

Wisconsin Retirement System Reporting GASB No. 67 & 68 Accounting and Financial Reporting for Pensions

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Session Objectives

- Discusses concerns related to the implementation of GASB No. 67 and 68.
- Communicate what WRS is doing to address these concerns.
- Provide a status update for employer participating in WRS.

Cost-Sharing Multiple-Employer Plans the Concerns

Employer

- Where will I get the amounts and disclosures?
- Who is responsible for the accuracy and reliability of the information?
- Does this change the work for my auditors?

Plan

- Who will calculate the allocation percentages and allocated pension amounts?
- Are the employer's auditor going to be visiting the plan and perform procedures?
- How do we fund additional costs of providing the information to employers?

Auditor

- Is the employer or plan auditor responsible for auditing the collective pension amounts and their allocation to the participant employers?
- What is the plan auditor's responsibility to test census data at participating employers?

Cost-Sharing Multiple-Employer Plans

- Audit financial statements of the plan only include total net pension liability for the plan. They do not include:
 - Deferred outflows/inflows of resources by category
 - Pension expense
 - Each participating employer's share of collective pension amounts
- Standards do not provide requirements on who should calculate allocation percentages.
- Standard provides some flexibility in approach to determine allocations.
 - Allocation encouraged by standard is hard to audit as it is based on projected future contributions.

AICPA Proposed Recommendations

- Include supplemental “Schedule of Employer Allocations” in plan financial statements for which the plan’s auditor is engagement to provide an opinion.
- Use allocation method based on covered payroll or required (actual) contributions.
- Employer could calculate their allocation.

Example Schedule of Employer Allocations

EXAMPLE COST SHARING PENSION PLAN

Schedule of Employer Allocations

June 30, 2015

Employer/ Nonemployer (special funding situation)	2015 Actual Employer Contributions	Employer Allocation Percentage	
State of Example	\$ 2,143,842	38.9	%
Employer 1	268,425	4.9	
Employer 2	322,142	5.8	
Employer 3	483,255	8.8	
Employer 4	633,125	11.5	
Employer 5	144,288	2.6	
Employer 6	95,365	1.7	
Employer 7	94,238	1.7	
Employer 8	795,365	14.4	
Employer 9	267,468	4.9	
Employer 10	267,128	4.8	
 Total	 \$ <u>5,514,641</u>	 <u>100.0</u>	

AICPA Proposed Recommendations

- Include supplemental “Schedule of plan pension Amounts” in plan financial statements for which plan auditor engaged to provide opinion
 - Supplemental schedule of plan pension amounts include net pension liability, deferred outflows, deferred inflows, and pension expense for plan as a whole for which plan auditor is engaged to provide opinion
 - An alternative could be to include a “schedule of employer pension amounts”

Example Schedule of Employer Pension Amounts

EXAMPLE COST SHARING PENSION PLAN
Schedule of Pension Amounts
June 30, 2015

Employer/ Nonemployer (special funding situation)	Net Pension Liability	Deferred Outflow of Resources			Deferred Inflows of Resources				Pension Expense		
		Differences Between Expected and Actual Economic Experience	Differences Between Projected and Actual Investment Earnings	Changes of Assumptions	Changes in Employer Proportion and Differences Between Contributions and Proportionate Share of Pension Expense	Differences Between Expected and Actual Economic Experience	Differences Between Actual and Projected Investment Earnings	Changes of Assumptions	Changes in Employer Proportion and Differences Between Contributions and Proportionate Share of Pension Expense	Proportionate Share of Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Proportionate Share of Pension Expense
State of Example	\$ 38,589,135	428,768	2,058,088	1,500,690	782,365	380,371	1,063,285	-	584,365	1,878,717	12,375
Employer 1	4,831,647	53,685	257,688	187,898	96,633	47,625	133,131	-	125,325	235,229	(1,793)
Employer 2	5,798,553	64,428	309,256	225,499	115,971	57,156	159,773	-	245,386	282,303	(8,088)
Employer 3	8,698,585	96,651	463,925	338,279	173,972	85,742	239,681	-	125,632	423,492	3,021
Employer 4	11,396,244	126,625	607,800	443,188	227,925	112,332	314,012	-	386,325	554,828	(9,900)
Employer 5	2,597,183	28,858	138,516	101,002	51,944	25,600	71,563	-	42,358	126,444	599
Employer 6	1,716,569	19,073	91,550	66,756	34,331	16,920	47,298	-	24,325	83,571	625
Employer 7	1,696,283	18,848	90,468	65,967	33,926	16,720	46,739	-	125,325	82,584	(5,712)
Employer 8	14,316,562	159,073	763,550	556,756	286,486	141,118	394,478	-	152,005	697,004	8,405
Employer 9	4,814,421	53,494	256,769	187,228	68,325	47,456	132,657	-	87,325	234,391	(1,188)
Employer 10	4,808,301	53,426	256,443	186,990	67,528	47,395	132,488	-	41,035	234,093	1,656
Total	\$ 99,263,485	1,102,928	5,294,055	3,860,249	1,939,406	978,435	2,735,105	-	1,939,406	4,832,655	-

Other Recommendations and Observations

- Plans should engage auditors in discussion regarding both management and auditor's responsibility for verifying accuracy and completeness of census data
 - Likely will result in significant incremental effort to test at participating employers

Reliability of Data Provided to the Plan and its Actuary

- Plan controls census data for retired and inactive employees
- Employer controls census data for active employees
- How does the auditor community know the plans data is good....
 - SOC 1 (Type 2) on census data controlled by the plan
 - User controls for the employers for active employees
 - AUP by the plan covering census data
 - Attestation on census data provide to the plan



Questions?



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