



# Washington State Auditor's Office

Troy Kelley

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## **GASB 68 – New Pension Standards**

# Presenters

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# Agenda

- **Background** – Why are we required to do testing?
- **Coordination and Timeline** – Who gets selected for testing?
- **Testing** – What significant areas are we testing at SAO?
- **Lessons Learned**
- **Questions/Answers Period**

## Why are we required to do any testing?

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* – for fiscal years ending June 30, 2014 and after. Replaces statement 27.

## What has changed?

- **Employer Reporting Information** – The net pension liability NPL (previously Unfunded Actuarial Accrued Liability) will be reported in the financial statements. Cost-sharing employers will report their proportionate share of the net pension liability and pension expense in their financial statements.

# Background

## Sample Schedule of Employer Allocations

EXAMPLE COST SHARING PENSION PLAN  
Schedule of Employer Allocations  
6/30/20X5

Employer	20X5 Actual Employer Contributions	Employer Allocation Percentage
Employer 1	\$ 2,143,842	36.376 %
Employer 2	268,425	4.554
Employer 3	322,142	5.466
Employer 4	483,255	8.199
Employer 5	633,125	10.742
Employer 6	144,288	2.448
Employer 7	95,365	1.618
Employer 8	94,238	1.599
Employer 9	795,365	13.495
Employer 10	267,468	4.538
Employer 11	403,527	6.847
Employer 12	165,886	2.815
Employer 13	68,454	1.161
Employer 14	6,240	0.106
Employer 15	2,144	0.036
Total	\$ 5,893,764	100.000 %

# Background

## Sample Schedule of Collective Pension Amounts

**EXAMPLE COST SHARING PENSION PLAN**  
 Schedule of Collective Pension Amounts  
 As of and for the year ended 6/30/20X5

Net Pension Liability	Deferred Outflows of Resources			Deferred Inflows of Resources			Plan Pension Expense	
	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Total Deferred Outflows of Excluding Employer Specific Amounts *	Differences Between Expected and Actual Experience	Changes of Assumptions		Total Deferred Inflows of Excluding Employer Specific Amounts *
\$ 124,325,432	1,206,453	4,315,618	3,860,263	9,382,324	978,435	-	978,435	5,243,245

# Background

## Census Data

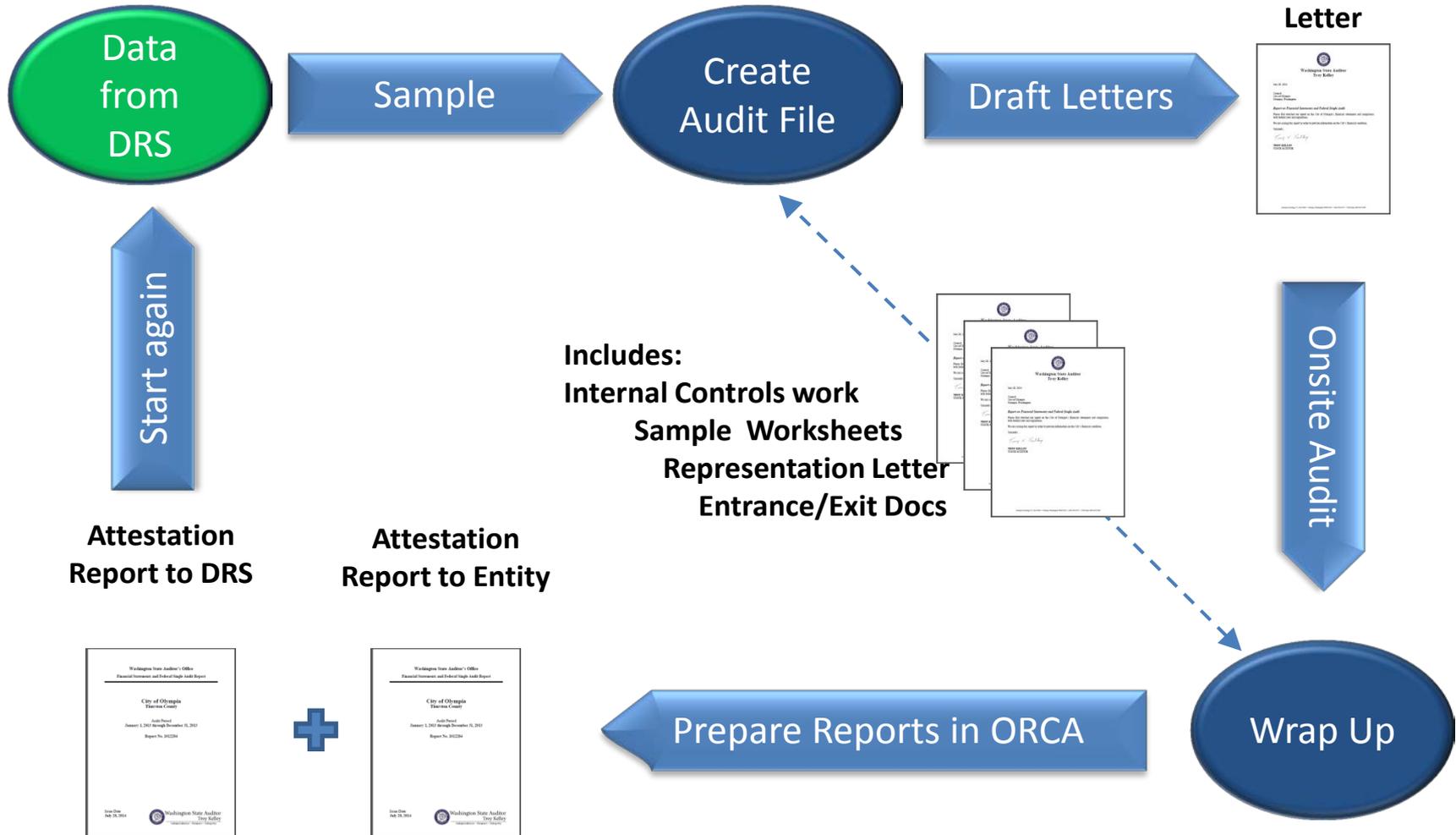
- The amount of the pension liability is dependent on the completeness and accuracy of the underlying census data provided to the actuary. This data must be audited.

