

A large blue parallelogram graphic with a white border, tilted slightly to the right. The text is centered within the parallelogram.

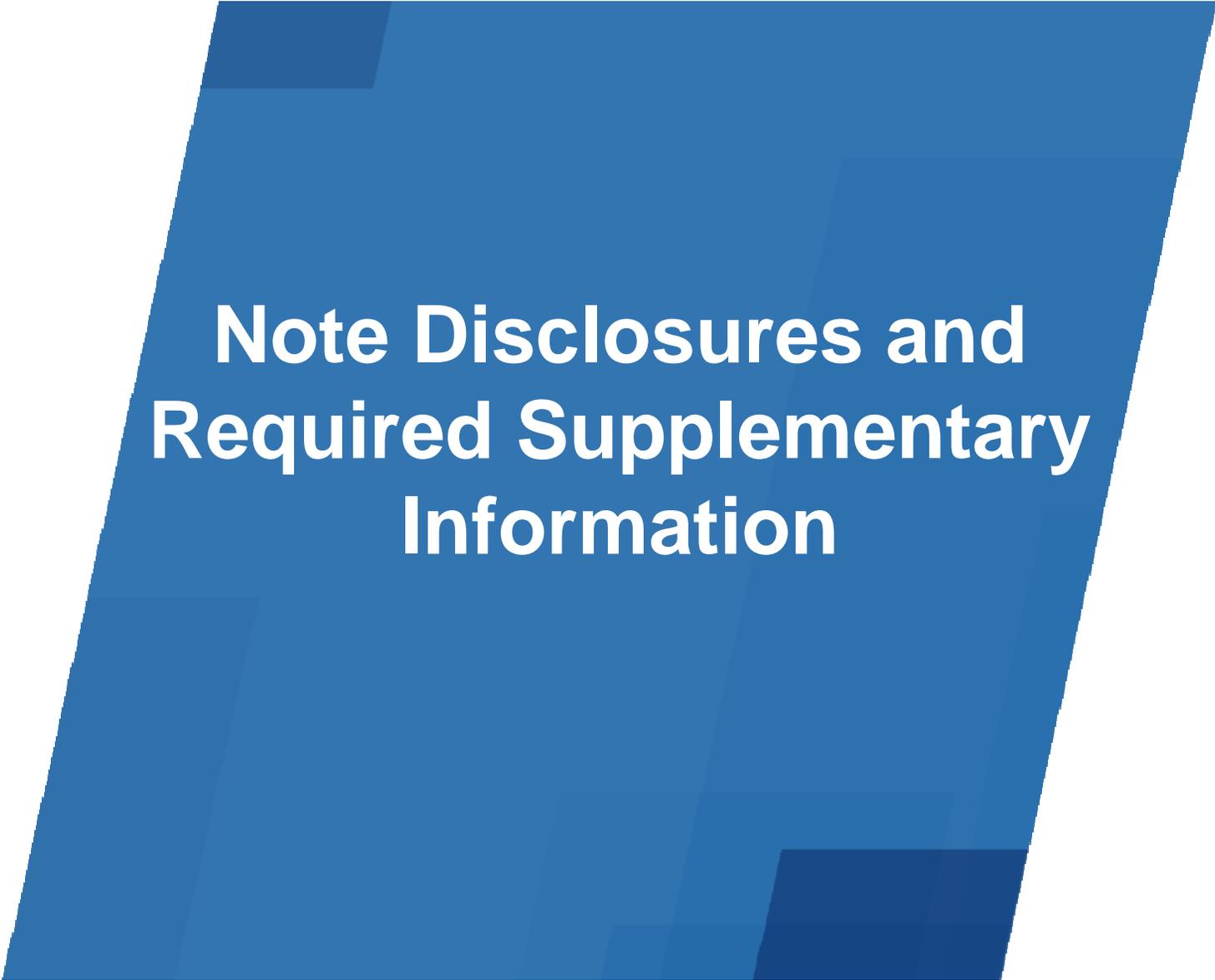
Special Funding Situations

Special Funding Situation Overview

- Special funding situations are circumstances in which a nonemployer entity is legally responsible for making contributions directly to a pension plan to provide benefits for employees of another entity(ies) and *either* one of the following conditions exists:
 - Amount of contributions is *not* dependent upon one or more events or circumstances unrelated to pensions
 - ***Nonemployer entity is the only entity with a legal obligation to make contributions directly to the plan***

Special Funding Situation—KPERs

- KPERs is funded by contributions from the State, other participating employers, and employees
- In the case of local schools, the State is making the employer contributions on behalf of the local schools.
 - The State contributions do not meet definition of a special funding situation because the contributions are not made directly to KPERs
 - The pension liability will be allocated to the local schools
 - Schools will recognize revenue equal to the amount of the state funding provided each year
- The State makes contributions to KPERs for certain community colleges which does qualify as a special funding situation.
 - The State will record its portion of the liability that pertains to the community colleges
 - Community colleges will disclose the special funding situation in the notes to the financial statements.

