

*Illinois Community College Chief Financial Officers
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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

***Accounting and
Financial Reporting
for Postemployment
Benefits Other Than
Pensions***

What is OPEB?

Benefits provided to state and local government employees other than pensions during retirement.

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

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

***Accounting and
Financial Reporting
for Postemployment
Benefits Other Than
Pensions***

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

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

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

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

PREPARING FOR THE LIABILITY

- Where to Record the Liability
 - Operating Funds
 - Auxiliary Fund
- Consolidated Financial Statement

	June 30, 2016	PRO-FORMA	
Liability	\$ 0	\$ 29,000,000	
Net Position			
Net investment in capital assets	\$ 50,000,000	\$ 50,000,000	
Restricted for			
Debt Service	1,000,000	1,000,000	
Unrestricted	25,000,000	(4,000,000)	
Total Net Position	\$ 76,000,000	\$ 47,000,000	

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%)
 - Budgetary Flexibility (10%)
 - Budget Performance (10%)



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