



# **GASB 75**

## **Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions**

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# GASB 75 - OPEB Highlights

- ▶ Replaces Statements No. 45 and No. 57 and is the sequel to Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which was issued to establish the reporting requirements for the plans themselves.
- ▶ The Statement is divided into guidance for OPEB plans that are administered through trusts, and those that are not administered through trusts.
- ▶ GASB implementation Guide was issued in November 2017
- ▶ Effective date is for periods beginning after June 15, 2017

# GASB 75 - OPEB Highlights

- ▶ OPEB accounting and financial reporting consistent with pension standards in GASB Statements No. 67 and 68
- ▶ Establish a consistent set of standards for all post employment benefits
- ▶ Provides more transparent reporting and useful information about the liability and costs of benefits
- ▶ Requires the reporting of the total OPEB liability on the Statement of Net Position
- ▶ **Will be applied retroactively – restating the earliest period presented**

# GASB 75 - OPEB Highlights

- ▶ Measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the employer's current fiscal year
- ▶ Annual measurement dates now required using annual or biennial valuations (triennial valuations no longer permitted)
- ▶ Based on an actuarial valuation at least biennially no more than 30 months and 1 day earlier than the employer's most recent fiscal year – end

# GASB 75 - OPEB Highlights

- ▶ Replaces GASB 45 with more complex requirements
- ▶ Improves financial reporting for OPEB plans by:
  - Utilizing a single actuarial cost method
  - Having a more consistent set of assumptions
  - Increasing transparency of the OPEB liability annual change
  - Reporting annual expense calculation
- ▶ Actuarial cost method required to use entry age normal level percentage

# GASB 75 - OPEB Highlights

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- ▶ Discount rate is based on 20-year, tax exempt general obligation municipal bonds (unfunded plans)
- ▶ Assumption and experience gain/loss will be amortized
- ▶ Annual expense is required to be reported on financials
- ▶ Plan amendments will be expensed immediately

# Measurement of the Total OPEB Liability

- ▶ Project benefit payments
- ▶ Discount projected benefit payments to actuarial present value
- ▶ Attribute actuarial present value to periods
- ▶ Methods and assumptions are in conformity with Actuarial Standards of Practice
- ▶ Alternative measurement method may be applied if fewer than 100 employees( active and inactive)



# Changes in Liability

- ▶ Recognize most changes in liability for current reporting period as OPEB expense immediately, except:
  - Changes in total OPEB liability:
    - ❖ Differences between expected and actual experience with regard to demographic factors
    - ❖ Changes in assumptions
    - ❖ Benefit Payments

# Notes and RSI

- ▶ Similar to requirements for pensions
- ▶ Disclosure of effect on net/total OPEB liability of a discount rate +/- 1 percent
- ▶ Disclosure of effect on net/total OPEB liability of a healthcare cost trend rate +/- 1 percent
- ▶ 10 year RSI schedules for changes in the total OPEB liability, ratios and actuarially determined contributions(only if there is a trust) (Single and agent employers)

# GASB 75 and GASB 45 Comparison

## GASB 75

- ▶ 1 Funding method permitted (Entry Age Actuarial Cost Method)
- ▶ Discount Rate – Yield or index rate for 20 year, tax exempt General Municipal Obligation with average rating of AA/Aa or higher

## GASB 45

- ▶ 6 funding methods permitted
- ▶ Discount Rate – Estimated long-term investment yield on assets that are expected to be used to finance the payment of benefits

# GASB 75 and GASB 45 Comparison

## GASB 75

- ▶ Requires closed period for amortization
- ▶ No amortization of prior service cost
- ▶ Impact – additional liability on the government-wide financial statements, deferred inflow/outflows of resources

## GASB 45

- ▶ Allowed open or closed period for amortization
- ▶ Amortization of prior service cost – 30 years
- ▶ Impact – additional liability on the government-wide financial statements

