This document reflects the result of analyses, discussions and review by UCOP staff and PricewaterhouseCoopers (PwC) to date. The document is subject to change pending additional discussions with PwC; however, it represents the best information available to date.

University of California

Governmental Accounting Standards Board (GASB) Statement No. 27, *Accounting for Pensions by State and Local Government Employers*

Issues Resolution Memo No. 27.3

Issued May 21, 2007

Updated: December 2, 2009

Financial Reporting to Recognize the Legal Financial Responsibility of the Department of Energy (DOE) for all UCRP Costs Associated with University of California Employees Who Currently Work at the Lawrence Berkeley National Laboratory (LBNL) or Who Previously Worked at the LBNL, Los Alamos National Laboratory (LANL) or the Lawrence Livermore National Laboratory (LLNL)

Background

The UCRP is a single-employer defined benefit plan. There is no legal distinction between a former UC employee and a former laboratory employee and all assets of the UCRP are available to pay benefits for all retirees, regardless of their work location. For internal purposes however, the University has segmented within the UCRP the assets and liabilities attributable to the DOE's interest in and responsibility for the employees who work, or worked, at Lawrence Berkeley National Laboratory (LBNL), Lawrence Livermore National Laboratory (LLNL) or Los Alamos National Laboratory (LANL).

Issue Resolution Memo Numbers 27.3.1, 27.3.2 and 27.3.3 document the ongoing legal financial responsibility of the Department of Energy (DOE) for all pension costs associated with University of California employees who currently work at the LBNL, or who previously worked at the LLNL or the LANL.

Define Issues

GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* requires UC to record the Annual Pension Cost (APC) as an expense and also a net pension obligation (NPO) to UCRP, under certain circumstances.

In the future, UC's financial statements may, depending on the level of annual funding and actuarial value of plan assets and liabilities, require an APC and NPO for the UCRP. However, the DOE is ultimately the financially responsible party for all pension costs specifically related to current or former employees at any of the three national laboratories.

At issue is how UC, under these circumstances, should apply the requirements of paragraph 28 of Statement No. 27 to record:

- The "accounting" requirements under GASB Statement No. 27 associated with any portion of the University's APC or NPO to the UCRP that relates to current or former employees at LBNL,

- The required contributions by the DOE specifically for the "retained LANL and LLNL segments," the assets and liabilities retained by UC in the UCRP for inactive employees and retirees who formerly worked at LANL or LLNL,

- The "legal" aspects of the DOE's ongoing obligation to provide future funding to pay for the pension benefits earned under the UCRP by current or former employees at any of the three national laboratories, and

- The DOE's obligation to provide future funding for the funding shortfall on a) an individual laboratory segment basis, or b) on a combined laboratory segment basis.

Conclusion

As documented in IRM 27.3.1, 27.3.2 and 27.3.3, the DOE's ongoing legal financial obligation under the LBNL, LLNL and LANL contract's pension provisions is not, and should not be thought to be, ambiguous; what is ambiguous is the methodology for anticipating and minimizing any shortfall before the last LBNL, LLNL or LANL segment beneficiary dies and the actual total cost is known.

These are two very separate issues associated with the payment of a pension funding shortfall:

1. The legal obligation to pay, and

2. The process for determining the timing and amount of payments.

All of the circumstances giving rise to DOE's obligation exist in the contracts. DOE agrees in the contracts that allowable costs incurred in termination of the contracts (including pension costs) which had not been previously paid under the contract are:

1. Payable by DOE without regard to the funds obligated to the contract prior to expiration,

2. Payable from any funds appropriated to DOE which could be lawfully used to make such payments, and

3. If no funds were currently available, DOE would make its best efforts to obtain appropriated funds for that purpose.

In addition, the process for determining the timing of payments has been clarified for the LANL and LLNL segments because of the additional funding obligation language resulting from the LANL and LLNL contract termination discussions.

