Dave Ehlinger

From: Jansen, Andrea <Andrea.Jansen@bakertilly.com>
Sent: Tuesday, November 29, 2022 4:07 PM
To: Dave Ehlinger
Cc: Joshi, Vasvi; Shavlik, Ryan
Subject: RE: Baker Tilly - Creation of irrevocable fiduciary trust fund for Firefighters Pension Fund

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Hi Dave –

Thanks for the email. I agree that the newly created trust will end up as a Defined Benefit Pension trust fund (fiduciary fund type) under GASB 84. I'm not sure that a restatement would be required – it seems that the assets would be paid over to the newly created entity at the time of creation essentially closing out the special revenue fund at that time.

The Net Pension Liability would continue to be recorded in the governmental activities as it has in the past. In theory, the liability will be less once the trust is created given that the assets can be now be applied against the total liability.

One thing that I have seen cause confusion in the past with a transition such as this is that the City is reporting the pension liability with a one-year lag for the measurement date. I believe that the Plan reporting will need to be measured consistently with the year-end date presented. So if the trust is created in 2023, the 2023 financial statements will need to show the fiduciary pension trust based on a 12/31/23 measurement date for your actuarial report, while the information used to report the City's related pension liability will actually be using the one-year lag measurement date (12-31-2022) that has already been established. Therefore, the impact of the trust to the City's governmental activities won't happen until the 2024 financial statements when you use the 12/31/23 measurement date for the net pension liability. Let me know if you want to talk through this on a call.

In case it is helpful, here are some links to ACFRs for the City of Sun Prairie and City of West Bend. The City of Sun Prairie has a Pension Trust fund for the Sun Prairie Utilities (among a handful of other plans). The City of West Bend has an OPEB Trust – not quite the same, but the accounting/reporting is similar.

City-of-Sun-Prairie-12-31-2021-FS-FINAL (cityofsunprairie.com)

Microsoft Word - (FR) City Footnotes (revize.com)

Again, let me know if there are any follow up questions.

Thanks!

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From: Dave Ehlinger <DEhlinger@ci.stoughton.wi.us>
Sent: Wednesday, November 23, 2022 9:03 AM
To: Jansen, Andrea <Andrea.Jansen@bakertilly.com>; Joshi, Vasvi <Vasvi.Joshi@bakertilly.com>; Shavlik, Ryan <Ryan.Shavlik@bakertilly.com>
Subject: Baker Tilly - Creation of irrevocable fiduciary trust fund for Firefighters Pension Fund

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Andrea, Vasvi, and Ryan,

Attached is my draft resolution for the City of Stoughton to create a fiduciary trust for our GASB 73 single employer pension plan.

I would anticipate, once approved, that this task would be completed before year end 2023.

Are there any considerations that we should take into account during this process?

I also have some specific questions regarding accounting standards and financial statements.

- GASB 84 -Is my understanding correct that we will have to restate the Fireman's Pension Fund from a Special Revenue Fund to a Fiduciary Fund?
- GASB 73 – My understanding is that Fiduciary Funds still use modified accrual accounting. Where would the resulting Net Pension Liability be recorded?

Thanks,

Dave

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