

OPEB Reporting

Embracing GASB 74 and 75

PRESENTED TO

**Governmental Accounting &
Auditing Conference**

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PRESENTED BY

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The Agenda

- What is OPEB?
- Implementation dates
- Terminology
- GASB 74
- GASB 75
- Resources
- Q&A





What is OPEB?

What is OPEB?

- Other postemployment benefits
 - Benefits that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided.
 - Benefit examples: death benefits, life insurance, disability and long-term care
 - Do **NOT** include termination benefits or termination payments for sick leave.



Implementation Dates

Implementation Dates

	GASB 74	GASB 75
Applicable to:	OPEB Plans	Government Employers Providing OPEB
Effective date:	Fiscal years beginning after June 15, 2016	Fiscal years beginning after June 15, 2017
Implementation:		
6/30 year end	2017	2018
9/30 year end	2017	2018
12/31 year end	2017	2018
3/31 year end	2018	2019





Terminology

Terminology

GASB 43/45	GASB 74/75
Actuarial Accrued Liability	Total OPEB Liability
Actuarial Value of Assets	Fiduciary Net Position
Unfunded Actuarial Accrued Liability (UAAL)	Net OPEB Liability
Normal Cost	Service Cost
ARC & UAAL Amortization	Accounting expense is not tied to a funding contribution
Net OPEB Obligation – cumulative difference between expense and contributions	Net OPEB Liability & Deferred Inflows/Outflows of Resources



GASB 74

(Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans)

GASB 74

- Replaces Statements
 - No. 43 *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*
 - No. 57 *OPEB Measurement by Agent Employers and Agent Multi-Employer Plans*
- New requirements related to defined contribution OPEB replace requirements from Statements No. 25, 43 and 50.

GASB 74

- Statement applies to both *defined benefit* and *defined contribution* OPEB plans administered through trusts that meet the following criteria:
 - Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are **irrevocable**.
 - OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
 - OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator.

Continued on next slide



GASB 74

- If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

GASB 74

- Defined Benefit OPEB Plans (meeting specified criteria)
 - Financial Statements
 - Statement of Fiduciary Net Position
 - Statement of Changes in Fiduciary Net Position
 - Notes to the Financial Statements
 - Types of OPEB provided
 - Classes of plan members covered
 - Composition of OPEB plan's board
 - Plan investments
 - Investment policies
 - Concentration of investments (5% rule)

GASB 74

- Notes to the Financial Statements (continued)
 - Annual money-weighted rate of return
 - Contributions
 - Reserves
 - Allocated insurance contracts
 - Components of the net OPEB liability and related ratios (including the fiduciary net position as a percentage of the total OPEB liability)*
 - Significant assumptions and other inputs used to measure the total OPEB liability*
 - Sensitivity analysis*

* Single-employer and cost-sharing OPEB plans only



GASB 74

- Required Supplementary Information
 - Schedule of Changes in the Net OPEB Liability and Related Ratios*
 - Schedule of Contributions*
 - Schedule of Investment Returns

* Single-employer and cost-sharing OPEB plans only

GASB 74

- Defined contribution OPEB Plans have all of the following characteristics:
 - Provide an individual account for each plan member.
 - Define the contributions that an employer or nonemployer contributing entity is required to make to an active plan member's account for periods in which that member renders service.
 - Provide that the OPEB a plan member will receive will depend only on the contributions to the plan member's account, actual earnings on investments of those contributions, and the effects of forfeitures of contributions made for other plan members, as well as OPEB plan administrative costs, that are allocated to the plan member's account.

GASB 74

- Defined contribution OPEB Plans required disclosures:
 - Identification of the OPEB plan as a defined contribution OPEB plan
 - The authority under which the OPEB plan is established or may be amended
 - Classes of plan members covered
 - The number of plan members, participating employers, and, if any, nonemployer contributing entities

GASB 74

- Alternative measurement method
 - Available to plan with fewer than 100 plan members (active and inactive)
 - Same broad measurement steps as an actuarial valuation are used
 - Certain assumptions simplified so method could potentially be applied by nonspecialists



GASB 75

(Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions)

GASB 75

- Replaces Statements
 - No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*
 - No. 57 *OPEB Measurement by Agent Employers and Agent Multi-Employer Plans*

GASB 75

- We've implemented GASB 68, what's different about GASB 75?