Also, as documented in Issue Resolution Memo 27.1, paragraph 28 of GASB Statement No. 27 applies to the methodology for recording the APC and NPO attributable to the laboratory segment of the UCRP. With respect to the relationship with the DOE for the University to provide pension benefits for retired employees who formerly worked at the national laboratories and for whom UC retains the pension benefit liability, paragraph 28 of GASB Statement No. 27 states, "Some governmental entities are legally responsible for contributions to pension plans that cover the employees of another governmental entity or entities. For example, a state government may be legally responsible for the annual "employer" contributions to a pension plan that covers employees of school districts within the state. In those cases, the entity that is legally responsible for the contributions should comply with all applicable provisions of this Statement for measurement and recognition of expenditures/expense, liabilities, assets, note disclosures, and required supplementary information. If the plan is a defined benefit pension plan and the entity with legal responsibility for contributions is the only contributing entity, the requirements of this Statement for sole employers apply, regardless of the number of entities whose employees are covered by the plan."

Therefore, predicated on the results of the actuarial reports prepared annually for the overall UCRP, the a) campus and medical segment (non-laboratory) of the UCRP and b) the combined laboratory segment of the UCRP, UC will:

1. Record as a **UC operating expense** in the statement of revenues, expenses and changes in net assets the effect of an APC or NPO that pertains **ONLY** to the campus and medical center segment of the UCRP. <u>This requires a separate actuarial valuation of the campus and medical center segment of the UCRP, different from the overall actuarial valuation prepared for the UCRP in total that includes the laboratory segment.</u> Refer to Step 1 in Appendix 1.

2. Record as a **DOE laboratory expense** in the statement of revenues, expenses and changes in net assets the effect of an APC or NPO that pertains **ONLY** to the laboratory segment of the UCRP. <u>This requires a separate actuarial valuation of the combined laboratory segment of the UCRP, different from the overall actuarial valuation prepared for the UCRP in total that includes the campus and medical center segment.</u> Since the DOE has the ultimate financial responsibility for all three laboratories, regardless of the fact that oversight of the LBNL is by the DOE's Office of Science and oversight of the LLNL and LANL is by the DOE's National Nuclear Science Administration (NNSA), it is appropriate to measure the DOE's financial obligation on a combined basis, not by individual laboratory. Refer to Step 2 in Appendix 1.

3. Record UC's cash contributions to the UCRP as an offset to the net pension obligation (NPO). Any short-term liabilities are considered to be a current contribution toward the NPO per GASB Statement No. 27. Refer to Step 3 in Appendix 1.

4. Record UC's cash contributions to the UCRP on behalf of LBNL as an offset to the net pension obligation (NPO). Any short-term liabilities are considered to be a current contribution toward the NPO per GASB Statement No. 27. Refer to Step 4 in Appendix 1.

5. Record the DOE's reimbursement of UC's cash contribution to the UCRP as **DOE laboratory revenue** in the statement of revenues, expenses and changes in net assets. Refer to Step 5 in Appendix 1.

6. Record the appropriate current receivable and **DOE laboratory revenue** from the DOE for any annual contribution required under the terms of the LANL or LLNL contract termination agreements based upon the "addendum report" prepared at the beginning of the plan year (for example, the June 30, 2007 receivable under the LANL contract close-out agreement is based upon the July 1, 2006 addendum report; see Appendix 2). Refer to Step 6 in Appendix 1.

7. For the amount in Step 6 above, if any, record the appropriate reduction to the NPO and increase in the liability to the UCRP for any annual contribution required under the terms of the LANL or LLNL contract termination agreements based upon the "addendum report" prepared at the beginning of the plan year. Refer to Step 7 in Appendix 1.

UC's NPO may include a portion attributable to the DOE laboratory segment, represented by the combination of Steps 2, 3, 4 and 7. To the extent there is a portion of UC's NPO attributable to the DOE laboratories, record an additional noncurrent DOE receivable and DOE laboratory revenue representing the DOE's ongoing legal obligation to provide future funding for the laboratory segments. No additional noncurrent receivable will be recorded if there is not a portion of UC's NPO that relates to the DOE laboratories. Refer to Step 8 in Appendix 1.