## Who will audit census data?

- Plan auditor (CliftonLarsenAllen, CPAs) will render opinion on schedules. Not practical for them to perform site visits.
- SAO will test census data at the individual employer level and report to plan auditor – attestation report.
- SAO will issue 79 individual attestation reports for each entity selected in the sample for testing.

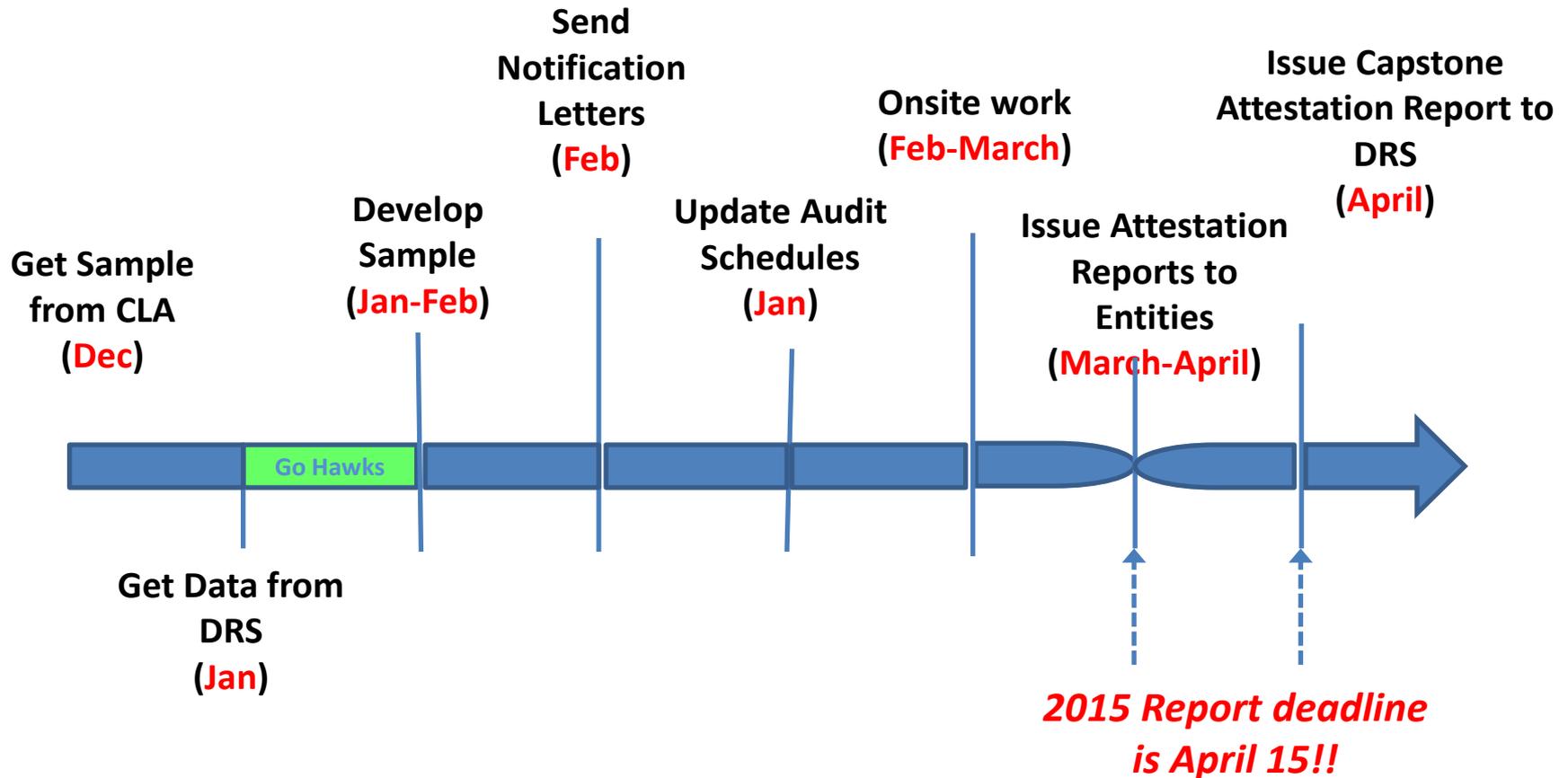
# Coordination and Timeline

## Testing Model



# Coordination and Timeline

## Census Data Testing Timeline



# Testing

## ■ Attestation Scope

- Our current testing covers the period beginning July 1, 2012 and ending June 30, 2013. We are testing the following management assertions:
  - Wages and contributions provided to the Department of Retirement Systems for the period ended June 30, 2013 included all enrolled employees and were calculated using wages considered pensionable in accordance with State statutes.
  - All employees required to be enrolled in the plans as of June 30, 2013 were properly enrolled.
  - The total payroll and employee and employer contribution information reported to the Department of Retirement Systems for the period ended June 30, 2013 agrees with the payroll records of the employer.

# Selected for Testing – phase 1

- Bainbridge Island Fire Department
- Bellevue College
- Benton County
- Blaine School District No. 503
- Burlington-Edison School District No. 100
- Central King County
- Central Kitsap Fire & Rescue
- Central Kitsap School District No. 401
- City of Arlington
- City of Camas
- City of East Wenatchee
- City of Hoquiam
- City of Issaquah
- City of Lacey
- City of Leavenworth
- City of Lynnwood
- City of Monroe
- City of Mount Vernon
- City of Olympia
- City of Orting
- City of Seattle
- City of Tukwila
- City of University Place
- City of Wapato
- City of Woodland
- Cle Elum-Roslyn School District No. 404
