



Employer *Bulletin*

Employer Communication Center 608-266-3285

Toll free: 1-877-533-5020

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New GASB Pension Reporting Requirements to Affect Employers in 2015

The Governmental Accounting Standards Board (GASB) issued two new financial reporting standards in 2012. The new standards (GASB 67 and 68) change the way governmental pension plans and their participating employers account for and report pension liabilities and expenses in their financial statements. GASB 68 requirements apply to various types of governmental pension plans, including cost-sharing multiple-employer plans like the Wisconsin Retirement System.

The objectives and intent of the new standards are to:

- Improve accounting and financial reporting by state and local governments for pensions.
- Enhance the transparency of pension-related information in financial reports of governmental employers.
- Increase consistency and improve accountability.
- Standardize actuarial valuation practices.

[Read the new GASB 68 standard.](#)

[Read the GASB implementation guide for employers.](#)

GASB 67 — Affects the WRS

GASB 67 amends previous standards to improve the reporting by state and local governmental pension plans, such as the WRS. These changes will apply to the State of Wisconsin Department of Employee Trust Funds' Comprehensive Annual Financial Report (CAFR) beginning with the year ending December 31, 2014.

GASB 68 — Affects WRS Employers

GASB 68 establishes accounting and financial reporting requirements related to pensions for governmental employers whose employees are provided pensions from pension plans covered by GASB 67 (such as the WRS, a cost-sharing multiple-employer plan). GASB 68 establishes standards for measuring and recognizing pension liabilities, pension expense and deferred inflows/outflows of resources. These standards must be applied to employer financial reports in fiscal years beginning after June 15, 2014. For most WRS employers, this will be the year ending June 30, 2015, and later.

Contribution rates and funding requirements are not affected by GASB 68.

How GASB 68 Affects Employers

Effective: Fiscal year ending June 30, 2015 and later

Replaces: GASB 27

Primary consequence: WRS employers must report their proportionate share of the WRS's net pension liability and annual pension expense in their financial statements. Employers will also be required to disclose additional information regarding the pension plan.

New Requirements

The WRS is a cost-sharing multiple-employer plan. All WRS employers who prepare published financial statements on an accrual basis using generally accepted accounting principles (GAAP) are required to adhere to the standards of GASB 68.

GASB 68 will require employers to include a proportionate share of WRS's net pension liability and annual pension expense in their financial statements for fiscal years ending June 30, 2015, and later. Employers will also be required to add extensive disclosures in the notes to their financial statements.

Historically, GASB viewed an unfunded pension obligation as a future liability rather than as an existing one, allowing information about the total liability to be disclosed in required supplemental information. A shift to an accounting-based approach from a funding-based approach will now require employers to report their share of the unfunded liability of the entire pension plan on their balance sheets.

The employer's proportionate share of the net pension liability, pension expense and deferred inflows/outflows may result in a significant effect on employer financial statements. However, the new standards only affect financial reporting—they do not affect the amount employers are required to contribute under Wisconsin law. Employers will continue to pay contribution rates as determined by state statutes.

Implementation

ETF will prepare and provide an employer allocation schedule with Net Pension Liability, Pension Expense and Deferred Inflows/Outflows to assist employers with the preparation of their financial statements. Sample schedules with hypothetical data are provided in this bulletin for your reference. *Note: Do not use these schedules to prepare your financial statements.* Actual required schedules with valid data, along with required disclosures, will be available on ETF's website by July 31, 2015.

Understand that compliance with GASB 68 will require additional effort on the part of everyone involved; ETF staff and all WRS employers. It will also require coordination with the external auditors of both the WRS and of WRS employers. We are committed to helping all of our employers understand and implement these standards, as well as communicating the information necessary for employer financial reporting.

Please feel free to email us as we progress through this implementation. A frequently asked questions section is included with this bulletin and will be available soon on our website to answer initial questions. Check online frequently for new frequently asked questions because new information and questions will be added as they become available.

You may also need to contact your independent auditor or accountant to discuss the affect these changes will have on your internal accounting processes and annual audit.

Over the next few months watch for additional GASB-related information from ETF, including website postings, *Employer Bulletins* and other targeted communications.

