Texas Municipal Retirement System

Bob Scott
Chief Finance Officer
City of Carrollton

Rhonda Covarrubias
Director of Finance, TMRS

Ariel Chou
Actuarial Analyst, TMRS

Update on GASB
Overview – Following GASB Guidance
GASB Resources for Employers

• GASB issued new pension standards (GASB 68) in June 2012

• First TMRS cities to implement were those with June 30, 2015 fiscal year-ends

• All TMRS cities have had at least one year of GASB 68 implementation
Keys for Success

• One or two individuals should be responsible for the program
• Those individuals should have
  – A clear mandate
  – Adequate time
  – Adequate resources
  – Adequate training
• Periodic top management follow-up
Continuing Communications

• Numerous players: TMRS, GRS, KPMG, city perspective (Bob Scott)

• Determine avenues of information distribution
  • TMRS E-Bulletin — normally goes out after TMRS Board meetings
  • TMRS website — particularly “Eye on GASB” page
  • TMRS City Portal — Requires log-in; secure site for providing confidential info
Key Planning Considerations

• Intra-Entity Allocations
  • How many accounting units need an allocation?
  • Streamline or complex?

• Timing
  • Most work can be done before FY end
  • Journal entries cannot be complete until final Form TMRS-3 of the FY is complete.

• Contributions per TMRS must tie to Employer
  • Don’t forget to back out Supplemental Death contributions

• Harmonize entries to produce same answer as TMRS reporting package

• Support pension numbers with the Due Diligence Program
Goals for Due Diligence

• Adequate Funding of the Plan
  • View TMRS’ actuarially determined employer contribution (ADEC) as a minimum, not a maximum
  • Develop strategies that fit the organization

• Full and Fair Reporting of All Pension Numbers
  • In compliance with GAAP
  • Full and adequate disclosure
  • Understandable to the intended audience
Basic Elements of Due Diligence

- **M**onitoring
  Be familiar with TMRS in general and your plan in particular

- **I**nternal Controls
  Quality of controls over onboarding and payroll, and have they been documented to show how they support the numbers in the TMRS reports?

- **K**icking the Tires
  Actually reading what you are sent, tying a few numbers, and asking yourself, “Does this make sense?”

- **E**xplaining the Numbers
  Know your audience, including existing perceptions, and keep it simple
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2016 Annual Training Seminar
September 7-9, 2016 • Sheraton Austin at the Capitol

New Pension Pronouncements
GASB 73 – Amendments to Statements 67 & 68

• Most of GASB 73 applies to non-trusted pension plans
• Amendments clarify application of certain provisions of Statements 67 and 68
  – Information required to be presented as notes to the 10-year schedules of RSI about investment-related factors that significantly affect trends in reported amounts
  – Accounting and financial reporting for separately financed specific liabilities of individual employers and non-employer contributing entities
  – Timing of employer recognition of revenue for support of non-employer contributing entities not in a special funding situation

Effective for June 30, 2016 year-ends
Retroactively apply by restating all periods presented
GASB 82 – Pension Issues

• Objective
  – Address specific pension issues identified during the implementation of the new pension standards, specifically:
    • Presentation of payroll related measures in required supplementary information
    • Selection of assumptions and treatment of deviations from guidance in Actuarial Standards of Practice for financial reporting purposes
    • Classification of payments made by employers to satisfy employee contribution requirements

Effective for June 30, 2017 year-ends
GASB 82 – Pension Issues – RSI

• Schedule of Changes in Net Pension Liability and Related Ratios
  – Covered payroll is payroll measure that should be presented in the ratios
  – Covered payroll is the payroll on which contributions to a pension plan are based
  – Applies to plan (GASB 67) and employer (GASB 68) disclosures
GASB 82 – Pension Issues – Assumptions and Employer-Paid Member Contributions

• Selection of Assumptions
  – A deviation from Actuarial Standards of Practice in selecting assumptions to measure total pension liability is not considered to be in conformity with Statement 67, 68 or 73
  – A deviation is defined in Actuarial Standards of Practice

• Employer-paid Member Contributions
  – Member contributions should be classified as such according to plan terms
    • Present as member contributions in plan financial statements
    • Considered employee contributions for purposes of GASB 68, including in determining an employer’s proportionate share of net pension liability
GASB 74 & 75 for OPEB

OPEB = Other Postemployment Benefits

• These closely mirror GASB 67 and 68

  Statement 74 – the Plan (TMRS)
  • Effective for TMRS fiscal year ending 12/31/2017

  Statement 75 – the Employer (cities)
  • Effective for fiscal years beginning after 6/15/2017

✓ First cities to implement would be fiscal years ending 6/30/2018
Administered through a trust:

- Contributions to the plan and earnings on those contributions are irrevocable
- Dedicated to providing OPEB in accordance with benefit terms
- Legally protected from creditors of employers, plan administrator and plan members

GASB 74 & 75 for OPEB
• TMRS provides two primary OPEBs
  – Disability
  – Supplemental Death Benefit
• Disability is accounted for in the pension trust fund, and there is no requirement to account for it separately from pensions.
• Supplemental Death is in its own trust fund and therefore qualifies for separate accounting.
Accounting Requirements

