

# GASB 68 LESSONS & HOW TO PREPARE FOR GASB 75

## STATE OF MAINE



May 24, 2016

# Agenda

Topic	Minutes
Objectives and Introductions	5 minutes
GASB 68 Lessons	20 minutes
OPEB – How to prepare	35 minutes
Questions	5 minutes

# Objectives

The objective of this session will be to provide participants an understanding of GASB Statement 75 and how we can further apply the lessons learned from Statement 68 as we adopt Statement 75.

# LESSONS LEARNED GASB 68



# The Lessons – GASB 68

## Timing of Measurement

- Selecting a permanent measurement date

## Actuarial valuations

- Inconsistency(accounting vs. funding purpose)
- Early communication/coordination with the plan
- Discount rate statement noted in reports
- Projection of benefit payments when a policy / statute exists

# The Lessons – GASB 68

## Allocation Methods

- GASB 68 is not clear as noted with question 36 of the implementation guide.
- Certain methods potentially result in the recognition of additional deferred outflows/inflows of resources related to changes in proportions

## GASB 68 Schedules

- Evaluating appropriateness

# The Lessons – GASB 68

## Plan audited by other auditors

- Employer auditor is responsible for ensuring the appropriateness of audit evidence
- Adoption of GASB 78 due to various issues

## Financial Statement presentation

- Single year

# GASB 75



## Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

- Overall similar to GASB 68
- Focus on the cost to taxpayers over time of providing government services

# What is OPEB

- Postemployment healthcare benefits - including medical, dental, vision, hearing, and other health-related benefits
- Other forms of postemployment benefits- such as death benefits, life insurance, disability, etc.

# Scope and Applicability of This Statement

## Who is this for:

Applies to employers and nonemployer contributing entities of defined benefit OPEB and defined contribution OPEB that have a legal obligation to make contributions directly to an OPEB plan or to make benefit payments as they come due including:

- *Special funding situations*
- *Other circumstances*

# Scope and Applicability of This Statement

## Criteria in paragraph 4:

A – Contributions from employers' and non-employer contributing entities to the plan and earning on those contributions are irrevocable.

B – OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

C – Plan assets are legally protected from creditors of employers, non-employer contributing entities and the OPEB plan administrator

# Types of Defined Benefit OPEB Plans and Employers

- Insured plans
- Single-employer defined benefit OPEB plan
- Multiple-employer defined benefit OPEB plan
- Agent multiple-employer defined benefit OPEB plan
- Cost-sharing multiple-employer defined benefit OPEB plan

# Defined Benefit OPEB Obligations

Liabilities, expense/expenditures, deferred outflows of resources, and deferred inflows of resources should be reported as applicable.

Is OPEB administered through a trust that meets the specified criteria?

- Yes – recognize net OPEB liability  
(total liability net of plan net position)
- No – recognize total OPEB liability

# Defined Benefit OPEB Obligations

- Liabilities to employees for defined benefit OPEB provided through different OPEB plans may be displayed in the aggregate
- Net OPEB assets for defined benefit OPEB provided through different OPEB plans that are administered through trusts may be displayed in the aggregate.
- Aggregated OPEB liabilities should be displayed separately from aggregated net OPEB assets.

# OPEB Provided through OPEB Plans That Are Administered Through Trusts

## Number of OPEB Plans

If all assets accumulated in a defined benefit OPEB plan that is administered through a trust for the payment of benefits may legally be used to pay benefits to *any* of the employees, the total assets should be reported as assets of one defined benefit OPEB plan

# OPEB Provided through OPEB Plans That Are Administered Through Trusts

## Number of OPEB Plans

A separate defined benefit OPEB plan should be reported for a portion of the total assets, even if the assets are pooled with other assets for investment purposes, if that portion of assets meets **both** of the following criteria:

- Assets is accumulated solely for the payment of benefits
- The portion of assets may not legally be used to pay benefits to other classes or groups of employees

# Timing and Measurement

## **Measurement Date:**

Date no earlier than the end of the prior fiscal year

## **Actuarial valuation Date:**

Measurement date or date no more than 30 months (+1day) prior to fiscal year end.

For accounting and financial reporting purposes, an actuarial valuation of the total OPEB liability should be performed at least **biennially**.

# Measurement Approach

## Three step process:

- Project benefit payments – current employees
- Discount projected benefit payments to actuarial present values
- Allocate present values to periods

# Measurement Approach - Discounting

## Single discount rate that considers:

- Calculation is same process as GASB 68
- Long-term expected rate of return on OPEB plan investments to the extent that plan net position is sufficient to make benefit payments and expected to be invested using a strategy to achieve a return
- Index rate or Yield for 20 year, tax-exempt GO municipal bond rated AA/Aa or higher to the extent conditions for long-term expected RoR is met

# OPEB Net Position

## Fiduciary Net Position

- Administered through trust
- Same measurement date as the liability
- Same measurement requirements used for the Defined Benefit OPEB plan's statement of fiduciary net position including fair value investment measurement

## Net OPEB Liability

- A liability should be recognized for the net OPEB liability
- Same valuation methods used by the OPEB plan
- Net OPEB liability should be measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year and no later than the end of the employer's current fiscal year

# Changes in the OPEB Liability

**Most changes in liability are recognized as OPEB expense.**

Exceptions to recognizing changes in the liability in OPEB expense:

- Differences between expected and actual experience with regard to economic and demographic factors
- Changes in assumptions in the measurement of the total OPEB Liability

# Changes in the OPEB Liability

**Most changes in liability are recognized as OPEB expense.**

Exceptions to recognizing changes in the liability in OPEB expense:

For OPEB Trusts those exceptions are:

- Differences between projected and actual earnings on plan investments
- Employer contributions

# Changes in the Total OPEB Liability

Affects expense recognized in current and future periods

- Amounts paid by employer as benefits come due during the measurement period

Portions not recognized in expense are deferred outflows or inflows of resources

- Amounts paid by employer as benefits subsequent to measurement date (reduces liability in next period)

# Changes in Liability: Employer contributions

- Relevant only for OPEB trusts in which the specified criteria is met
- Directly reduce the liability if during the measurement period.
- Subsequent to the measurement period:
  - Deferred outflow of resource
  - Reduction in liability in the next reporting period

# Changes in Liability: Investment Earnings

- Relevant only for OPEB trusts in which the specified criteria is met
- Affects expense recognized in current and future periods
- Portions not recognized in expense are deferred outflows or inflows of resources

# Cost-Sharing Employers

- Proportionate Share of the Collective Net OPEB Liability, expense, and deferred outflows/inflows of resources
- The employer's proportionate share of the collective net OPEB liability should be measured by:

Employer's proportion x the collective net OPEB liability =  
the employer's proportion calculated

Employer's proportion should be established as of the measurement date

# Cost-Sharing Employers

## Contributions During the Measurement Period

Difference during the measurement period between:

- the total amount of contributions from the employer and
- the amount of the employer's proportionate share of the total contributions from all contributing entities
- should be recognized in the employer's OPEB expense

## Special Funding Situations

Circumstances in which a nonemployer entity is *legally* responsible for providing financial support for OPEB of the employees of another entity by making contributions *directly to* an OPEB plan that is administered through a trust **or** by making benefit payments directly as the OPEB comes due in circumstances in which the OPEB is provided through an OPEB plan that is not administered through a trust.

# Special Funding Situations

- The amount of contributions or benefit payments for which the nonemployer entity legally is responsible is not dependent upon one or more events or circumstances unrelated to the OPEB.
- The nonemployer entity is the only entity with a legal obligation to provide financial support directly to an OPEB plan that is used to provide OPEB to employees of another entity.

# Notes to Financial Statements

## **All Single and Agent Employers:**

### **OPEB Plan Description**

- a. The name of the OPEB plan
- b. A brief description of the benefit terms
- c. The number of employees covered by the benefit term
- d. A brief description of contribution requirements
- e. Whether the OPEB plan issues a stand-alone financial report

# Notes to Financial Statements

## All Single and Agent Employers:

### Assumptions and Other Inputs

- Significant assumptions and other inputs used to measure the total OPEB liability, including assumptions about inflation, healthcare cost trend rates, salary changes, ad hoc postemployment benefit changes
- Information found in the actuarial report e.g. mortality assumptions, experience studies, discount rate, projected cash flow assumptions etc.

# Required Supplementary Information

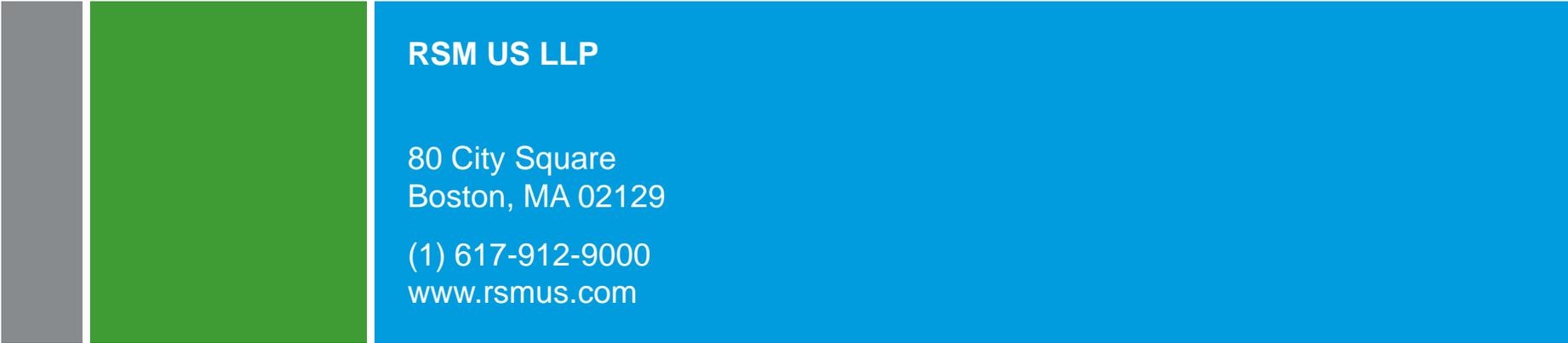
## All Single and Agent Employers:

### Changes in the Net OPEB Liability

- 10-year schedule of changes in the net OPEB liability The effects during the period
- Notes to Required Schedules - Significant methods and assumptions used in calculating the actuarially determined contributions . In addition, for each of the schedules required by , information should be presented about factors that significantly affect trends in the amounts reported



# QUESTIONS AND ANSWERS?



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