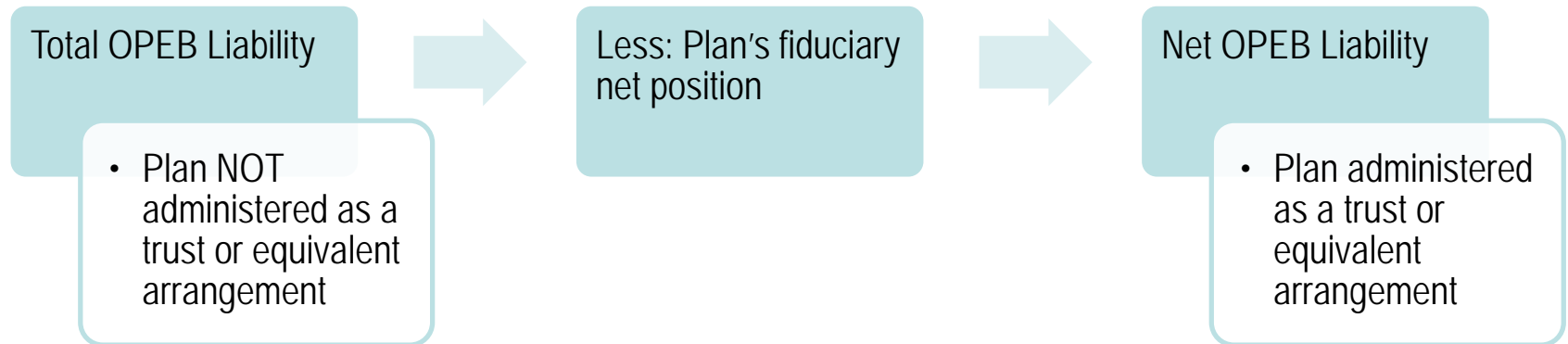
GASB 68	GASB 75
Salary & time based projections	Claims based projections
Pension benefits well documented and change infrequently	Less formal documentation and underlying benefits change almost every year
Pensions likely to be administered by separate, independently governed plans	Typically administered by the employer

GASB 75

- Changes applied retroactively by restating financial statements for all periods presented (if practical)
 - Presenting balances for all deferred outflows and inflows of resources at the beginning of the period may not be practical.
 - Beginning deferred outflow of resources for any contributions or OPEB payments made after the measurement date should be reported.