- At 12/31/2015:
  - $21 million of Fiduciary Net Position
  - Total Actuarially Accrued Liability of $155 million
- 740 TMRS cities provide retiree coverage
  - Average unfunded AAL of $180,000 per participating city
- TMRS is currently evaluating the application of 74/75 with its auditor and GASB.
- In a cost-sharing arrangement, TMRS would need to
  - Perform a GASB 74/75 valuation to determine the total OPEB liability
  - Prepare GASB 74-compliant financial statements to determine fiduciary net position
  - Each participant would receive a proportionate share of the collective Net OPEB liability
Audit Requirements

• In a cost-sharing arrangement, the majority of audit work is performed by the plan
  – TMRS testing of employer census data TBD
  – TMRS would prepare and their auditor would audit Schedule of Proportion and Schedule of OPEB amount by employer
  – Although a key piece of audit evidence, employer’s auditor may choose to perform additional procedures in addition to relying on the audited schedules.

TMRS will continue to keep cities updated on GASB 74/75 through E-bulletins and through the “Eye on GASB” section of the website
How TMRS Provides GASB Information to Cities
“Eye on GASB”

To keep track of changes caused by GASB 68 pension accounting standards, TMRS created a web page as a resource for cities and their auditors.
Under the City Services pull-down menu, click on Eye on GASB:
What You Need for GASB 68 Compliance

E-mail for GASB questions: pensionaccounting@tmrs.com

2016 GASB Reporting Packages

Select your GASB Reporting Package based on your fiscal year end, then select your city name from the dropdown menu and click on "Get GASB Package" to download your city's reporting package for that year. Letters are in pdf format.

GASB Employer Reporting Package for Fiscal Year End 2016

Select your city

Abernathy ▼

Get 2016 GASB Package

2016 GASB Employer Reporting Guide

Archive:

2015 GASB Reporting Packages (year end 2015)

These sections open up to give you resources for each topic
For Your City’s Financial Statement Audit

Select your GASB Reporting Package based on your fiscal year end, then select your city name from the dropdown menu and click on “Get GASB Package” to download your city’s reporting package for that year. Letters are in pdf format.

GASB Employer Reporting Package for Fiscal Year End 2016

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Abomathy
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Archive:
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2016 GASB Resources

For Your Financial Statement Audit

Items that your city may need to share with your auditor:
- Census Data – found on the TMRS City Portal
- SOC-1 Audit Report – found on the TMRS City Portal
- TMRS’ Comprehensive Annual Financial Report, for the year ended December 31, 2015
  - Schedule of Changes in Fiduciary Net Position, by employer, as of December 31, 2015
  - Qualifications of Actuary

If you are not registered to access the City Portal, see the City Portal Information page.

GASB information for years prior to 2015 can be found as an attachment to your city’s Rate Letter for that year.

For Your Financial Reporting
For Your City’s Financial Reporting

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Select your city

- Abernathy

Get 2016 GASB Package

2016 GASB Employer Reporting Guide

Archive:

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2016 GASB Resources

- For Your Financial Statement Audit
- For Your Financial Reporting
  - About the GASB Employer Reporting Package
    (See box at left to download your city’s 2016 GASB 68 reporting package)
  - 2016 GASB Employer Reporting Guide
  - General information about the TMRS Plan
  - Investment allocation and rates of return (2016)

Actuarial Resources
2016 GASB Reporting Packages

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GASB Employer Reporting Package for Fiscal Year End 2016

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Abornathy ▼ Get 2016 GASB Package

2016 GASB Employer Reporting Guide

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2016 GASB Resources

For Your Financial Statement Audit
For Your Financial Reporting
Actuarial Resources
- TMRS Funding Policy
- Substantively Automatic Benefits Criteria
- Actuarial Experience Studies

Other GASB Resources
General GASB Resources
GASB Archive
Questions for TMRS?

City finance personnel and the city’s external auditor should continue to send GASB-related questions to:

pensionaccounting@TMRS.com
GASB 68 FAQs – What Cities Asked in First Year of Implementation
Q: Why do my city’s employer/employee’s contributions not match TMRS’ numbers?

A: Supplemental Death Benefits (SDBs) and late fees are excluded from the employer contributions.

Contact TMRS with buyback, military service, supplemental deposits, and correction of error issues.

Q: How do I make journal entries?

A: Basic guidelines are provided in the Reporting Package and the Guide. Each city is responsible for its own JEs.
Q: How do I calculate the retiree portion of the Supplemental Death Benefit (SDB) coverage?

A: The rate can be found in Actuarial Valuation Section 5 (Actives & Retirees minus Actives only)

Q: Where do I find _____?
   a. Schedule of Changes in Fiduciary Net Position
   b. Census Data
   c. Asset allocation used in determining the discount rate

A: Eye on GASB – GASB Resources for Your Financial Statement Audit
Q: What should I do with incorrect member information in the census data?
A: Email pensionaccounting@tmrs.com

Q. How can I get help with the City Portal?
A. Email CityPortal@tmrs.com or call TMRS’ 800 number: 800-924-8677
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