



West Virginia DEPARTMENT OF EDUCATION

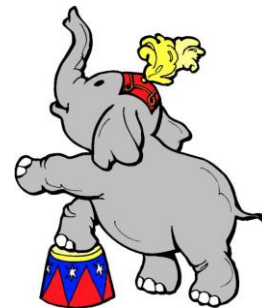
GASB 75 Overview

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GASB Statement No. 75

“Accounting and Financial Reporting for
Postemployment Benefits Other Than
Pensions”



General Information

- Objective – To improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB).
- Applicability – the requirements of this Statement apply to the financial statements of all state and local governmental employers whose employees are provided with OPEB and to the financial statements of state and local governmental non-employer contributing entities that have a legal obligation to provide financial support for OPEB of the employees of another entity by making contributions directly to an OPEB plan.
- Effective – For fiscal years beginning after June 15, 2017
 - **We must implement GASB 75 for the FY18 financial statements.**



General Information

- This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB.



General Information

- What does it change?
 - A lot!
 - How we recognize the OPEB liability
 - How we recognize the OPEB Expense
 - Additional deferred outflows of resources
 - Additional deferred inflows of resources
 - Additional note disclosures
 - Additional Required Supplementary Information (RSI)
 - Additional note disclosures for RSI
 - But....take a deep breath.....we have been here before!
 - Many of the changes mirror exactly the changes that were made when we implemented GASB 68.



General Information

- GASB 75 classifies employers into one of the following categories:
 - Single Employers
 - Agent Employers
 - Cost – Sharing Employers (Same classification as GASB 68)
 - Those whose employees are provided with defined benefit OPEB through cost sharing multiple-employer OPEB plans – OPEB plans in which the OPEB obligations to the employees of more than one employer are pooled and plan assets can be used to pay benefits of the employees of any employer that provides OPEB through the OPEB plan.



Special Funding Situation

- Circumstances in which a non-employer entity is legally responsible for providing certain forms of financial support for OPEB of the employees of another entity.
- Relevant forms of financial support are contributions directly to an OPEB plan that is used to provide OPEB to the employees of another entity or entities and either of the following conditions exist:
 - The amount of contributions or benefit payments for which the non-employer entity legally is responsible is not dependent upon one or more events unrelated to the OPEB.
 - The non-employer entity is the only entity with a legal obligation to make contributions directly to an OPEB.



Special Funding Situation

- Special funding situations do not include circumstances in which resources are provided to the employer, regardless of the purpose for which those resources are provided.



Special Funding Situation

- It has been determined that the county boards have a special funding situation in accordance with GASB 75's definition.
- Basis for determination
 - Requirements of the Public School Support Program (PSSP) of WV State Code 18-9A-24 in which the current insurance premiums for employees are sent directly to PEIA in lieu of payments from the county boards of education.
 - Senate Bill 419 in which the Legislature is required to make annual payments of \$30M beginning in 2016 and going through fiscal year 2037 to eliminate the unfunded liability of the West Virginia Retiree Health Benefit Trust Fund.

Terminology Changes

GASB 45	GASB 75
Normal Cost	Service Cost
Actuarially Accrued Liability	Total OPEB Liability (TOL)
Plan Assets	Fiduciary net Position
Unfunded Actuarial Accrued Liability (UAAL)	Net OPEB Liability (NOL)
Amortization Schedules	Deferred inflows and Outflows
Annual Required Contribution (ARC)	Actuarially Determined Contributions

Terminology Changes

- Total OPEB Liability
 - Definition
 - the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees past periods of service.
 - Generally required to be determined through an actuarial valuation
 - Factors considered in this valuation
 - Change in discount rate
 - Demographic experience
 - Healthcare claims experience
 - Change in pension related assumptions
 - Change in healthcare related assumptions

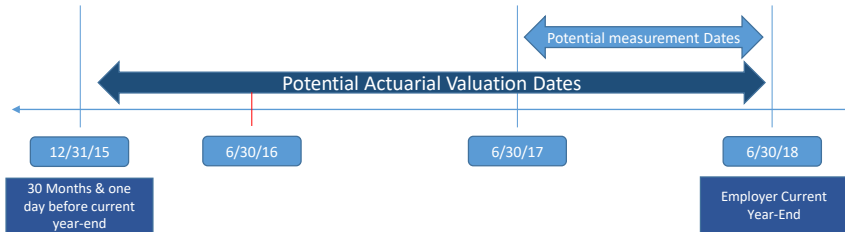


Terminology Changes

- Net OPEB Liability
 - Definition
 - The liability of employers and non-employer contributing entities to employees for defined benefit OPEB plans
- Employer must report this Net OPEB Liability in their financial statements