Authoritative Guidance and Discussion

See Issues Resolution Memo 27.1.

Additional Actuarial Valuation Required and Methods Used for Amortization of Overfunding – *Updated December 2, 2009*

It is clear that the application of the financial reporting outlined above requires new actuarial valuation reports that have not been prepared in the past. Currently, an actuarial valuation is prepared for the overall UCRP, then individual "addendum reports" for LBNL, LLNL and LANL. Since we will now require the campus and medical center (non-laboratory) segment of the UCRP to be isolated for reporting purposes, there will need to be an actuarial valuation report prepared on that basis, excluding The Hastings College of the Law. In addition, there will need to be an actuarial valuation report prepared for the laboratory segment on a combined basis.

Methodology used to calculate the ARC through the July 1, 2008 actuarial valuation and the financial statements for the year ending June 30, 2009.

The method used in the preparation of the overall UCRP actuarial valuation for purposes of the GASB Statement No. 27 information was to solve for the period over which to amortize overfunding/underfunding, if any, such that it produced an Annual Pension Cost (APC) equal to the DOE contributions, if any, plus any contributions from UC, if any, such that the Net Pension Obligation (NPO) is zero. This method was used for purposes of the overall UCRP's actuarial valuation.

However, since there is a requirement to produce GASB Statement No. 27 information in actuarial reports for the campus and medical center segment, separate from the DOE laboratory segment of the UCRP, a decision on the method used to amortize any overfunding was made given the following mathematical realities:

1. If the method used in the overall UCRP actuarial report where the amortization period is solved to create a zero APC and NPO is chosen to be applied to both segments of the UCRP, there would not be any negative APC for either segment because the overfunding is only used to the extent needed to derive a zero APC, no more and no less.

   a. Under this approach the sum of the APC's calculated for each of the segments may not equal the APC calculated for the overall UCRP.

2. If the amortization period used in the calculation of the overall UCRP APC is chosen to be applied to each segment of the UCRP, there may be a negative APC for either segment because the amortization of the overfunding may more than offset the normal cost.

   b. Under this approach the sum of the APC's calculated for each of the segments will equal the APC calculated for the overall UCRP.

The University used the following approach for purposes of the GASB Statement No. 27 information provided in the actuarial reports through the July 1, 2008 that resulted in different amortization periods between the actuarial reports for the overall UCRP, the campus and medical center segment and the DOE laboratory segment:

For the Overall UCRP Actuarial Report

- The University's actuary used a period for amortizing the overfunding/underfunding, if any, that produced an APC equal to the DOE contributions, if any, plus any contributions from UC, if any, such that the NPO was zero. The laboratory contributions resulting from contract termination discussions were taken into account in the GASB Statement No. 27 calculation for the UCRP as a whole.

For the Campus and Medical Center Segment of UCRP (Used in the calculation of the UC expense in the University's Statement of Revenues, Expenses and Changes in Net Assets)

- The University's actuary used a period for amortizing the overfunding/underfunding, if any, that produced an APC equal to the contributions from UC, if any, such that the NPO was zero. The laboratory contributions resulting from contract termination discussions were not taken into account in the GASB Statement No. 27 calculation for the campus and medical center segment of the UCRP.

For the Laboratory Segments of the UCRP (Used in the calculation of the DOE Laboratory expense in the University's Statement of Revenues, Expenses and Changes in Net Assets)

- The University's actuary used a period for amortizing the overfunding/underfunding, if any, that produced an APC equal to the contributions from UC attributable to the DOE laboratory segment, if any, such that the NPO was zero. The laboratory contributions resulting from contract termination discussions were taken into account in the GASB Statement No. 27 calculation for the DOE laboratory segment of the UCRP.

Methodology used to calculate the ARC beginning with the July 1, 2009 actuarial valuation and the financial statements for the year ending June 30, 2010.

