

# GASB 75

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# 1. WHAT IS OPEB?

- Post-employment health care benefits
- Other forms of post-employment benefits not provided through pension plans (if these benefits are part of pension then such benefits will be reported under pension):
  - Death benefits
  - Life insurance
  - Disability
  - Long-term care
- Unused sick leave into individual health care accounts
- Defined benefit and defined contribution plans



## 2. WHAT IS AN OPEB PLAN?

Arrangements through which OPEB is determined, assets dedicated for OPEB (if any) are accumulated and managed, and benefits are paid as they come due.



# 3. TYPES OF OPEB PLANS

.Three types of OPEB plans:

- Single employer

  - .Provided to one employer

- Agent employer

  - .Multiple employers, assets are pooled for investment. Accounts maintained for each employer (i.e. CERBT)

- Cost sharing multiple employer

  - .Multiple employer, obligations are pooled, assets are available to all



## 4. PURPOSE OF GASB 45 AND 75

- OPEB liability in the balance sheet.
- Calculate present liability for future non-pension benefits for employees and retirees, also known as the “Actuarial Accrued Liability”.
- The two standards differ on how the liability is calculated and disclosed on financial statements.



## 5. DIFFERENCES BETWEEN GASB 45 AND 75

- .Both GASB 43 and 45 employers would just pay retiree benefits and accounts for them on a pay as you go basis.
- .But GASB viewed OPEB plans as ‘part of exchange of salaries and benefits for employee services rendered’.
- .GASB believes cost of OPEB should be linked with periods in which the exchanges occur rather than with the periods when benefits are provided.



## 5. DIFFERENCES BETWEEN GASB 45 AND 75 (Continued)

- Under GASB 45 Net OPEB obligation = OPEB expense
- OPEB expense is employer paid benefits plus employer contributions to a trust
- Under GASB 75 Net Liability = PV of benefits accrued to date by the employees less PV resources held in trust to benefits
- Under GASB 45, actuarial and investment gains/losses and plan assumptions changes were generally amortized over 30 years, and GASB 75 amortization period varies for each item but it is amortized over a shorter period

## 6. QUICK FACTS GASB 75

- Net OPEB Liability on the balance sheet (or Total OPEB Liability if no assets have been set aside in a Trust)
- Net OPEB LIABILITY = TOTAL OPEB LIABILITY - PLAN ASSETS AT MV
- Under GASB 75, contribution does not equal to OPEB expense
- GASB 75 requires additional notes and Required Supplementary Information (RSI)





## 6. QUICK FACTS GASB 75 (Continued)

- Biennial valuations are required, and 3-year option is no longer available.
- Annual updates will be required at each measurement date on actual asset values, and discount rate changes due to use of municipal bond rate.



# 7. CALCULATING TOTAL OPEB LIABILITY

- Discount Rate
- What is included in the OPEB liability
- AMM
- Actuarial Assumptions



## 8. DISCOUNT RATE

- .The rate used to determine present value of benefits to be paid in future
- .Well-funded plans use expected rate of return
- .Unfunded plans use 20-year AA Municipal bond rate
- .In between plans use an in between rate
- .Discount rate is used to project if invested assets will cover future benefit payments
- .Discount rate is also used to project future employer contributions by looking at funding policy and last 5 years of actual contributions to the plan

# 9. ALTERNATIVE MEASUREMENT METHOD (AMM)

- .Modified approach to calculate small government employers OPEB liability
- .Plan members less than 100
- .Simplified methods for setting assumptions, ex: Turnover assumption, health care cost trend rates, health insurance premiums



# 10. ACTUARIAL ASSUMPTIONS

- .Entry age normal cost method is required
- .Actuaries must include future mortality improvement
- .Most actuarial assumptions used will be pension plan assumptions
- .OPEB actuarial assumptions that are not in pension assumptions will have a larger impact on results. For example: Participation, plan elections, medical trend
- .Employer is responsible for providing census data, and providing assumptions

