

DRAFT GASB 67 CHECKLIST QUESTIONS FROM GFOA

_____ 13.8 If the government sponsors a defined benefit pension plan that is *administered through a trust or equivalent arrangement*, and is reported as a pension (and other employee benefit trust), but that plan does not issue a separate report, do the notes provide additional information? [GASB-S67: 30; eGAAFR, page 949; eSUP, pages 44-5]

_____ 13.8a Do the notes include financial statements for each such individual benefit plan if the combining statements that provide this information are not within the scope of the audit? [GASB-S34:106]

Explanation: If the independent auditor only takes *in relation to* responsibility for the combining and individual fund statements, then the financial statements for each individual benefit plan should be included within the notes so that data for each benefit plan is included within the scope of the audit.

_____ 13.8b Do the notes include all disclosures required of such stand-alone benefit plans? [GASB-S67: 30; eGAAFR, page 949; eSUP, pages 44-5]

Explanation: The disclosure requirements for such benefit plans in the absence of a separately issued report (which should be merged with the sponsoring government's employer disclosures to avoid duplication) are as follows:

- Plan description including the plan's name
- Public employee retirement system or other entity that administers the pension plan
- Type of plan and the number of participating employers (if the pension plan is a multiple-employer pension plan) and the number of nonemployer contributing entities (if any)
- **Information about the pension plan's board and its composition**
- Classes of covered plan members and the 1) number of inactive members (or beneficiaries) currently receiving benefits, 2) inactive members entitled to, but not yet receiving benefits, and (3) active members (*a plan should disclose if the plan is closed to new entrants.*)
- Description of benefits and the authority for establishing or amending those benefits? [eGAAFR, page ;eSUP, page]
- When the pension plan or the entity that administers the pension plan has the authority to establish or amend benefits, a description of the benefits, including the key elements of the pension formulas and the terms or policies, if any, with respect to 1) automatic postemployment benefit changes, including automatic cost-of-living adjustments (COLAs) and (2) ad hoc postemployment benefit changes, including ad hoc COLAs?
- Describe contribution requirements and the authority for establishing or amending those requirements? [eGAAFR, page ;eSUP, page]
- Address the requirements for each of the following contributors, when applicable: 1) Employers, 2) nonemployer contributing entities and 3) plan members
- **Provide contribution rates (in dollars or as a percentage of covered payroll) for each of the applicable contributors for the reporting period.**
- Terms of long-term contracts for contributions between a pension plan and either an employer or a nonemployer contributing entity, (if any) and the amount outstanding as of the plan's reporting date. [GASB-s67: 30c]
- When there is a policy of setting aside reserves for specific purposes (e.g., for benefit increases or for reducing employer contributions), the policy and the authority under which it was established and may be amended, the purposes and conditions that require or allow for the use of the reserves, and the balance of the reserves. [GASB-S 67:30e]
- When the pension plan or the entity that administers the pension plan has the authority to establish or amend contribution requirements the basis for determining contributions (for example, statute, contract, an actuarial basis, or some other manner)
- Investment policies, including 1) those pertaining to asset allocation, 2) the procedures and authority for establishing and amending policies, and 3) a description of significant investment policy changes during the

- reporting period (if any)
- Identification of investments (other than those issued or explicitly guaranteed by the U.S. government and positions in mutual funds) in any one organization that represent 5 percent or more of the pension plan's fiduciary net position
- The annual money-weighted rate of return and an explanation of the nature of the rate
- The amount of current period benefit payments attributable to the purchase of allocated insurance contracts?
- The pensions for which allocated insurance contracts were purchased in the current period?
- That the obligation for the payment of benefits covered by allocated insurance contracts has been transferred to one or more insurance companies
- If offered, a description of the plan's **deferred retirement option program (DROP)** terms
- The amounts held by the pension plan pursuant to the DROP?

Explanation: A DROP permits a plan member to have benefit payments credited to an individual member account within the pension plan while continuing to serve as an active employee and to be paid a salary.