In September 2008, The Regents established a new funding policy for the actuary to use when calculating the University's recommended contribution. However The Regents may also determine that the recommended contribution will not be made as a result of discussions over budget priorities.

The UCRP funding policy in effect for fiscal year 2009-10 does not solve for an amortization period such that the ARC is zero. Rather the new funding policy takes into account any surplus or unfunded liabilities using the following approach:

- Amortize the current surplus (as of July 1, 2008) over a 3-year period,
- Amortize future changes in the current surplus over a 15-year period,
- Amortize future unfunded liabilities over a 15-year period.
- Amortize future surplus over a 30-year period.

Actuarial methods involving the "Entry Age Normal" and five year asset smoothing techniques were retained.

GASB guidance on this topic is found in Paragraph 10 of Statement No. 27:

> "The ARC and all other actuarially determined pension information included in an employer's financial report should be calculated in accordance with this paragraph, consistently applied. The actuarial methods and assumptions applied for financial reporting should be the same methods and assumptions applied in determining the plan's funding requirements, unless compliance with this paragraph requires the use of different methods or assumptions. A plan and its participating employer should apply the same actuarial methods and assumptions in determining similar or related information included in their respective financial reports." [GASB 27, paragraph 10]

The change in the way the ARC is calculated beginning with 2009-2010 is a change in estimate for financial reporting purposes and will be implemented prospectively.

For the Overall UCRP Actuarial Report

In summary, the approach for calculating the ARC for the overall UCRP will be as follows:

- The University's actuary incorporates consistent assumptions between the development of the recommended contribution and the calculation of the ARC each year. The laboratory contributions resulting from contract termination discussions are taken into account in the GASB Statement No. 27 calculation for the UCRP as a whole.

For the Campus and Medical Center Segment of UCRP (Used in the calculation of the UC expense in the University's Statement of Revenues, Expenses and Changes in Net Assets)

The approach for calculating the ARC for the Campus and Medical Center Segment of the UCRP will be as follows:

- The University's actuary incorporates consistent assumptions between the development of the recommended contribution and the calculation of the ARC each year. The laboratory contributions resulting from contract termination discussions are NOT taken into account in the GASB Statement No. 27 calculation for the campus and medical center segment of the UCRP.

Following these discussions and decisions with respect to the overall UCRP and the Campus and Medical Center Segment of the UCRP that focus on the GASB Statement No. 27 requirement for the ARC and funding calculation methodologies to be compatible if the funding methodology is within the parameters, i.e., in that case the funding methodology would drive the ARC methodology, a similar discussion follows for the DOE Laboratory Segment of the UCRP.

For the Laboratory Segments of the UCRP (Used in the calculation of the DOE Laboratory expense in the University's Statement of Revenues, Expenses and Changes in Net Assets)

- The University's actuary will use the same actuarial approach and assumptions used for the Campus and Medical Center Segment and apply them to the combined DOE Laboratory Segment. The laboratory contributions resulting from contract termination discussions will be taken into account in the GASB Statement No. 27 calculation for the DOE laboratory segment of the UCRP.

Current facts and circumstances surrounding the DOE Laboratory Segment are as follows:

- UC uses the calculation methodology for the labs' ARC **on a combined basis** consistent with that which is used for the campuses and MCs.

- The funding methodology for the retained liability associated with the LANL and LLNL retirees is driven by separate contractual arrangements with the DOE (one each for LANL and LLNL that happen to be nearly consistent in terms)

  - Basically provides for payments from the DOE to UC to be made eight months after the end of the plan year for $1/7^{th}$ of any shortfall between the actuarial value of assets and the actuarial accrued liability

  - There is a difference between the currently determined methodology for the labs' ARC calculation and the funding formula for retirees in the LANL and LLNL segment of the UCRP.

- LBNL has active employees, unlike LANL and LLNL, where the funding methodology is consistent with the campuses and MCs.