Actuarial Valuations



- Measurement of the total OPEB liability is required to be performed at least every two years, with more frequent valuations encouraged.
- Measurement of the net OPEB liability in employer's financial statements must be as of a date no earlier than the end of the employer's prior fiscal year.
- Measurement must be based on an actuarial valuation performed within 30 months plus one day of the employer's year-end.
- If the actuarial valuation is not performed as of the measurement date, update procedures must be performed to roll forward amounts to measurement date.



Changes in the NOL

Change Component	Expense	Deferral
Service Cost	Immediately	None
Interest on the TOL	Immediately	None
Change in benefit terms	Immediately	None
Changes in assumptions	Initial period amount	Expense over average remaining service lives of plan participants
Difference between assumed and actual economic and demographic factors		Expense over 5 years
Difference between projected and actual earnings		None
Other Changes in NOL	Immediately	None



Fund-Level Financial Statements

- In the governmental fund financial statements, the cost-sharing employer's proportionate share of the collective net OPEB liability is required to be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources.
- OPEB expenditures should be recognized equal to the total of:
 - Amounts paid by the employer to OPEB plan.
 - The change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.
- Essentially, there are no changes to the fund-level financial statements.
 - The one exception will be the removal of the OPEB payable.

District-Wide Financial Statements

- County Boards of Education will record their proportionate share (adjusted for the special funding situation) for the following for OPEB as determined through audited allocation schedules:
 - Net OPEB Liability (NOL)
 - Deferred Outflows/Inflows
 - OPEB Expense

District-Wide Financial Statements

SAMPLE COUNTY, WEST VIRGINIA, BOARD OF EDUCATION

STATEMENT OF NET POSITION
FYE JUNE 30, 2018

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Assets:	
Cash and cash equivalents	\$ -
Investments	-
Inventory	-
Taxes receivable, net of allowance for uncollectible taxes	-
Deposit with Retirement Board	-
Food service receivable	-
Other receivables	-
Prepaid Workers' Compensation	-
Other prepaid expenses	-
Due from other governments:	-
State aid receivable	-
PEIA allocation receivable	-
Reimbursements receivable	-
Capital assets:	-
Land	-
Land improvements	-
Buildings and improvements	-
Furniture and equipment	-
Vehicles	-
Construction in process	-
Less accumulated depreciation	-
Total capital assets, net of depreciation	-
Total assets	-
Deferred outflows of resources:	
Pension	-
OPEB	-
Total deferred outflows of resources	-
Total assets and deferred outflows of resources	\$ -

LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND NET POSITION

Liabilities:	
Salaries payable and related payroll liabilities	\$ -
PEIA premiums payable	-
Compensated absences	-
Accounts payable	-
Other post employment benefit payable	-
Due to Other Fiscal Agents	-
Long-term obligations:	-
Due within one year:	-
Bonds, capital leases, and contracts	-
Accrued interest	-
Accrued sick leave payable	-
Due beyond one year:	-
Bonds, capital leases, and contracts	-
Accrued sick leave payable	-
Net pension liability - Proportionate Share	-
Net OPEB liability - Proportionate Share	-
Total liabilities	-
Deferred inflows of resources:	
Pension	-
OPEB	-
Total deferred inflows of resources	-
Total liabilities and deferred inflows of resources	\$ -
Net Position:	
Net Investment in Capital Assets	-
Restricted for:	-
Debt service	-
Special projects	-
Capital projects	-
Unrestricted	-
Total net position	\$ -

Comparison of Required Note Disclosures

GASB 45

- Name of the plan.
- Identification of the entity that administers the plan.

GASB 75

- Same as GASB 45, but must also include identification of the plan as a single-employer, agent multiple-employer, or cost-sharing multiple employer defined benefit OPEB Plan.

Comparison of Required Note Disclosures

GASB 45

- Brief description of the types of benefits and the authority under which benefit provisions are established or may be amended.