_____ 13.9 If the government system reports a pension plan that is *administered as a trust or equivalent arrangement*, that is either a single-employer or cost-sharing multiple-employer plan, do the notes include additional information for each plan? [GASB-S67:31; eGAAFR, pages 949-50; eSUP, pages 45-6]

Explanation: The information for these required disclosures should be measured as of the pension plan's most recent fiscal yearend. In the case of a cost-sharing multiple-employer pension plan the information should be presented for the plan as a whole.

The additional disclosure requirements for single-employer and cost-sharing multiple-employer pension plans in the absence of a separately issued report (which should be merged with the sponsoring government's employer disclosures to avoid duplication) are as follows:

- The **total pension liability (TPL)**
- The plan's fiduciary net position (FNP)
- The net pension liability (NPL)
- The plan's FNP as a percentage of the TPL
- Information about the significant assumptions and other inputs used to measure the total pension liability including inflation, salary changes, ad hoc postemployment benefit changes (including ad hoc COLAs), source of mortality assumptions, the dates of experience studies on which significant assumptions are based, and rates applied to different periods (if applicable)
- Information about the discount rate applied in the current measurement including any change in the discount rate since the pension plan's prior fiscal year-end (if applicable), assumptions about projected cash flows contributions from 1) employers, 2) nonemployer contributing entities, and 3) plan members (when applicable)
- The long-term expected rate of return on pension plan investments and a description of how it was determined, significant methods and assumptions used for that purpose
- The municipal bond rate used and the source of that rate (if applicable),
- Periods of **projected benefit payments** to which the long-term expected rate of return and the municipal bond rate were applied to determine the discount rate (if a blended rate is used as the discount rate)
- The assumed asset allocation of the plan's portfolio
- The long-term expected **real rate of return (ROR)** for each major asset class and whether the expected ROR are presented as arithmetic or geometric means
- The NPL calculated using 1) the discount rate plus 1% and 2) the discount rate minus 1%
- The date of the **actuarial valuation** and, if applicable, the fact that update procedures were used to roll forward the total pension liability to the pension plan's fiscal year-end

_____ 13.10 If the government reports a defined contribution pension plan that is administered through a trust or equivalent arrangement do the notes provide additional information? [GASB-S67:47; eGAAFR, page 958; eSUP, page 53]

Explanation: The disclosure requirements for such a benefit plan in the absence of a separately issued report (which should be merged with the sponsoring government's employer disclosures to avoid duplication) are as follows:

- Type of plan
- Classes of plan members covered including the number of plan members?
- The number of participating employers (if the pension plan is a multiple-employer pension plan), and, nonemployer contributing entities (if any)
- Authority under which the pension plan is established or may be amended?

_____ 13.14 If the government sponsors a defined benefit plan that is reported as a pension (and other employee benefit) trust fund and the plan issues a separate report, do the notes provide abbreviated disclosures concerning the plan? [GASB-S25:32; GASB-S43:30] If so:

_____ 13.14a Do the notes disclose how to obtain a copy of the benefit plan report? [GASB-S25:32; GASB-S43:30; GAAFR, page 369]

_____ 13.14b Do the notes identify the type of plan? [GASB-S25:32a1; GASB-S43:30a1; GAAFR, pages 369]

Explanation: The different types of defined benefit plans are as follows: single-employer plans, agent multiple-employer plans, and cost-sharing multiple-employer plans.

_____ 13.14c Do the notes disclose the number of participating employers and other contributing entities? [GASB-S25:32a1; GASB-S43:30a1; GAAFR, page 646]

_____ 13.14d Do the notes disclose the basis of accounting used? [GASB-S25:32b; GASB-S43:30b; GAAFR, pages 646-647]

Explanation: This disclosure should specify when contributions, benefits, and refunds are recognized in the statement of changes in fiduciary net position.