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Note Disclosures and Required Supplementary Information

Employer note disclosure requirements

- Pension plan description
 - Identify the name of the plan, KPERS as the administrator of the plan, and that it is a cost-sharing pension plan
 - Brief description of benefit terms and contribution requirements
 - That KPERS issues a stand alone report and how to access such report
- Employers' proportionate share (amount and percentage) of the collective net pension liability, the basis on which its proportion was determined, and the change in its proportion since the measurement date
- The measurement date of the collective net pension liability, the actuarial valuation date, and if applicable, the fact that update procedures were used to roll forward the total pension liability to the measurement date
- A brief description of changes of assumptions, benefit terms, or other inputs that affected the measurement of the total pension liability since the prior measurement date
- A brief description of the nature of changes between the measurement date and the employer's reporting date that are expected to have a significant effect on the employer's share of the net collective pension liability and the amount, if known

Employer note disclosure requirements

- The amount of pension expense recognized by the employer in the reporting period
- Balances of deferred outflows and inflows of resources related to pensions, classified as:
 - Differences between expected and actual experience in the measurement of the total pension liability
 - Changes of assumptions and other inputs
 - Net difference between projected and actual earnings on pension plan investments
 - Changes in the employers' proportion and differences between the employer's contributions and the employer's proportionate share of contributions
 - The employer's contributions to the pension plan subsequent to the measurement date of the collective net pension liability

Employer note disclosure requirements

- The components of pension expense
- A schedule presenting the following:
 - For each of the subsequent five years and in the aggregate thereafter, the net amount of the employer's balances of deferred outflows of resources and deferred inflows of resources that will be recognized in the employer's pension expense
 - The amount of the employer's balance of deferred outflows of resources that will be included as a reduction of the collective net pension liability
- The amount of revenue recognized for the support provided by nonemployer contributing entities, if any.

Employer note disclosure requirements

- Significant assumptions and other inputs
 - Inflation, salary changes, ad hoc postemployment benefit changes (ad hoc COLAs)
 - Mortality assumptions, including date of experience studies
 - Discount rate information

Employer note disclosure requirements

- Discount information disclosure should include:
 - The discount rate applied in the measurement of the total pension liability and the change in the discount rate since the prior measurement date, if any
 - Assumptions made about projected cash flows into and out of the pension plan, such as contributions from employers, nonemployer contributing entities, and employees
 - The long-term expected rate of return on pension plan investments, and a brief description of how it was determined, including significant methods and assumptions used for that purpose
 - If the discount rate incorporates a municipal bond rate, the municipal bond rate used and the source of that rate
 - The periods of projected benefit payments to which the long-term expected rate of return and, if used, the municipal bond rate applied to determine the discount rate

Employer note disclosure requirements

- Discount information disclosure should include (continued):
 - the assumed asset allocation of the pension plan's portfolio, the long-term expected real rate of return for each major asset class, and whether the expected rates of return are presented as arithmetic or geometric means, if not otherwise disclosed.
 - Measures of the employer's proportionate share of the collective net pension liability calculated using (1) a discount rate that is 1-percentage-point higher than the discount rate used and (2) a discount rate that is 1-percentage –point lower than the discount rate used

Employer note disclosure requirements

- KPERS fiduciary net position
 - Reference to the separately issued report for required disclosures pertaining to KPERS' plan assets, liabilities, deferred outflows and inflows, and fiduciary net position
 - Must indicate that the employers' fiduciary net position has been determined as the same basis as KPERS
 - Include a brief description of KPERS' basis of accounting, including the policies with respect to benefit payments, including refunds, and the valuation of pension plan investments
 - If significant changes have occurred that indicate KPERS' disclosures generally do not reflect the facts and circumstances at the measurement date, information about the substance and magnitude of the changes should be disclosed

Employer required supplementary information

- A ten year “Schedule of Employer’s Proportionate Share of the Net Pension Liability presenting the following:
 - The employer’s proportion (amount and percentage) of the collective net pension liability
 - The employer’s covered payroll
 - The employer’s net pension liability as a percentage of covered payroll
 - The pension plan’s fiduciary net position as a percentage of the total pension liability
- The information reported in the schedule should be as of the measurement date

Employer required supplementary information

- A ten year “Schedule of Employer Contributions” presenting the following:
 - The statutorily or contractually required employer contribution
 - The amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contributions
 - The employer’s covered-employee payroll
 - The amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of covered-employee payroll
- The information reported in the schedule should be as of the employer’s year end

Employer required supplementary information

- Notes to required schedules
 - Information about factors that significantly affect trends in the amounts reported in the required schedules, for example:
 - Changes in benefit terms
 - Changes in the size or composition of the population covered by the benefit terms
 - Use of different assumptions

Frequently asked implementation questions

- If I do not prepare financial statements on the full accrual basis of accounting, do I need to record my share of the collective pension amounts?
 - No, however you should consider disclosing the pension amounts, as this could be useful information for the users of your financial statements.
- If I participate in KPERS but follow FASB standards, do I have to record the pension liability?
 - No, however you should provide similar disclosure information as required by FASB when an employer participates in multiple-employer pension plans.
- What are the regulatory basis disclosure requirements?
 - The regulatory basis disclosure requirements are included in the Kansas Municipal Audit and Accounting Guide (KMAAG), Appendix D.

Disclosure Example

2015 State and Local Government Audit and Accounting Guide

- Part I — Plan Accounting, Financial Reporting, and Auditing Considerations for Defined Benefit Pension Plans Administered Through Trusts
- Part II — Employer Accounting, Financial Reporting, and Auditing Considerations: Single and Agent Employers
- Part III — Employer Accounting, Financial Reporting, and Auditing Considerations: Cost-Sharing Employers
- Appendix A — Governmental Employer Participation in Agent Multiple-Employer Plans: Issues Related to Information for Employer Reporting
- Appendix B — Governmental Employer Participation in Cost-Sharing Multiple-Employer Plans: Issues Related to Information for Employer Reporting

AICPA Guidance

Whitepapers

- Government Employer Participation in Cost-Sharing Multiple Employer Plans: Issues Related to Information for Employer Reporting
- Single-Employer and Cost-Sharing Multiple-Employer Plans: Issues Associated with Testing Census Data

Auditing Interpretations

- Issued interpretations to 3 AU-C sections
 - AU-C 500
 - AU-C 600
 - AU-C 805



Wrap-Up

Thank You for Attending!

- Please make sure you have signed the attendance sheet
- Please complete the course evaluation form