IMPLEMENTING GASB STATEMENT NO. 75, FOR THE COMMUNITY COLLEGE HEALTH INSURANCE PLAN

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GASB STATEMENT NUMBER 75

- Issued June 2015
- Effective for fiscal years ending June 30, 2018 and thereafter.
- Applies to:
  - Employers that provide other post-employment benefits (OPEB)
  - Single employer plans that some community colleges have created
    - Explicit subsidy
  - Cost-sharing plans that most if not all community colleges participate in
    - Community College Health Insurance Plan (CIP) is a cost sharing plan with a special funding component
MORE ABOUT OPEB

- Part of overall benefit package
  - Inducement to attract employees
- Exchange of benefits for services performed
  - Recognize expense as service is performed
- Does not include special termination benefits (early retirement incentives)
  - Offer made by employer for a period of time
  - Inducement to leave employment
  - Both voluntary and involuntary programs

What is OPEB?

Benefits provided to state and local government employees other than pensions during retirement.
GASB STATEMENT NUMBER 75

- Explicit benefit
  - Employer pays some or all of the benefit premiums after employees retire.

- Implicit benefit/subsidy
  - Retirees continuing in the employer’s health plan but not paying an age adjusted premium.

- Special funding component
  - A non-employer is required to contribute to the plan
CIP PLAN

- Defined benefit (DB) multiple employer cost sharing plan with a special funding situation
- Non-employer (state) is legally responsible for making a portion of the employer contribution
  - Employee - .5% of covered payroll
  - Employer - .5% of covered payroll
  - State - .5% of covered payroll
  - Retiree - premium
    - If you subsidize the premium that retirees are to pay this subsidy becomes a single employer DB plan in addition to the cost sharing plan
CIP PLAN

▪ GASB S-75 changes the accounting, reporting and disclosures for colleges participating in CIP
  ▪ Report proportionate share of CIP net OPEB liability
  ▪ State expected to report up 50% of net OPEB liability
  ▪ Colleges report the remainder of net OPEB liability

▪ Total OPEB liability
  ▪ Actuarial present value of projected benefit payments
    ▪ Promise to pay in the future

▪ Less OPEB plan net position or plus plan deficit (CIP net assets)

▪ Equals the net OPEB liability

▪ Measured as of OPEB plan fiscal year end
CIP PLAN

- Estimated CIP OPEB liability to record at July 1, 2017
  - Total OPEB liability
    - $1,781,688,393
  - CIP plan net position
    - ($38,266,000)
  - Net OPEB liability
    - $1,819,954,393
  - Colleges’ share of net OPEB liability
    - $909,977,196.5

- The State will send you an audit report with the actual numbers to use by ?
CIP PLAN

- Estimating your college’s proportionate share of CIP net OPEB liability
  - Your college’s share of all colleges’ net OPEB liability
  - Your college’s contribution as a % of total colleges’ contributions for the year ended June 30, 2016
  - Multiply Colleges’ share of net OPEB liability by this %
  - = Your proportionate share of the liability

- Total College contributions: $4,417,000
- Waubonsee contributions: $141,037
- Waubonsee’s share of contributions: 3.1930%
- Waubonsee’s share of NOPEB liability: $29,056,023
CIP PLAN

- Recording proportionate share of CIP net OPEB liability
  - Where to record - accrual basis funds
    - Education subfund
    - Retiree health insurance subfund
    - Conversion entry only
      - BTA model
  - Credit - liability
  - Debit - unrestricted net position
  - May result in deficit net position for many colleges
CIP PLAN

- Recording proportionate share of 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

- 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
CIP PLAN

- Estimated CIP OPEB liability to record at June 30, 2018
  - Total OPEB liability
    - $1,772,818,960
  - CIP plan net position
    - ($50,818,000)
  - Net OPEB liability
    - $1,823,636,960
  - Colleges’ share of net OPEB liability
    - $911,818,480
  - Discount rate change from 2.85% to 3.56% decreased the liability by $182,000,000
GASB STATEMENT NO 75

- Note disclosure greatly increased
  - CIP plan
  - Your own plan
  - Both GASB S-45 and S-75 disclosures required in year 1 if comparative are FS presented

- Required supplementary information
  - CIP plan
  - Your own plan
  - Both GASB S-45 and S-75 RSI required in year 1 if comparative are FS presented

- Your own plan
  - Hire the actuary now!
WAUBONSEE COMMUNITY COLLEGE

Darla Cardine
EDUCATION

- Partnership with auditor
  - Annually - review of future pronouncements and potential impact to college
  - CIP plan
    - Underfunded
    - Currently in trust
- Board Education on Financial Statement Impact
  - August 2017 - pro-forma financial statements
  - October 2017 - auditor communication
  - January 2018 - special board meeting
- College Administrators
  - Financial Stewardship Plan
  - Impacts on recruitment and retention
Where to Record the Liability
- Operating Funds
- Auxiliary Fund

Consolidated Financial Statement

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<th>June 30, 2016</th>
<th>PRO-FORMA</th>
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<tr>
<td>Liability</td>
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<td>Net Position</td>
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<td>Net investment in capital assets</td>
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<td>Total Net Position</td>
<td>$76,000,000</td>
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FUNDING THE LIABILITY

- Reserves
  - The “better” times
  - Auxiliary fund
  - Trust fund

- Impact on Bond Rating
  - Managing bond rating criteria under the college’s control
    - Management (20%)