**Notes to the Financial Statements Template**

***Instructions*** – *The**Notes to the Financial Statements template below includes sample language and schedules to be used as a guide by WRS employers in the development of their Governmental Accounting Standards Board (GASB) Statement No. 68 note disclosures. Please be aware of the highlighted and bracketed areas (refer to legend below) of the template where the notes require employer input and/or input from the “Supplement to Notes to Other Pension Information” schedule under the GASB Statements section of the website. Additional Information may also come from the “RSI Schedule – Employer Proportionate Share Net Pension Liability (Asset),” “Schedule of Pension Amounts by Employer,” and “RSI Schedule – Employer Contributions.”*

*The information provided by the Wisconsin Department of Employee Trust Funds (ETF) is intended to provide participating WRS employers with guidance in accounting and financial reporting matters. It is not intended to be a substitute for professional advice, whether actuarial, accounting, legal, or otherwise. While efforts are made to verify the information, ETF expects employers work with their auditors to ensure the information is accurate and complete. Employers are solely responsible for accurately presenting their financial statements and related notes within the requirements of GASB.*

*If you have any questions, please contact ETF at* [GASBmail@etf.wi.gov](https://etfonline.wi.gov/etf/internet/employer/GASBmail@etf.wi.gov)

***Note: The GASB 68 employer template example for cost-sharing employers may be found in the*** [***GASB 68 Implementation Guide***](http://gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176163026371)***, pages 155-161, Illustration 3a-Note Disclosures and Required Supplementary Information for a Cost-Sharing Employer (No Nonemployer Contributing Entities)***

**[WRS Employer]**

**Notes to the Financial Statement**

**For the Year Ended [June 30, 2018]**

(Dollar amounts in thousands)

***Summary of Significant Accounting Policies***

***Pensions****.* For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS’ fiduciary net position have been determined on the same basis as they are reported by the WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***General Information about the Pension Plan***

***Plan description****.* The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee’s date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>

***Vesting.***For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

***Benefits provided****.* Employees who retire at or after age 65 (54 for protective occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee’s contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

***Post-Retirement Adjustments***. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system’s consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the “floor”) set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

|  |  |  |
| --- | --- | --- |
| **Year** | **Core Fund Adjustment** | **Variable Fund Adjustment** |
| 2007 | 3.0% | 10% |
| 2008 | 6.6 | 0 |
| 2009 | (2.1) | (42) |
| 2010 | (1.3) | 22 |
| 2011 | (1.2) | 11 |
| 2012 | (7.0) | (7) |
| 2013 | (9.6) | 9 |
| 2014 | 4.7 | 25 |
| 2015 | 2.9 | 2 |
| 2016 | 0.5 | (5.0) |
| 2017 | 2.0 | 4.0 |

***Contributions*.** Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, Executives and Elected Officials. Starting on January 1, 2016, the Executives and & Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized [$xxxxxxx] in contributions from the employer

Insert item #31 from Supplement to Notes

Contribution rates as of [June 30, 2018] are:

|  |  |  |
| --- | --- | --- |
| **Employee Category** | **Employee** | **Employer** |
| General (including teachers, executives, and elected officials) | 6.8% | 6.8% |
| Protective with Social Security | 6.8% | 10.6% |
| Protective without Social Security | 6.8% | 14.9% |

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

Insert item #16 from Supplement to Notes

At [June 30, 2018], the [WRS Employer] reported a liability (asset) of [$xxxx] for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The [WRS Employer]’s proportion of the net pension liability (asset) was based on the [WRS Employer]’s share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the [WRS Employer]’s proportion was X% , which was an in/decrease of X% from its proportion measured as of December 31, 2016.

Insert item #3 from Supplement to Notes

Enter results by subtracting item #4 from item #3 from the Supplement to Notes

For the year ended [June 30, 2018], the [WRS Employer] recognized pension expense of [$xxxx].

Insert item #18 from Supplement to Notes

At [June 30, 2018], the [WRS Employer] reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

[All items in chart below comes from the Schedule of Pension Amounts by Employer, use the Total columns]

|  |  |  |
| --- | --- | --- |
|  | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** |
| Differences between expected and actual experience | $  Insert item #1 | $  Insert item #5 |
| Net differences between projected and actual earnings on pension plan investments [Per paragraph 71b of GASB 68, deferred outflows and inflows arising from differences between projected and actual investment earnings in different years should be netted into a deferred outflow or inflow] | Insert item #2 | Insert item #6 |
| Changes in assumptions | Insert item #3 | Insert item #7 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | Insert item #4 | Insert item #8 |
| Employer contributions subsequent to the measurement date | Insert Employer Data Here | Insert Employer Data Here |
| **Total** | $xxxxx | $xxxxx |

You will need to fill in these amounts independently. ETF will not have this information to provide

[$xxxxx reported as deferred outflows related to pension resulting from the WRS Employer’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2018]. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