# 11. PLAN ASSETS OR THE FIDUCIARY NET POSITION

- Assets in a trust or similar arrangement
- No asset smoothing
- Contributions receivable are included in plan assets only if legally required

# 12. MEASUREMENT DATE



## .Date to measure:

- Value of plan assets
- Municipal Bond rate used to set discount rate
- Value of total OPEB liability

## .OPEB liability may be “rolled forward” from previous valuation

- Up to 30 months + 1 day before current FYE

# 13. OPEB EXPENSE

- Change in net OPEB liability between years = OPEB expense
  - Not equal to contributions or pay as you go
    - Some portions of the change are deferred and recognized in expense over time
    - Portions not yet recognized are deferred inflows or outflows of resources on balance sheet





# 13. OPEB EXPENSE (Continued)

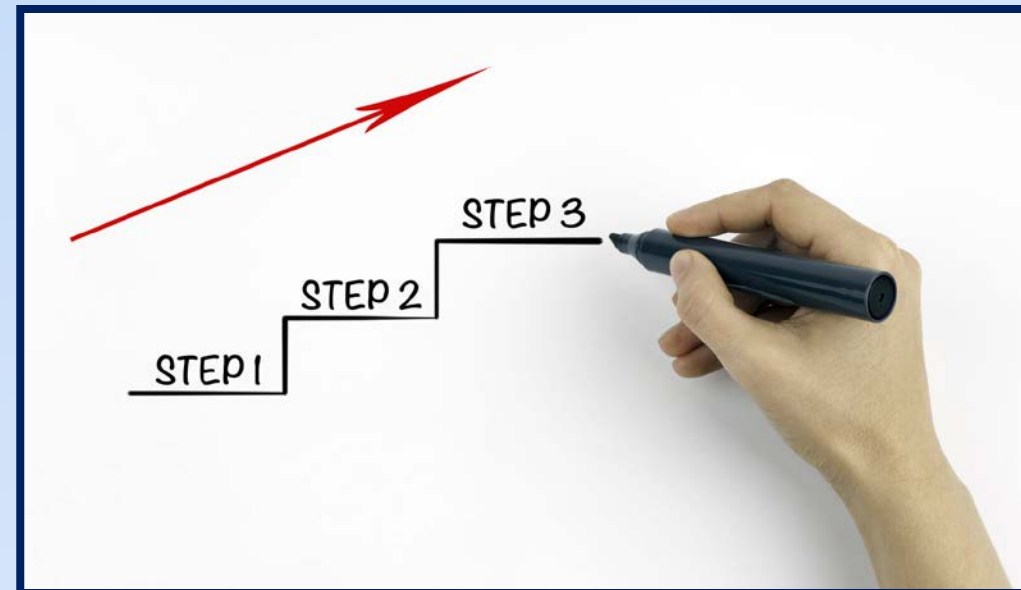
- Normal cost
- Interest on total OPEB liability
- (Expected return on assets)
- Administrative expenses
- Change in plan benefits
- Recognition of deferrals:
  - Investment gain/loss (5 years)
  - Assumption changes (average remaining service life)
  - Actuarial experience (average remaining service life)

# 14. NOTES AND REQUIRED SUPPLEMENTARY INFORMATION (RSI)

- Reconciliation of net OPEB liability during year
  - Eventually 10-year history
- Comparison of ADC and actual contribution
- Sensitivity of NOL to +/- 1% discount rate and +/- 1% medical trend
- Annual OPEB expense and deferred inflows and outflows of resources
- Notes on plan, governance, investments, actuarial assumptions, asset return, etc., as for pensions

# 15. NEXT STEPS

- Contact your actuary to discuss GASB 75 valuation
- If applicable, obtain CERBT information from CalPERS
- Contact your auditor to discuss approach and help you decide on a measurement date



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Questions