Frequently Asked Questions

GASB Statement No. 68-Accounting & Financial Reporting for Pensions

Q: Who is affected by GASB Statement No. 68?

A: GASB Statement No. 68 directly affects those employers who prepare financial statements using Generally Accepted Accounting Principles (GAAP). Additionally, any employer may be affected by an audit of their payroll and census (birthday, gender, etc.) data by the Legislative Audit Bureau (WRS's auditor), regardless of their basis of accounting.

Q: When is GASB Statement No. 68 effective?

A: GASB Statement No. 68 becomes effective for fiscal years beginning after June 15, 2014 and is an amendment to GASB Statement No. 27. For most employers the requirements of GASB Statement No. 68 will be effective for fiscal years ending June 30, 2015 or December 31, 2015.

Q: Will GASB Statement No. 68 cause contribution rates to increase?

A: No. GASB Statement No. 68 does not impact the funding policies of pension plans.

Q: What are the primary requirements of GASB Statement No. 68?

A: GASB Statement No. 68 significantly changes the accounting and financial reporting regarding pension plans for GAAP basis employers. Some of the primary changes impacting GAAP basis employers are:

- Employers are required to record their proportionate share of the net pension liability or asset in their financial statements.
- Changes the calculation of the pension expense to be reported by employers and requires the recording of deferred inflows and outflows of resources in their financial statements.
- Replaces many of the current note disclosures and required supplementary information to be provided in employer financial statements.

Q: How are employers to obtain the required information to be reported?

A: The Department of Employee Trust Funds will prepare employer schedules of allocations and amounts, which will provide the information required for financial reporting. The WRS will post the schedules on our website. More details on how the employer schedules of allocations and amounts will be made available will be communicated in the near future.

Q: How is the employer net pension liability (NPL) determined?

A: WRS will calculate the net pension liability based on an actuarial valuation as of the end of each calendar year (December 31). An actuarial valuation of future benefits payable to current active and retired employees for past periods of service will be discounted using a blended discount rate. The net pension liability is the difference between the actuarially determined value of future benefits and WRS's fiduciary net position (net assets).

Q: When will the data for employer financial statements be available from WRS for employers' with fiscal years ending June 30, 2015?

A: For the initial implementation, information based on a December 31, 2014 measurement date will be available from WRS approximately July 31, 2015. In future years, information should be available approximately six to eight months after the measurement date.

Q: Will the testing of payroll and census data required by the recent AICPA Whitepaper have any impact on employers? (see the [AICPA Whitepaper](#))

A: Potentially, yes. The Legislative Audit Bureau (WRS' auditors) will select a sample of employers from each defined benefit plan to test the payroll and census data provided by employers to WRS. Employers could be contacted by the Legislative Audit Bureau to assist with the audits of their census data in December of this year.

Q: Where can employers obtain information about GASB Statement No. 68 and its implementation?

A: Read GASB's [implementation toolkit for governments](#).

Q: Who do I contact if I have questions?

A: Please contact Daniel Gopalan, with the Wisconsin Department of Employee Trust Funds, at daniel.gopalan@etf.wi.gov or call 608-261-0735.

Sample Schedule of Employer Allocations

Wisconsin Retirement System Schedule of Employer Allocations As of December 31, 20xx			
<u>Employer Name</u>	<u>Employer Number</u>	<u>Actual Employer Contributions</u>	<u>Employer Allocation Percentage</u>
City A	1	1,500,000.00	0.78947368421%
City B	2	1,000,000.00	0.52631578947%
County A	3	2,000,000.00	1.05263157895%
County B	4	3,000,000.00	1.57894736842%
School District 1	5	1,100,000.00	0.57894736842%
...	
...	
...	
<u>Employer 1497</u>	<u>1497</u>	<u>500,000.00</u>	<u>0.26315789474%</u>
Total		<u>190,000,000.00</u>	<u>100.00000000000%</u>