[All items in chart below comes from Supplement to Notes]

|  |  |  |
| --- | --- | --- |
| Year ended June 30: | Deferred Outflow of Resources | Deferred Inflows of Resources |
| 2018 | Insert item #19 | Insert item #24 |
| 2019 | Insert item #20 | Insert item #25 |
| 2020 | Insert item #21 | Insert item #26 |
| 2021 | Insert item #22 | Insert item #27 |
| Thereafter | Insert item #23 | Insert item #28 |

***Actuarial assumptions****.* The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|  |  |
| --- | --- |
| Actuarial Valuation Date: | December 31, 2016 |
| Measurement Date of Net Pension Liability (Asset) | December 31, 2017 |
| Actuarial Cost Method: | Entry Age |
| Asset Valuation Method: | Fair Market Value |
| Long-Term Expected Rate of Return: | 7.2% |
| Discount Rate: | 7.2% |
| Salary Increases:  Inflation  Seniority/Merit | 3.2%  0.2% - 5.6% |
| Mortality: | Wisconsin 2012 Mortality Table |
| Post-retirement Adjustments\* | 2.1% |

*\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

***Long-term expected Return on Plan Assets.***The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Asset Allocation Targets and Expected Returns** | | | | | | | | | |  |
|  | **As of December 31, 2017** | | | | | | | | | |  |
|  | Core Fund Asset Class |  | Asset Allocation % |  | Long-Term Expected Nominal Rate of Return % | |  | Long-Term Expected Real Rate of Return % | | |  |
|  | Global Equities |  | 50 |  |  | 8.2 |  |  | 5.3 |  |  |
|  | Fixed Income |  | 24.5 |  |  | 4.2 |  |  | 1.4 |  |  |
|  | Inflation Sensitive Assets |  | 15.5 |  |  | 3.8 |  |  | 1.0 |  |  |
|  | Real Estate |  | 8 |  |  | 6.5 |  |  | 3.6 |  |  |
|  | Private Equity/Debt |  | 8 |  |  | 9.4 |  |  | 6.5 |  |  |
|  | Multi-Asset |  | 4 |  |  | 6.5 |  |  | 3.6 |  |  |
|  | Total Core Fund |  | 110 |  |  | 7.3 |  |  | 4.4 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Variable Fund Asset Class |  |  |  |  |  |  |  |  |  |  |
|  | U.S. Equities |  | 70 |  |  | 7.5 |  |  | 4.6 |  |  |
|  | International Equities |  | 30 |  |  | 7.8 |  |  | 4.9 |  |  |
|  | Total Variable Fund |  | 100 |  |  | 7.9 |  |  | 5.0 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75% | | | | | | | | |  |  |
|  | Asset Allocations are managed within established ranges; target percentages may differ from actual | | | | | | | | |  |  |
|  | monthly allocations |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

***Single Discount rate.*** A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.31%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the [WRS Employer]’s proportionate share of the net pension liability (asset) to changes in the discount rate.***The following presents the [WRS Employer]’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the [WRS Employer]’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **1% Decrease to Discount Rate (6.20%)** | **Current Discount Rate (7.20%)** | **1% Increase to Discount Rate (8.20%)** |
| [WRS Employer]’s proportionate share of the net pension liability (asset) | Insert item #13 from Supplement to Notes | Insert item #14 from Supplement to Notes | Insert item #15 from Supplement to Notes |

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>

**[Payables to the pension plan**

If the WRS Employer reported payables to the defined benefit pension plan, it should disclose information required by paragraph 122 of Statement 68.]

***Schedules of Required Supplementary Information***

**SCHEDULE OF [WRS EMPLOYER]’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**

Wisconsin Retirement System

Last 10 Fiscal Years\*

[Employers will also need to include prior years amounts]

[Information below comes from RSI Schedule – Employer Proportionate Share Net Pension Liability (Asset)]

Insert item #3

Insert item #5

Insert item #6

|  |  |
| --- | --- |
|  | 201xX6 |
| [WRS Employer]’s proportion of the net pension liability (asset) | xx.xxx% |
| [WRS Employer]’s proportionate share of the net pension liability (asset) | $xxx.xx |
| [WRS Employer]’s covered-employee payroll | $xx.xx |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | xx.xxx% |

\*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year

Insert item #8

**SCHEDULE OF [WRS EMPLOYER] CONTRIBUTIONS**

Wisconsin Retirement System

Last 10 Fiscal Years\*

[Employers will also need to include prior years amounts]

Insert item #3

[Information below comes from RSI Schedule – Employer Contributions]

Insert item #5

Insert item #6

Insert item #4

|  |  |
| --- | --- |
|  |  |
| Contractually required contributions | $xxx |
| Contributions in relation to the contractually required contributions | ($x.xx) |
| Contribution deficiency (excess) | $x.xx |
| [WRS Employer]’s covered-employee payroll | $xxx.xx |
| Contributions as a percentage of covered-employee payroll | x.x% |

\*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year

Insert item #7

**Notes to Required Supplementary Information**

**for the Year Ended [June 30, 2018]**

*Changes of benefit terms.* There were no changes of benefit terms for any participating employer in WRS.

*Changes of assumptions.* There were no changes in the assumptions.

---- End of Model Notes ----

