employers will need for their financial statements that ERS has already prepared for its own financial statements. These items are shown below:

1. Plan Description
2. Description of Benefits
3. Description of Contribution Requirements
4. Actuarial Assumptions used to Determine Net Pension Liability (NPL)
5. Determination of the long-term expected rate of return
6. Discount Rate
7. Pension Plan's Fiduciary Net Position
8. Plan's Fiduciary Net Position as percentage of total pension liability

In addition to these items there is additional information that each employer will need that is applicable only to that employer. In accordance with GASB #67, ERS was provided its disclosure requirements for the entire plan. For cost-sharing plans, these items are allocated to each participating employer based on their proportionate share of the contribution effort. This is further complicated by the fact that the employers contribute different contribution rates based on whether an employee is classified as Police and Fire versus All Other employees.

GRS will prepare a single GASB No. 67/68 report that contains the GASB No. 67 information (which has been previously communicated to ERS) as well as the following GASB No. 68 information for each individual employer that elects to be part of this arrangement:

1. Proportionate Share of NPL, covered payroll, and proportionate share of NPL as % of covered payroll
2. Proportionate Share of Pension Expense
3. Proportionate Share of NPL measured at +1% and -1% of the discount rate used to measure the NPL in Item 1
4. Proportionate Share of Deferred Outflows of Resources and Deferred Inflows of Resources by source
5. Proportionate Share of Deferred Outflows and of Resources and Deferred Inflows of Resources that will be recognized in the Pension Expense each of the next five years and in aggregate thereafter

The Required Supplementary Information under GASB #68 requires a 10-year schedule of the employer's proportionate share of the NPL, and the Plan's fiduciary net position as a percentage of the total pension liability. As allowed by GASB #68, it is assumed that this schedule will be built on a prospective basis only. It is also assumed that the employer will be responsible for preparing these schedules based on the information provided by ERS and in the GASB #68 report.

The GASB No. 67/68 report (containing the information described above for each employer), which will provide the information required by the employers for their financial statements for the period ending June 30, 2016. This will include the calculation of all deferred inflows and outflows as well as keeping track of the amortization schedule in future years. This will be handled for each employer. We will also provide in excel format the information for inclusion in each participating employers' financial statements.

Fees

As described in our contract with ERS, the fixed fee for providing the GASB #68 information, as described above, is \$15,000. This fee would then be allocated to the individual employers by ERS. Last year the fee was equal for all employers. We believe this is the fairest manner for allocating the fee, as the amount of work to provide the information for each employer is not sensitive to the number of participating members for the employer.

Mr. Thom Williams
March 28, 2016
Page 3

The above fees include all work with the Plan's Auditor in providing audited information to participating employers. It also includes a reasonable amount of time that may be requested by the auditor's of individual employers. However, requests from auditors that are deemed to be uncustomary or excessive will be billed separately. The above fees will be invoiced to ERS upon completion of the GASB # 68 information.

It is our understanding that the ERS does not believe it can pay for the GASB No. 68 information for the employers. However, because we already have a contract with ERS and not with the participating employers it would be beneficial to GRS that we be allowed to bill the ERS for the GASB #68 services, have ERS invoice the individual employers and when ERS is paid by the employers ERS would then pay GRS. We acknowledge that ERS will not pay GRS until they have been reimbursed by the employers. If separate employer contracts are required, the fee could increase.

Please call one of us if you or any board members have questions about this proposal.

Respectfully submitted,
Gabriel, Roeder, Smith & Company



Joseph P. Newton, FSA, MAAA, EA
Senior Consultant



Lewis Ward
Consultant