*** For reference only. Employers will receive actual schedules with valid data from ETF ***

Sample Schedule of Pension Amounts

*** For reference only. Employers will receive actual schedules with valid data from ETF ***

Deferred Outflows of Resources

Employer Name	Employer Number	Net Pension Liability	Difference Between Expected and Actual Experiences	Net difference between Projected and Actual Investments Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources
Employer 1	1	393,600,000	13,120,000	65,600,000	26,240,000	19,680,000	124,640,000
Employer 2	2	157,500,000	5,250,000	26,250,000	10,500,000	11,550,000	53,550,000
Employer 3	3	502,200,000	16,740,000	83,700,000	33,480,000	36,828,000	170,748,000
Employer 4	4	752,400,000	25,080,000	125,400,000	50,160,000	37,620,000	238,260,000
Employer 5	5	939,300,000	31,310,000	156,550,000	62,620,000	68,882,000	319,362,000
Employer 6	6	25,200,000	840,000	4,200,000	1,680,000	1,260,000	7,980,000
Employer 7	7	19,800,000	660,000	3,300,000	1,320,000	990,000	6,270,000
Employer 8	8	20,400,000	680,000	3,400,000	1,360,000	1,020,000	6,460,000
Employer 9	9	1,112,700,000	3,709,000	185,450,000	74,180,000	55,635,000	318,974,000
Employer 10	10	141,300,000	4,710,000	23,550,000	9,420,000	10,362,000	48,042,000
Employer 11	11	317,100,000	10,570,000	52,850,000	21,140,000	15,855,000	100,415,000
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...							
...							
Employer 1497	1497	1,200,000	40,000	200,000	80,000	60,000	380,000
Total for All Employers		30,000,000,000	1,000,000,000	5,000,000,000	2,000,000,000	1,250,000,000	9,250,000,000

Deferred Inflows of Resources

Employer Name	Employer Number	Net Pension Liability	Differences between Expected and Actual Experiences	Changes of Assumptions	Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources
Employer 1	1	393,600,000	12,464,000	1,312,000	28,864,000	42,640,000
Employer 2	2	157,500,000	4,987,500	525,000	7,750,000	13,262,500
Employer 3	3	502,200,000	15,903,000	1,674,000	25,110,000	42,687,000
Employer 4	4	752,400,000	23,826,000	2,508,000	55,176,000	81,510,000
Employer 5	5	939,300,000	29,744,500	3,131,000	46,965,000	79,840,500
Employer 6	6	25,200,000	798,000	84,000	1,848,000	2,730,000
Employer 7	7	19,800,000	627,000	66,000	1,452,000	2,145,000
Employer 8	8	20,400,000	646,000	68,000	1,496,000	2,210,000
Employer 9	9	1,112,700,000	35,235,500	3,709,000	81,598,000	120,542,500
Employer 10	10	141,300,000	4,474,500	471,000	7,065,000	12,010,500
Employer 11	11	317,100,000	10,041,500	1,057,000	23,254,000	34,352,500
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...						
...						
Employer 1497	1497	1,200,000	38,000	4,000	88,000	130,000
			950,000,000	100,000,000	21,000,000,000	22,050,000,000

Pension Expense

Employer Name	Employer Number	Net Pension Liability	Proportionate Share of Plan Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Employer Pension Expense
Employer 1	1	393,600,000	52,480,000	39,360	52,519,360
Employer 2	2	157,500,000	21,000,000	(15,750)	20,984,250
Employer 3	3	502,200,000	66,960,000	50,220	67,010,220
Employer 4	4	752,400,000	10,032,000	75,240	10,107,240
Employer 5	5	939,300,000	125,240,000	(93,930)	125,146,070
Employer 6	6	25,200,000	3,636,000	2,520	3,638,520
Employer 7	7	19,800,000	2,640,000	1,980	2,641,980
Employer 8	8	20,400,000	2,720,000	2,040	2,722,040
Employer 9	9	1,112,700,000	148,360,000	111,270	148,471,270
Employer 10	10	141,300,000	18,840,000	(14,130)	18,825,870
Employer 11	11	317,100,000	42,280,000	31,710	42,311,710
...					
...					
...					
Employer 1497	1497	1,200,000	160,000	120	160,120
			4,000,000,000		4,000,000,000

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This *Employer Bulletin* is published by the Wisconsin Department of Employee Trust Funds. Questions should be directed to contact persons listed in the *Bulletin*. Employer agents may copy this *Bulletin* for further distribution to other payroll offices, subunits or individuals who may need the information. Copies of the most recent *Employer Bulletins* are available at etf.wi.gov/employers.htm