  - The new ARC methodology that UC will use for campuses and MCs will be consistent with the funding methodology for LBNL. But to justify the use of the new ARC methodology for LBNL potentially creates complications with the original decision that UC should address the three labs on a combined basis on the theory that the DOE has overall responsibility for the entirety of the DOE lab segments.

  - The DOE has overall financial responsibility for the DOE Laboratory Segment. However, the DOE does not have a direct relationship with the UCRP. UC sits in between the DOE and the UCRP, so UC has the responsibility to UCRP, and the DOE has the responsibility to UC.

Relevant financial reporting guidance surrounding the pension accounting for the DOE Laboratory Segment is as follows:

Paragraph 28 of GASB Statement No. 27 states:

> "Some governmental entities are legally responsible for contributions to pension plans that cover the employees of another governmental entity or entities. For example, a state government may be legally responsible for the annual "employer" contributions to a pension plan that covers employees of school districts within the state. In those cases, the entity that is legally responsible for the contributions should comply with all applicable provisions of this Statement for measurement and recognition of expenditures/expense, liabilities, assets, note disclosures, and required supplementary information. If the plan is a defined benefit pension plan and the entity with legal responsibility for contributions is the only contributing entity, the requirements of this Statement for sole employers apply, regardless of the number of entities whose employees are covered by the plan.[20]"

  - Footnote 20 states: GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, provides standards for recognizing payments made on a government's behalf by another entity.

    GASB Statement No. 24 states:

    > "On-behalf payments for fringe benefits and salaries are direct payments made by one entity (the paying entity) to a third-party recipient for the employees of another, legally separate entity (the employer entity). They include payments made by governmental entities on behalf of nongovernmental entities and payments made by nongovernmental entities on behalf of governmental entities. This Statement requires employer governments to recognize revenue and expenditures or expenses for these on-behalf payments."

(While the DOE payments are not made to a third party recipient, e.g. the UCRP, the payments are substantively made to the UCRP through UC.)

"Revenue should equal the amounts that third-party recipients have received and that are receivable at year-end for the current fiscal year. For employer governments that are not legally responsible for the payments, expenditures or expenses should equal the amounts recognized as revenue."

The accounting for the DOE's pension responsibilities in the University's financial statements is as follows:

- The total APC recorded for combined labs is reported as "DOE Laboratory expense" in the SRECNA rather than as "pension costs."
    - This is because the costs are not those of UC, rather they are the costs of the DOE labs
- Amounts that will be currently funded under the three contracts are recorded as current receivables or cash.
- Amounts that will not be currently funded under the three contracts are recorded as noncurrent receivable (Step 8 of Appendix 1 in IRM 27.3)
- The net effect on the SRECNA is zero because total DOE revenue equals total DOE lab expense for pensions.

Conversely, if the APC was recorded on a basis consistent with the contractual agreement with DOE

- The result would be the same as above, except:
    - The APC would be different, most likely more to reflect the current funding.
    - There would be no noncurrent receivable. (For example, if LBNL "backed into" the APC based upon the amount funded in any year, that amount would not be known until the end of the year (unlike the approach used for all other aspects of the APC; that is, the APC is calculated using the actuarial valuation at the beginning of the year.) In effect then, the APC for LBNL would equal the funding and there would be no current or noncurrent receivable. In addition, "backing into" the APC may require using actuarial calculations that may be outside of the parameters in any one year.
    - While this approach would be more consistent with GASB Statement No. 27, it is inconsistent with the overall UC methodology for computing APC.

- UC has primary funding for these pension costs even though that financial responsibility has been shifted to DOE contractually. Whether you agree or disagree with this statement, the methodology for reporting the labs in UC's financial statements should be the same as for the university.

The financial reporting conclusion above is not a perfect answer, but best reflects the substance of the DOE contractual arrangements while at the same time giving recognition to the requirements of GASB Statements No. 27 and 24. The alternative of not reflecting the long term liability and receivable associated with the DOE Laboratory Segment is not acceptable within the spirit of GASB Statement No. 27. In addition:

- There is no net effect on SRECNA.

