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Accounting and Reporting for Other Post-employment Benefits

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- What is OPEB?
 - Post employment benefits other than pensions
 - After termination, whether or not retired
 - Health care benefits, regardless of who provides them
 - Medical, dental, vision, hearing, other
 - Provided by a pension plan
 - Account for separately
 - Life insurance, disability, long-term care
 - Unless provided by a pension plan
 - Treated as a pension benefit

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- What is OPEB?
 - Exchange of benefits for employee services performed
 - Part of compensation package provided by employer
 - All or portion of the cost born by the employer
 - Special funding situation by non-employer (state)
- What is not an OPEB?
 - Special termination benefit (GASB S-47)
 - An offer made by an employer for a period of time to encourage employees to retire
 - Inducement to leave employment prior to retirement
 - Includes both voluntary and involuntary early retirement programs

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- Does my college have an OPEB?
 - Does your college participate in the Community College Health Insurance Security Fund (CIP)?
 - You have an OPEB
 - Does your college pay a portion of retiree health insurance in addition to your contribution to CIP
 - OPEB or
 - Special termination benefit

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GASB Accounting and Financial Reporting OPEB changes:

- Two issues
 1. Employers accounting for the costs of OPEB
 - Significant changes
 - Especially for participation in “cost-sharing” OPEB plans
 2. Accounting and reporting by the OPEB Plan
 - Not many changes
- Special funding situations
 - Significant changes
 - Further impacted by changes for “cost-sharing” OPEB plans

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- GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (2004)
 - Accounting and Reporting by the OPEB Plan
- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (2004)
 - Payments made to Community College Health Insurance Security Fund (CIP) by you and by the State on behalf of your employees and related expense
 - Cost-sharing employer disclosures in the notes
 - No liability recorded by the employer
 - On behalf revenue and expense for non-employer contributions

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- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (2004)
 - Your College's own plan (in addition to CIP)
 - Accounting for OPEB costs based on a funding model
 - Only liability or asset reported on the employer's financial statements is a net OPEB obligation/asset (NOPEBO/NOPEBA)
 - Annual required contribution (ARC) versus funded
 - $ARC > \text{funding} = \text{NOPEBO}$
 - $ARC < \text{funding} = \text{NOPEBA}$
 - Very few plans have an irrevocable trust established
 - Pay as you go funding
 - Inconsistent with the accrual basis of accounting

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- GASB has changed accounting for OPEB consistent with the change in accounting for pensions
- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
 - Issued June 2015
 - Effective for plans fiscal year ending June 30, 2017
 - Provides guidance on reporting by the OPEB Plan
 - Community College Health Insurance Security Fund separate report
 - Your College's own plan
 - Separate report for the plan (if in a trust)
 - The employer's report if no separate report for the plan

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- GASB has changed accounting for OPEB consistent with the change in accounting for pensions
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
 - Issued June 2015
 - Effective for fiscal years ending June 30, 2018
 - Provides guidance for employer's reporting OPEB expense and liabilities
 - Obligations for OPEB meet the definition of a liability from GASB Concepts Statement No. 4
 - The employer (or the state), not the OPEB plan, is ultimately responsible for the pension liability
 - The liability (expense) should be recorded in the period the benefit is earned by the employee as services are provided in accrual based financial statements

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- Types of OPEB plans
 - Defined benefit
 - Defined contribution
 - Single employer
 - One employer contributes
 - Created by the employer
 - Multiple employer
 - Cost-sharing
 - One actuarial valuation
 - CIP created by the State
 - Agent
 - Separate actuarial valuation for each employer
 - Special funding situation
 - Non-employer is legally responsible for making all or a portion of employer contributions

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- Community College Health Insurance Security Fund
 - Defined benefit OPEB plan
 - Multiple employer cost-sharing plan
 - Special funding situation
 - Employee - .5% of covered payroll
 - Employer - .5% of covered payroll
 - State - .5% of covered payroll + ?
 - Retiree - premium
 - If you subsidize this that portion becomes a single employer plan
 - Non-employer is legally responsible for making a portion of employer contributions
 - Pay as you go financing, 0 net assets to pay benefits (deficit)

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- GASB S-75 changes the accounting, reporting and disclosures for colleges participating in CIP
 - Report proportionate share of CIP net OPEB liability
- Total OPEB liability
 - Actuarial present value of projected benefit payments
 - Promise to pay in the future
- Less OPEB plan net position (CIP net assets)
- Equals the net OPEB liability
- Measured as of OPEB plan fiscal year end

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- Actuarial cost method used to measure the total OPEB liability
 - Entry age actuarial cost method is required
 - CIP uses projected unit credit (PUC) to calculate actuarially determined contribution
- Discount rate used to discount the projected benefit payments to a net present value
 - Currently use an investment rate of return (IRR)
 - Assumes sufficient assets have been set aside to pay future benefits

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- GASB S-75 discount rate – single rate that reflects:
 - Long-term expected rate of return on plan investments to the extent that the plan's net position is sufficient to make projected benefit payments, assuming assets are invested to achieve that return
 - Yield or index rate for 20 year, tax exempt GO municipal bond rated AA/aa or higher
 - CIP will use a blended rate
 - May increase the current CIP liability

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- CIP OPEB liability at June 30, 2013 (latest available)
 - Actuarial accrued liability
 - \$2,382,196,000
 - Actuarial value of assets
 - (\$13,238,000)
 - Unfunded actuarial accrued liability
 - \$2,395,434,000
 - Blended discount rate and changing health care trend rate will increase the liability by ?

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- Calculating proportionate share of CIP net OPEB liability
 - Special funding situation
 - How much will the State pick up
 - How much will all colleges pick up
 - Excluding employee contributions
 - 50% state / 50% all colleges
 - Including employee contributions
 - 33.3% state / 66.7% all colleges
 - Your college's share of all colleges' net OPEB liability
 - Your college's contribution as a % of total contributions
 - Multiply net OPEB liability by this %
 - = Your proportionate share of the liability
 - 20,000,000 – 140,000,000

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- Recording proportionate share of CIP net OPEB liability
 - Credit – liability
 - Debit – unrestricted net position
 - May result in deficit net position

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- Recording OPEB expense
- Cost of OPEB earned during the period regardless of what was funded by whom
 - Full proportionate share of OPEB expense and deferred inflows/outflows related to change in net OPEB liability
 - Includes employer's proportionate share
 - Same calculation applied to NOPEBL
 - Include non-employer expense (State) related to your employees
 - Revenue recognized equal to non-employer expense
 - Income statement recognizes full expense (total cost) of OPEB

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- Note disclosure greatly increased
 - CIP plan
 - Your own plan
- Required supplementary information
 - CIP plan
 - Your own plan
- Your own plan
 - Hire the actuary now!

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Questions?

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