GASB 75

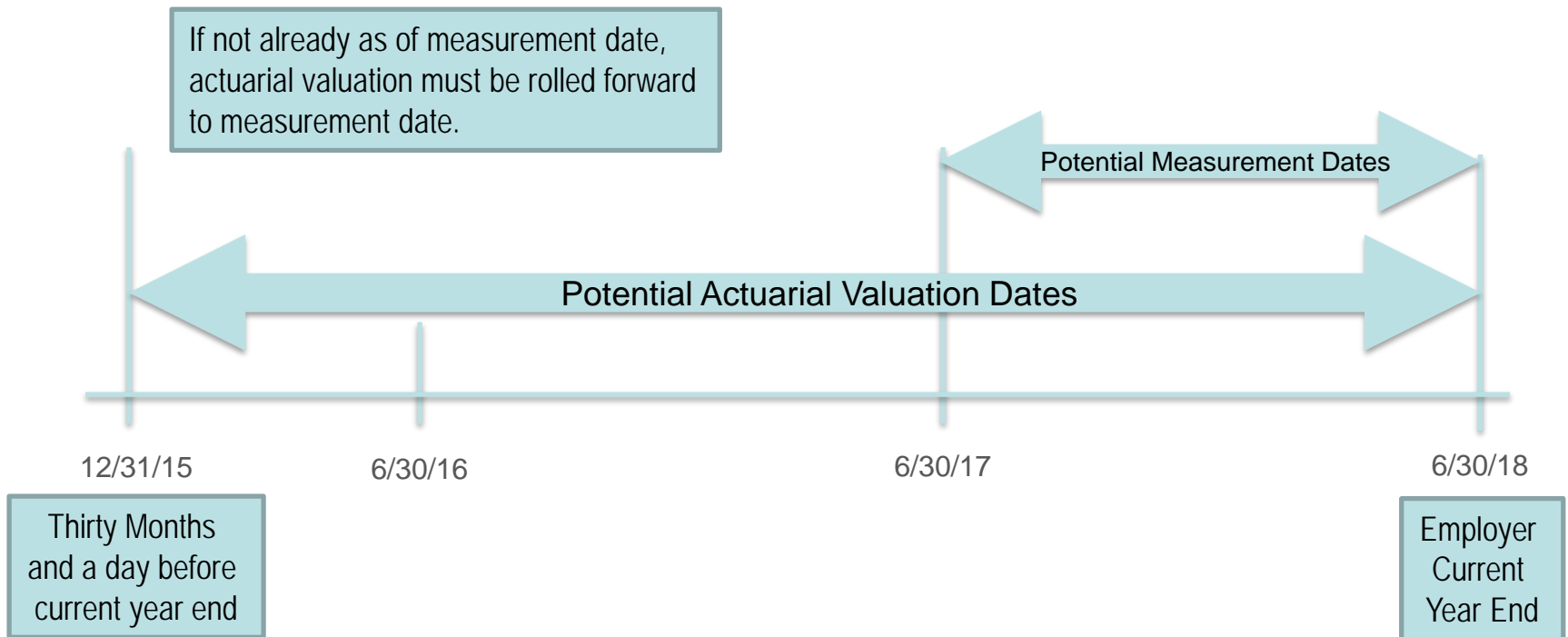
OPEB liability - what to report?



Plans with fewer than 100 members (active and inactive) may use the alternative measurement method to determine the liability.

GASB 75

Measurement Date



GASB 75

	Plan Standard	Employer Standard
Measurement date:	Total OPEB liability in the plan's financial statements <u>must be as of the plan's fiscal year end.</u>	Total OPEB liability in the employer's financial statements must be as of a date <u>no earlier than the end of the employer's prior fiscal year.</u>
Actuarial valuation:	Measurement must be based on an actuarial valuation performed within 24 months of the plan's year end.	Measurement must be based on an actuarial valuation performed within 30 months plus 1 day of the employer's year end.
Roll forward:	If actuarial valuation not performed as of the measurement date, update procedures must be performed to roll forward amounts to measurement date.	

GASB 75

	Debit	Credit
Prior period adjustment to record beginning net OPEB liability		
Net position (beginning of year)	\$X,XXX,XXX	
Net OPEB liability		\$X,XXX,XXX
Record deferred outflow for contributions after the measurement date		
Deferred outflow – OPEB	\$X,XXX,XXX	
Net Position		\$X,XXX,XXX
Eliminate the GASB 45 net OPEB obligation		
Net OPEB obligation	\$X,XXX,XXX	
Net Position		\$X,XXX,XXX

GASB 75

- Deferred Outflows and Inflows of Resources
 - Differences between expected and actual experience
 - Changes in assumptions
 - Net difference between projected and actual earnings on OPEB plan investments
 - Changes in proportion and differences between entity's contributions and proportionate share of contributions
 - Entity contributions subsequent to the measurement date

GASB 75

Reconciliation of OPEB Expense	
Change in the net OPEB liability	\$ xxx,xxx
Current fiscal year OPEB payments	xxx,xxx
Current fiscal year contributions	xxx,xxx
Flow through of BOY deferred OPEB payments after measurement date (MD)	xxx,xxx
Flow through of BOY deferred contributions to the trust	xxx,xxx
EOY deferral for OPEB payments between MD & FYE	(xxx,xxx)
Deferred outflow – actuarial losses	(xxx,xxx)
Deferred inflow – excess investment earnings	xxx,xxx
OPEB expense	\$ x,xxx,xxx



Resources

Resources

- Governmental Accounting Standards Board
 - <http://gasb.org>
 - Pronouncements
 - Implementation guides (GASB 74 and 75 guides not yet available)



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Thank you for attending!

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