- This reflects to the total APC liability of DOE to UC:

  - Conservative

  - Reflects contractual agreement

  - Consistent with the intent of GASB Statement No. 24

Over time, the difference between funding and APC will be self correcting. Changing the APC to be consistent with the funding arrangement would not result in any more useful information.

APPENDIX 1: Pension scenario separating the "legal" from the "accounting" requirements under GASB 27 resulting from the DOE's financial responsibility for total pension liability

	At Year End	At Year End	Monthly	Monthly	Monthly	At Year End	At Year End	At Year End	As of June 30	After year end	After year end	After year end	After year end	
	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8		Step 9	Step 10	Step 11	Step 12	
Assumptions: -$1500 "UC only" APC -$250 - Lab Segment APC -$200 UC contribution to UCRP -$25 DOE contribution - LANL/LLNL agreements -$50 LBNL contribution	**Record APC for "UC" segment of UCRP**	**Record APC for DOE Lab segment of UCRP**	**Record UC cash contribution to UCRP for Campuses and MC's**	**Record UC cash contribution to UCRP for LBNL**	**Recognize DOE pension cash contribution on behalf of LBNL**	**Record DOE required contribution to UCRP via UC under terms of the LANL/LLNL agreements**	**Record UC liability to UCRP for DOE required contribution for LANL/LLNL**	**Record DOE "legal" obligation for total DOE segment shortfall (not by separate lab)**	**UC's SNA and SRECNA at end of 1st year**	**Record reimbusement from LBNL for year end A/P to UCRP**	**Recognize UC cash payment to UCRP on behalf of UC and LBNL (year end A/P)**	**Recognize DOE pension cash contribution on behalf of LANL/LLNL**	**Recognize UC cash payment to UCRP on behalf of LANL/LLNL**	**SNA and SRECNA after year end A/P and LANL/LLNL contribution is sent to the UCRP**
Assets														
Cash			(170)	(45)	45				**(170)**	5	(35)	25	(25)	**(200)**
DOE Receivable-Current					5	25			**30**	(5)		(25)		**-**
DOE Receivable-Noncurrent								175	**175**					**175**
Net Pension Asset														**-**
														-
Liabilities														
Net Pension Obligation	(1,500)	(250)	200	50			25		**(1,475)**					**(1,475)**
OPEB Obligation														**-**
Payable to UCRP			(30)	(5)			(25)		**(60)**		35		25	**-**
DOE Lab Liabilities														**-**
Deferred Revenue-DOE									**-**					**-**
Payable to Healthcare Vendors														**-**
														-
Net Assets														
Fund Balance-DOE		250			(50)	(25)		(175)	**-**					**-**
Fund Balance UC	1,500								**1,500**					**1,500**
														-
Operating Revenue														
DOE Lab Revenue					(50)	(25)		(175)	**(250)**					**(250)**
Other Operating Revenue														**-**
														-
Operating Expenses														
DOE Lab Expenses		250							**250**					**250**
OPEB ARC														**-**
UC Pension APC	1,500								**1,500**					**1,500**
Other Operating Expense														**-**
														-
Nonoperating Revenue (Expense)														
Nonoperating Revenue-DOE														**-**
Nonoperating Expense-DOE														**-**
														-
(Increase) Decrease in Net Assets	**1,500**	**250**	**-**	**-**	**(50)**	**(25)**	**-**	**(175)**	**1,500**			**-**	**-**	**1,500**
	(1)	(1)	(2)	(2)	(2)	(3)	(3)							

(1) Based upon the actuarial valuation at the beginning of the year that corresponds to the fiscal year.
(2) Based upon the assessments approved by The Regents, plus service credit buybacks.
(3) Based upon the LLNL and LANL actuarial valuations at the beginning of the year that corresponds to the fiscal year. Receivable is paid 8 months after the end of the fiscal year.