GASB 75

- Same as GASB 45, but must also include disclosure of the number of employees covered by benefit terms:
 - Inactive employees currently receiving benefit payments
 - Inactive employees entitled but not yet receiving benefit payments
 - Active employees



Comparison of Required Note Disclosures

GASB 45

- Whether the OPEB plan issues a stand-alone financial report or if it is included in the report of another entity and, if so, how to obtain a report.

GASB 75

- Same as GASB 45.



Comparison of Required Note Disclosures

GASB 45

- Authority under which the obligations to contribute are established.
- Required contribution rate(s) of plan members.
- Contribution rates (in dollars or as a percentage of covered payroll).

GASB 75

- Same as GASB 45, but must also disclose the amount of contributions recognized by the OPEB plan from the employer during the reporting period.
- GASB 45 also required disclosure of Annual OPEB cost, % of annual OPEB cost contributed that year, and net OPEB obligation at end of year for CY and PY1 and PY2 – This is no longer required.



Comparison of Required Note Disclosures

GASB 45

- Information about the funded status of the plan as of the most recent valuation date, including the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability, the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the unfunded actuarial liability to annual covered payroll.

GASB 75

- Not Applicable



Comparison of Required Note Disclosures

GASB 45

- Reference to the actuarial report that was used to determine the Annual Required Contribution (ARC).

GASB 75

- Same as GASB 45, but actuarial report determines the total OPEB liability.
- Must also list the significant assumptions and other inputs used to measure the total OPEB liability:
 - Inflation
 - Discount Rate
 - Healthcare cost trend rate
 - Salary changes
 - Investment rate of return



Additional Required Note Disclosures

- Assumptions and other inputs
 - The projections of the sharing of benefit-related costs are based on an established pattern of practice.
 - The source of the mortality assumptions.
 - The dates of the experience studies on which significant assumptions are based.
 - Measurement of the employer's proportionate share of the net OPEB liability using:
 - A healthcare cost trend rate that is 1 percentage point higher and 1 percentage point lower than the assumed healthcare cost trend rate.

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates
(This information will appear in the Notes to the Financial Statements)

	1.0% Decrease (7.5% decreasing to 3.5%)	Healthcare Cost Trend Rates (8.5% decreasing to 4.5%)	1.0% Increase (9.5% decreasing to 5.5%)
School Board's proportionate share of the WV-RHBT net OPEB liability	\$2,065,585,627	\$ 2,458,989,093	\$2,940,143,149



Additional Required Note Disclosures

- Healthcare Cost Trend Rate
 - Definition – Projection of the growth of medical costs in the employer insurance market for the coming calendar year.
 - Drivers of Healthcare costs:
 - Demographics
 - Lifestyles
 - Inflation
 - Medical technology and innovation
 - Drug spending
 - Government regulation
 - Payment models



Additional Required Note Disclosures

- Discount Rate
 - Discount rate applied in the measurement of the total OPEB liability and the change in the discount rate since the prior measurement date, if any.
 - Assumptions made about projected cash flows into and out of the OPEB plan.
 - The long – term expected rate of return on OPEB plan investments and a brief description of how it was determined.
 - The periods of projected benefit payments to which the long-term expected rate of return is applied.
 - The assumed asset allocation of the OPEB Plan's portfolio and the long term expected real rate of return for each major asset class.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	27.5%	7.0%
International Equity	27.5%	7.7%
Core Fixed Income	7.5%	2.7%
High Yield Fixed Income	7.5%	5.5%
Real Estate	10.0%	7.0%
Private Equity	10.0%	9.4%
Hedge Funds	10.0%	4.7%
Total	100.0%	



Additional Required Note Disclosures

- Discount Rate (continued)
 - Measurement of the employer's proportionate share of the net OPEB liability calculated using a discount rate that is 1 percentage point higher and one percentage point lower than the discount rate being used.

Sensitivity Analysis of the Net OPEB Liability to Changes in the Discount Rate

(This information will appear in the Notes to the Financial Statements)

	1.0% Decrease 6.15%	Current Discount Rate 7.15%	1.0% Increase 8.15%
School Board's proportionate share of the WV-RHBT net OPEB liability	\$ 2,863,210,522	\$2,458,989,093	\$ 2,122,968,119



Additional Required Note Disclosures

- The portion of the non-employer contributing entity's total proportionate share of the net OPEB liability that is associated with the employer.
- The total of the employer's proportionate share of the net OPEB liability that is associated with the employer.
- The employer's proportion (percentage) of the net OPEB liability, the basis on which its proportion was determined, and the change in its proportion since the prior measurement date.