- Department of Fish and Wildlife
- Department of Health
- Department of Natural Resources
- Department of Retirement Systems
- Department of Social and Health Services - Lakeland Village
- Department of Social and Health Services - Region 02
- Department of Social and Health Services - Region 05 D
- East Wenatchee Water District
- Eatonville School District No. 404
- Educational Service District No. 105
- Ferry County Public Utility District No 1
- Finley School District No. 53
- Grand Coulee Dam School District No. 301
- Green River Community College
- Issaquah School District No. 411
- Kent School District No. 415
- King County
- Kitsap Rural Library District
- Lake Whatcom Water and Sewer District
- Lakewood School District No. 306
- Lakewood Water District
- Mason County Public Transportation Benefit Area
- Mukilteo Water and Wastewater District
- Newport Consolidated Joint School District No. 56-415.
- Okanogan School District No. 105
- Olympic College
- Peninsula Housing Authority
- Pioneer School District No. 402
- Port of Edmonds
- Port of Port Townsend
- Port of Tacoma
- Prosser School District No. 116
- Public Utility District No. 1 of Benton County
- Public Utility District No. 1 of Chelan County
- Public Utility District No. 1 of Clark County
- Public Utility District No. 1 of Kitsap County
- Renton School District No. 403
- Royal School District No. 160
- Seattle School District No. 1
- Snohomish County Fire Protection District No. 3
- South Puget Sound Community College
- Spokane Airports
- Spokane Transit Authority
- State Lottery Commission
- Sultan School District No. 311
- Supreme Court
- Thurston County
- Thurston County Housing Authority
- Castle Rock School District No. 401
- Valley Regional Fire Authority
- Warden School District No. 146-161
- Whitman County
- Zillah School District No. 205