# GASB 75 and GASB 45 Comparison

## GASB 75

- ▶ RSI (10 years of data)
  - Schedule of Changes in Total OPEB
  - Schedule of Total OPEB Liability, Covered Employee Payroll, and OPEB Liability as a Percent of Covered Payroll

## GASB 45

- ▶ RSI
  - Schedule of Funding Progress for Retiree Health Plan (information from most recent 3 valuations)

# GASB 75 and GASB 45 Comparison

GASB 75	GASB 45
Service Cost	Normal Cost
Total OPEB Liability (TOL)	Actuarial Accrued Liability (AAL)
Fiduciary Net Position	Actuarial Liability
Net OPEB Liability (NOL)	Unfunded Actuarial Accrued Liability (UAAL)
Actuarial Determined Contribution	Annual Required Contribution (ARC)
OPEB Expense	Annual OPEB Cost
Deferred Inflows/Outflows	Amortization of Liability
N/A	Net OPEB Obligation

# GASB 75 – Actuarial Valuations

## Actuarial Valuations

- ▶ Plans with more than 200 participants (active and retirees) are required to have a valuation annually (full or update)
- ▶ Plans with fewer than 200 participants are required to have a full or update valuation every 2 years (triennial valuations no longer permitted)
- ▶ Permits the use of a 'specified' alternative valuation method for plans with fewer than 100 participants

# GASB 75 – Interim Valuations

## Interim Valuations

- ▶ Actuarial calculations will be required every year; however, plans may have the actuary utilize roll-forward techniques in the interim years. Interim valuations will consider changes in the following:
  - Discount rate (likely no change)
  - Estimated service cost
  - Estimated expected benefit payments
  - Interest cost
  - Impact of changes in plan provisions
  - Estimate experience gains/losses (premium vs. medical cost trends)
  - Estimate assumption gains/losses



# GASB 75 – Interim Valuations

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## Interim Valuations

- ▶ If there are significant changes in the plan provisions you will need to have a new full actuarial valuation performed
  - Change in participants (addition or removal of a group)
  - Change in insurance coverage/policy
  - Change in employee/employer contribution rates

# GASB 75 – Disclosure Requirements

## Disclosure Requirements

- ▶ Name of plan and type of plan (single employer, defined benefit plan)
- ▶ Benefit terms including type of benefits, classes of employees covered by the plan, policies regarding automatic benefit changes such as COLAs, legal authority to establish or amend benefit terms
- ▶ Number of employees covered broken into inactive-receiving benefit payments, inactive-entitled to but not yet receiving benefit payments, and active

# GASB 75 – Disclosure Requirements (continued)

## Disclosure Requirements

- ▶ The fact that there are no assets in a trust for the plan
- ▶ Authority under which to pay benefits as they come due or to amend the requirement to pay the benefits, and the amount paid by employer
- ▶ Significant assumptions and other data including inflation, healthcare cost trend rates, salary changes, postemployment benefit changes, mortality assumptions, dates of experience studies, the total OPEB liability sensitivity to the healthcare cost trend rate (+ or – 1%)

# GASB 75 - Disclosure Requirements (continued)

## Disclosure Requirements

- ▶ Discount rate used
- ▶ Municipal bond rate used
- ▶ Total OPEB liability sensitivity to the municipal bond rate (+ or – 1%)
- ▶ Schedule of changes in total OPEB liability (opening balance, service cost, interest, changes in benefit terms, difference between expected and actual experience, changes of assumptions, benefit payments, ending balance)

# GASB 75 – Disclosure Requirements (continued)

## Disclosure Requirements

- ▶ Measurement date and actuarial valuation date
- ▶ If applicable, the fact that update procedures were used to roll forward the total OPEB liability to the measurement date
- ▶ Changes in assumptions and benefit terms since prior measurement date
- ▶ Changes subsequent to measurement date that may effect the liability
- ▶ OPEB expense in the current year