APPENDIX 2: "Addendum Reports"

UC Pensions
Example of GASB Statement No. 27 Calculations Under Proposed Method
For Year Beginning July 1, 2006
$ in Millions

	Overall UCRP	Individual Laboratory Segments: LANL	Individual Laboratory Segments: LLNL	Individual Laboratory Segments: LBNL	Combined Laboratory Segment	"UC" Non-Laboratory Segment
Funded Ratio-Actuarial Basis	104%	95%	98%	127%	100%	106%
Recommended Contributions	$ -	$ -	$ -	$ -	$ -	$ -
Actuarial value of assets (AVA)	$ 41,972	$ 4,280	$ 4,687	$ 1,524	$ 10,491	$ 31,481
Actuarial accrued liability (AAL)	$ 40,302	$ 4,522	$ 4,760	$ 1,196	$ 10,478	$ 29,824
Unfunded (overfunded) on a actuarial asset basis (UAAL)	$ (1,670)	$ 242	$ 73	$ (328)	$ (13)	$ (1,657)
Normal Cost (NC)	$ 1,305	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$ 1,070
Amortization Period for UAAL	1.29 Years	Not Applicable	Not Applicable	Not Applicable	Not Applicable	1.56 Years
Amortization of UAAL	$ (1,305)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$ (1,070)
Annual Required Contribution (ARC) equals NC plus Amort of UAAL	$ -	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$ -
Interest on Net Pension Obligation (NPO)	$ -	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$ -
Adjustment to ARC	$ -	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$ -
Annual Pension Cost (APC) equals ARC + Interest on NPO + adjustment to ARC	$ -	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$ -
Contributions Made	$ -	$ -	$ -	$ -	$ -	$ -
Increase/(decrease) in NPO equals APC minus Contributions	$ -	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$ -
NPO at beginning of year (BOY)	$ -	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$ -
NPO at end of year		Not Applicable	Not Applicable	Not Applicable	Not Applicable	
equals NPO at BOY plus increase/(decrease) in NPO	$ -	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$ -

APPENDIX 2: "Addendum Reports"

UC Pensions
Example of GASB Statement No. 27 Calculations Under Proposed Method
For Year Beginning July 1, XXXX
$ in Millions

	Overall UCRP	Individual Laboratory Segments: LANL	Individual Laboratory Segments: LLNL	Individual Laboratory Segments: LBNL	Combined Laboratory Segment	"UC" Non-Laboratory Segment
Funded Ratio-Actuarial Basis	96%	107%	98%	123%	105%	94%
Recommended Contributions	$ -	$ -	$ -	$ -	$ -	$ -
Actuarial value of assets (AVA)	$ 45,000	$ 3,100	$ 4,500	$ 1,600	$ 9,200	$ 35,800
Actuarial accrued liability (AAL)	$ 47,000	$ 2,900	$ 4,600	$ 1,300	$ 8,800	$ 38,200
Unfunded (overfunded) on a actuarial asset basis (UAAL)	$ 2,000	$ (200)	$ 100	$ (300)	$ (400)	$ 2,400
Normal Cost (NC)	$ 1,500	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$ 1,435
Amortization Period for UAAL	10 Years	Not Applicable	Not Applicable	Not Applicable	Not Applicable	16 Years
ignores interest for simplicity						
Amortization of UAAL	$ 200	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$ 150
Annual Required Contribution (ARC) equals NC plus Amort of UAAL	$ 1,700	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$ 1,585
Interest on Net Pension Obligation (NPO)	$ -	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$ -
Adjustment to ARC	$ -	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$ -
Annual Pension Cost (APC) equals ARC + Interest on NPO + adjustment to ARC	$ 1,700	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$ 1,585
Contributions Made	$ 1,700	$ -	$ 15	$ 100	$ 115	$ 1,585
Increase/(decrease) in NPO equals APC minus Contributions	$ -	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$ -
NPO at beginning of year (BOY)	$ -	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$ -
NPO at end of year		Not Applicable	Not Applicable	Not Applicable	Not Applicable	
equals NPO at BOY plus increase/(decrease) in NPO	$ -	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$ -