_____ 13.14e Do the notes disclose the method used to determine the fair value of investments? [GASB-S25:32b; GASB-S43:30b; GASB-S50:4a; GAAFR, page 647]

If the fair value is based on other than quoted market prices, the notes should disclose the methods and significant assumptions used to estimate the fair value of investments. [GASB-S25:32 and 41; GASB-S31:15; GASB-S43:30b(2) and 42; GASB-S50:5; GAAFR, page 647]

If there are any long-term contracts for contributions outstanding, the notes should disclose the terms of the contracts and the amount outstanding as of the plan's reporting date. [GASB-S25:32c4; GASB-S43:30c4; GAAFR, page 647]

_____ 13.15 If the government sponsors either a defined benefit pension plan that is *not* administered through a trust or equivalent arrangement or a defined benefit OPEB plan that is reported as a pension (and other employee benefit) trust fund, and that benefit plan does *not* issue a separate report, do the notes provide additional information? [GASB-S25:32; GASB-S34:106; GASB-S43:30]

_____ 13.15a Do the notes include financial statements for each such individual benefit plan if the combining statements that provide this information are not within the scope of the audit? [GASB-S34:106]

Explanation: If the independent auditor only takes *in relation to* responsibility for the combining and individual fund statements, then the financial statements for each individual benefit plan should be included within the notes so that data for each benefit plan is included within the scope of the audit.

_____ 13.15b Do the notes include all disclosures required of such stand-alone benefit plans? [GASB-S25:32; GASB-S27:20, note 15; GASB-S43:30; GAAFR, pages 646-649]

Explanation: The disclosure requirements for such benefit plans in the absence of a separately issued report (which should be merged with the sponsoring government's employer disclosures to avoid duplication) are as follows:

- Plan description
- Type of plan and the number of participating employers and other contributors (if any)
- Classes of employees covered and current membership, including the number of retirees and others currently receiving benefits, terminated employees entitled to receive benefits in the future, and current active plan members (*A plan should disclose if the plan is closed to new entrants*)
- A brief description of benefit provisions and the authority for establishing or amending those provisions
- Summary of significant accounting policies
- Basis of accounting
- Method used to determine the fair value of investments
- Contributions and reserves
- Authority for establishing or amending the obligation to make contributions
- How contributions are determined and how administrative costs are financed
- Required contribution rates for active members of the plan
- Terms of long-term contracts for contributions and the amount outstanding as of the plan's reporting date
- Balances in legally required reserves or designations as of the plan's reporting date (reserves result from the actions of outside parties, while designations result from actions of the plan's own governing body); also, the purpose and funded status of each reserve or designation
- Legal or contractual maximum contribution rate
- Funding information
- The data from the schedule of funding progress for the current year
- The date of the actuarial valuation
- That the schedule of funding progress, located following the notes, provides multi-year trend data to help determine whether net plans assets are increasing or decreasing over time
- The actuarial cost method (i.e., entry age, frozen entry age, attained age, frozen attained age, projected unit credit, or aggregate) [The use of the unprojected unit credit method also is acceptable for plans in which benefits already accumulated for years of service are not affected by future salary levels]
- If the aggregate method is used, a statement that this method does not separately amortize unfunded actuarial accrued liabilities
- The actuarial method used for valuing assets
- The assumptions regarding the inflation rate, investment return, projected salary increases, and post-retirement benefit increases
- The amortization method (i.e., level dollar or level percentage of payroll)
- The amortization period (if more than one period is used, the equivalent single amortization period should be disclosed)
- Whether the amortization period is open or closed
- That benefits are projected based on benefit levels and cost-sharing arrangements as of the date of the valuation and do not explicitly reflect the potential effects of legal or contractual funding limitations

14.7

If the government reports one or more defined benefit pension plans (regardless of the type of plan), *that are administered through a trust or equivalent arrangement*, does RSI either provide a 10-year schedule that presents for each of the 10 years the annual money-weighted rate of return on pension plan investments for each plan or indicate how users may obtain a copy of a separately issued report that contains that information for the plan? [GASB-S67: 32d and 33; eGAAFR, page 950; eSUP, page 46]

Explanation: The annual money-weighted rate of return on pension plan investments should be calculated using the internal rate of return on pension plan investments net of pension plan investment expense. Pension plan investment expense should be measured on the accrual basis of accounting. Inputs to the internal rate of return calculation should be determined at least monthly. The use of more frequently determined inputs is encouraged.

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