School Board's proportionate share of the net OPEB liability	\$	7,068,287
State's proportionate share of the net OPEB liability associated with the School Board	\$	98,070,135
Total portion of net OPEB liability associated with the school board	\$	\$105,138,422



Additional Required Note Disclosures

- The measurement date of the net OPEB liability.
- The date of the actuarial valuation on which the total OPEB liability is based and that update procedures were used to roll forward the total OPEB liability to the measurement date.
- A brief description of any changes that affected the measurement of the total OPEB liability since the prior measurement date.
- The amount of OPEB expense recognized by the employer in the reporting period.



Additional Required Note Disclosures

- The employer's balances of deferred outflows and inflows of resources related to OPEB classified as follows:
 - Net difference between projected and actual earnings on OPEB plan investments.
 - Differences between expected and actual experience.
 - Changes in proportion and differences between School Board contributions and proportionate share of contributions.
 - Changes of assumptions.
 - Contributions subsequent to the measurement date.

	Deferred Outflows of Resource	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ 581,683	\$ -
Differences between expected and actual experience	64,708	41,281
Changes in proportion and differences between School Board contributions and proportionate share of contributions	883,314	634,582
Changes in assumptions	279,590	-
District contributions subsequent to the measurement date	44,315	-
Total	\$ 1,853,610	\$ 675,863



Additional Required Note Disclosures

- A schedule presenting each subsequent 5 years, and in the aggregate thereafter, the net amount of the employer's balances of deferred outflows and inflows of resources that will be recognized in the employer's OPEB expense.
- The amount of the employer's balance of deferred outflows of resources that will be included as a reduction of the collective net OPEB liability.
- The amount of revenue recognized for the support provided by the non-employer contributing entity's, if any.

School Board contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in OPEB expense as follows:

Years ending June 30,		
2019	\$	90,824
2020		90,825
2021		306,528
2022		420,795
2023		224,460
Thereafter		-
Total	\$	<u>1,133,432</u>



Required Supplementary Information

- 10 year schedule containing:
 - The employer's proportionate share (percentage and amount) of the net OPEB liability.
 - The portion of the non-employer contributing entity's total proportionate share (amount) of the net OPEB liability that is associated with the employer.
 - The employer's covered-employee payroll.
 - The employer's proportionate share (amount) of the net OPEB liability.
 - The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.



Required Supplementary Information

- Similar to GASB 68, this schedule will only have 1 year of information on it in the first year, but will grow each year to the max presentation requirement of 10 years.

SAMPLE COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
FOR THE MEASUREMENT PERIOD ENDED JUNE 30, 2018

	2018
District's proportion of the net OPEB liability (asset)	0.171985%
District's proportionate share of the net OPEB liability (asset)	\$ 7,068,287
State's proportionate share of the net OPEB liability (asset) associated with the district	98,070,135
Total	105,138,422
District's covered payroll	\$ 26,186,860
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	26.992%
Plan fiduciary net OPEB as a percentage of the total OPEB liability	61.42%

Data prior to 2018 is unavailable.



Required Supplementary Information

- 10 year schedule containing
 - The statutorily or contractually required employer contribution.
 - The amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution.
 - The difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the OPEB plan.
 - The employer's covered employee payroll.
 - The amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution as a percentage of the employer's covered payroll.



Required Supplementary Information

- Similar to GASB 68, this schedule will only have 1 year of information on it in the first year, but will grow each year to the max presentation requirement of 10 years.

**SAMPLE COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF DISTRICT CONTRIBUTIONS
RETIREE HEALTH BENEFIT TRUST FUND
FYE JUNE 30, 2018**

	2018
Contractually required contribution	\$ 1,708,106
Contributions in relation to the contractually required contribution	(1,708,106)
Contribution deficiency (excess)	-
District's covered payroll	\$ 19,960,033
Contributions as a percentage of covered payroll	8.558%

Data prior to 2018 is unavailable.



Notes to Required Supplementary Information

- Information about factors that significantly affect trends in the amounts reported in the RSI schedules:
 - Changes in benefit terms
 - Changes in the size or composition of the population covered by the benefit terms
 - Change in assumptions
 - Change in investment policies



GASB 75 Overview

Questions?