# Lessons Learned

- **Lessons learned during first GASB 68 audits?**
  - Be prepared before the auditors arrive with a file for the employees selected already pulled.
  - Organization is key.
  - Be sure to review plan eligibility requirements on DRS's website prior to audit.
  - Dates are important especially if they have an effect on service credit.
  - Have an independent review of data submitted to DRS.
  - Be sure to double check hire dates, dates of birth, and other items that may effect eligibility (these are items with common issues with data submission)
  - Commissioners/Board member rules
  - Retire/Rehire

# DRS Website

- ❑ DRS's website is a great resource to use
- ❑ Use the site to determine eligibility for plan members
- ❑ Use the DRS handbook online

[DRS Website](#)



## New GASB Standards

In June 2012, the Governmental Accounting Standards Board (GASB) issued new standards for pension accounting and reporting - standards that will significantly change the way state and local governments calculate and report the costs and obligations associated with providing pension benefits for their employees.

The new standards are being implemented in two phases. Statement 67, which addresses financial reporting for pension plans, was implemented by the Department of Retirement Systems for its fiscal year ending June 30, 2014.

Statement 68 establishes new accounting and financial reporting requirements for government employers that prepare GAAP-compliant financial statements. Statement 68 is effective for fiscal years beginning after June 15, 2014.

Included in Statement 68 is the requirement that employers recognize their proportionate share of any unfunded pension obligation (also called the "net pension liability") as a balance sheet liability in their financial statements. In addition, employers will be required to recognize certain pension expenses immediately rather than extending them over a period of time.

Implementation of the new standards is especially complex here in Washington given the number of pension plans administered by the state and the large number of employers participating in each plan. With that in mind, DRS has compiled resource links (on the right of this page) to assist employers in implementing these new requirements.

We encourage you to review these resources, particularly those from GASB, and to discuss the new reporting requirements with your auditors.

## Frequently Asked Questions

To assist employers in understanding and implementing the new standards, DRS is compiling a list of [frequently asked questions](#). If you have any questions you would like to submit for consideration, please contact DRS Employer Support Services by emailing [employersupport@drs.wa.gov](mailto:employersupport@drs.wa.gov) or by calling 360-664-7200 (in the Olympia area) or toll-free 800-547-6657.

## From DRS

- » [Overview/Home](#)
- » [Frequently Asked Questions](#)

## From GASB

- » [Standards Overview](#)
- » [Statement 67: Financial Reporting for Pension Plans](#)
- » [Statement 67: Implementation Guide](#)
- » [Statement 68: Accounting and Financial Reporting for Pensions](#)
- » [Statement 68: Implementation Guide](#)
- » [Statement 68: Podcasts and Fact Sheets](#)

## AICPA

- » [Cost-Sharing Multiple-Employer Plan Reporting](#)
- » [Testing Census Data](#)

## Messaging Resources

- » [New Pension Standards: Books, Budgets and Bonds \(NCSL\)](#)
- » [Understanding New Pension Funding Guidelines and Calculations \(NCSL\)](#)
- » [Pension Funding: A Guide for Elected Officials \(NACO\)](#)
- » [Measuring Pension Obligations \(actuary.org\)](#)

# Question and Answer Period

- Q&A

# State Audit Updates

- Leadership changes
  - New Deputy Director of State Audit, Troy Niemeyer, effective March 16, 2015
  - New Director of Operations, Jan Jutte, effective April 1, 2015
  - New Audit Manager for the Statewide Technology Audit Team (STAT), Sandra Groshong, effective April 1, 2015
- State CAFR – planning is underway
- SWSA/Medicaid – exits and wrap up
- Statewide IT Risk Assessment – update