



Pension Accounting and What Does it Mean

David Maccoux, CPA, Shareholder

Schenck 

Agenda

- ▶ Overview of pension standards
 - Amendments to Standards due to implementation challenges
- ▶ Wisconsin Retirement System
- ▶ 2015 WRS Implementation Challenges
- ▶ 2016 Financial Statement Impact

Pension Standards

- ▶ GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*
 - Effective for years beginning after June 15, 2013
- ▶ GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*
 - Effective for years beginning after June 15, 2014
- ▶ GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*
 - Effective with GASB Statement No. 68

Pension Standards (Continued)

- ▶ *GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
 - Effective for years beginning after June 15, 2015 (GASB 68 scope) and after June 15, 2016 (pension plans not within scope of GASB 68)
- ▶ *GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
 - Effective for years beginning after December 15, 2015
- ▶ *GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*

Wisconsin Retirement System (WRS)

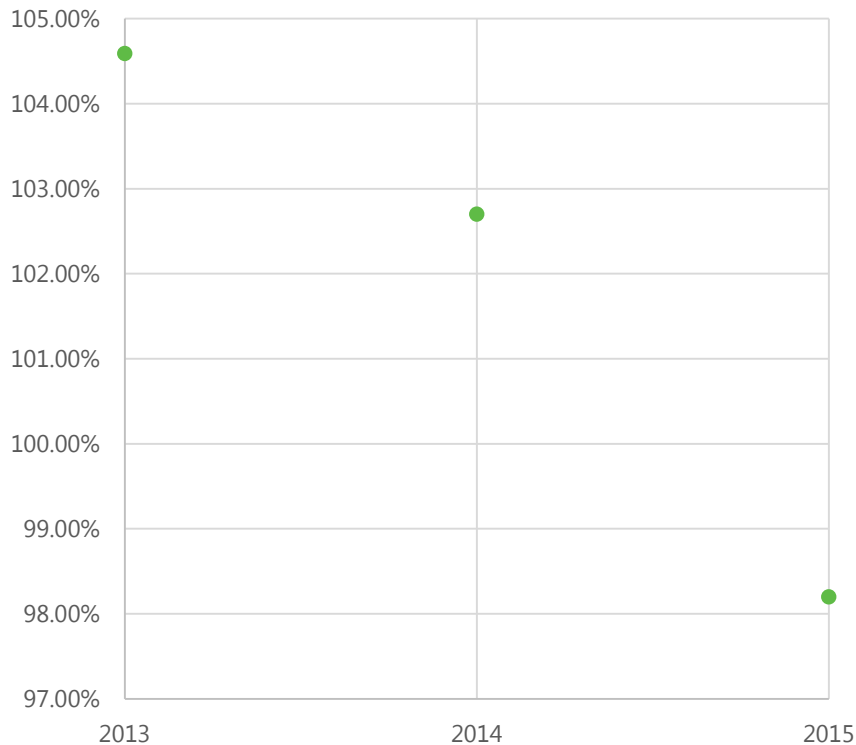
- ▶ *Defined benefit* pension. Identifies benefits provided to the employees after the end of their employment.
- ▶ A *cost-sharing multiple-employer plan* is one in which the participating government employers pool their assets and their obligations to provide defined benefit pensions—meaning that plan assets can be used to pay the pensions of the retirees of any participating employer.
- ▶ Each participating cost-sharing government will report its proportionate share of cumulative net pension asset (liability) in their own accrual accounting-based financial statements.

2015 Implementation Challenges

- ▶ Report period used
- ▶ Governmental/proprietary fund allocations
 - Impact of proportionate share
 - Allocation basis
- ▶ Regulatory challenges
 - Public Service Commission (Annual report)
 - WI DOT (County highway reporting)
- ▶ Role of the Legislative Audit Bureau
 - LAB scope of effort
 - Actuarial valuation of WRS System
- ▶ Census data

WRS Funding Status

Plan Fiduciary Net Position as a Percentage of Covered Employee Payroll



- ▶ GASB 68 implemented (2013)
 - Cumulative adjustment when WRS well funded
- ▶ 2014
 - Reduction of pension asset
 - Deferred outflows created
- ▶ 2015
 - Pension liability
 - Significant changes in deferred outflows/inflows
 - Future year

WRS Pension Expense

PENSION EXPENSE UNDER GASB STATEMENT NO. 68 FISCAL YEAR ENDED DECEMBER 31, 2015

A. Expense

1. Service Cost	\$	1,787,870,316
2. Interest on the Total Pension Liability		6,347,123,575
3. Current-Period Benefit Changes		0
4. Employee Contributions (made negative for addition here)		(937,225,184)
5. Projected Earnings on Plan Investments (made negative for addition here)		(6,527,684,328)
6. Pension Plan Administrative Expense		22,708,614
7. Other Changes in Plan Fiduciary Net Position		0
8. Recognition of Outflow (Inflow) of Resources due to Liabilities		(471,268,075)
9. Recognition of Outflow (Inflow) of Resources due to Assets		1,737,658,087
10. Total Pension Expense	\$	1,959,183,005

2016 Financial Statement Impact

- ▶ WRS's 2015 data
 - WRS pension expense and your proportionate share
 - Basis for your 2016 financial statements
 - “Unaudited” at present time
 - Actuarial valuation finalized
 - Introduces volatility within your accrual basis financial statements
 - Impact of deferred outflows/inflows of resources
- ▶ Financial statement reader perspective
- ▶ Model Journal Entries
 - What can you do?
 - Walkthrough journal entries for 2016 financial statements





THANK YOU!

David L. Maccoux, CPA

Shareholder, Schenck SC

Office: 920-455-4114

E-mail: David.Maccoux@schencksc.com

Schenck 