# **GASB 75 – Disclosure Requirements (continued)**

## Disclosure Requirements

- ▶ Balance of deferred outflows and inflows by source, and the effect on OPEB expense in each of the next five years and thereafter

# GASB 75 – Required Supplementary Information

Required Supplementary Information - 10 year schedules (if information is available), with information as of the measurement date

- ▶ Total OPEB liability, the covered employee payroll, and the total OPEB liability as a percentage of covered employee payroll
- ▶ The changes in total OPEB liability, by source
- ▶ Include a note to the RSI that no assets are accumulated in a trust

# **GASB 75 – Required Supplementary Information**

## Required Supplementary Information (continued)

- ▶ Additional information should be presented on factors that materially affected trends in the amounts reported as RSI, such as changes in terms, etc.



# GASB 75 – Auditor and Auditee Implications

## Auditor and Auditee Implications

- ▶ What is the source of the data given to the actuary and auditor, this data is integral to the actuarial valuation
- ▶ Were changes to the plan relayed correctly
- ▶ Is it reliable, what are the controls in obtaining /preparing the data, etc.
- ▶ Auditors will need to test this census data

# GASB 75 – OSC Accounting Bulletin

- ▶ Applicability to local governments and school districts
- ▶ Accounting and reporting requirements for financial statements prepared in accordance with generally accepted accounting principles (GAAP)
- ▶ Reporting requirements for the AUD and ST-3
- ▶ Sample journal entries for both governmental and proprietary funds

# Applicability to Local Governments and School Districts

- ▶ Statement 75 applies to all local governments and school districts that prepare financial statements in accordance with GAAP and offer OPEB to their employees
- ▶ Local governments who do not issue GAAP compliant financials are encouraged but not required to implement the new standard for AUD reporting purposes
- ▶ School districts are required to be GAAP compliant therefore the ST-3 should reflect the new reporting requirement

# Accounting and Reporting Requirements

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- ▶ Total OPEB Liability
- ▶ OPEB Expense
- ▶ Deferred Inflows/Outflows of Resources

# AUD/ST-3 Reporting

- ▶ OPEB liability required to be reported if financials are GAAP compliant
- ▶ Total OPEB liability should be reported on the Schedule of Non-Current Governmental Liabilities ( W Schedule)
- ▶ Expenditures should be reported in the governmental fund financial statements when benefits are due
- ▶ The total OPEB liability, OPEB expense, deferred inflows and outflows of resources should be allocated to the proprietary fund financial statements.

# AUD/ST-3 Reporting

- ▶ First year of implementation, a prior period adjustment must be recorded to remove the net OPEB obligation(account code 683) from the prior year in both the Schedule of Non-Current Governmental Liabilities and any proprietary fund that reported OPEB
- ▶ Proprietary funds will need to make a prior period adjustment to establish a beginning balance of total OPEB liability and deferred outflows of resources related to benefit payments made subsequent to the measurement date
- ▶ Sample disclosures are available in the AUD sample footnotes

# AUD/ST-3 Reporting

- ▶ RSI is not required for AUD/ST-3 reporting purposes
- ▶ The former supplemental schedule of Other Post-Employment Benefits has been removed from the AUD and ST- 3 and OSC is not requiring a separate OPEB supplemental schedule

# Sample Journal Entries for Governmental and Proprietary Funds

- ▶ General Fund
- ▶ Schedule of Non-Current Governmental Liabilities(W Schedule)
- ▶ Governmental Fund
- ▶ Proprietary Fund



# Sample Footnotes and Required Supplementary Information

- ▶ General Information about the OPEB Plan
- ▶ Total OPEB Liability
- ▶ Changes in the Total OPEB Liability
- ▶ OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
- ▶ Restatement of Net Position
- ▶ Schedule of Changes in the Governments Total OPEB Liability and Related Ratios



# Questions ???

# Contact Information

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