

Accounting and Reporting Update Other Post-Employment Benefits (OPEB)

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Agenda

- What is OPEB?
- History of Accounting for OPEB
- Financial Reporting for GASB Statement 75
 - Applicability
 - AUD/ST-3
- Accounting
 - Sample Journal Entries



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What is OPEB?

Employee benefits other than pensions that are received after employment ends:

- Medical benefits
- Dental benefits
- Vision benefits
- Prescription medicine benefits
- Hearing benefits
- Disability benefits, if not part of pension plan
- Life insurance, if provided separately from a pension plan



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OPEB is not...

- Pension income benefits
- Sabbaticals
- Vacation benefits
- Special termination benefits (unless the effect is an increase in benefits that are OPEB)



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Types of OPEB Plans

Defined Benefit Plan

- Specified dollar amount
- Amount based on factors; age, years of service, compensation
- Type of level of coverage
 - Prescription drug coverage or percent of health insurance premiums

Defined Contribution Plan

- Individual employee accounts
- Defined contributions employers are required to make
- OPEB an employee will receive will depend only on contributions to employee's account, actual earnings, and effects on forfeitures of contributions made for other employees.



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History of Accounting for OPEB

Pre-GASB Statement 45

- OPEB traditionally financed on a pay-as-you-go basis (as premiums come due).
- Disclose in the notes to the financial statements the number of retirees receiving OPEB and the amount paid for that year.



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History of Accounting for OPEB

GASB Statement 45

- Issued June 2004
- Recognize OPEB costs (expense) systematically over the periods that approximate employees' years of service.
- Required additional note disclosures and RSI



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History of Accounting for OPEB

GASB Statement 45

- **Unfunded Actuarial Accrued Liability (UAAL)**
 - Note Disclosure
- **Annual Required Contribution (ARC)**
 - OPEB Expense; Accrual Basis of Accounting
- **Net OPEB Obligation (NOO)**
 - Difference between ARC and amounts actually contributed
 - Account Code 683 on AUD/ST-3
 - Reported on W Schedule and in Proprietary Funds



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History of Accounting for OPEB

GASB Statement 45

Modified Accrual Basis of Accounting Governmental Fund	Accrual Basis of Accounting Government-Wide and Proprietary Fund
- Expenditures equal to amount contributed or expected to be liquidated with expendable available resources.	- Expense in the amount equal to the annual OPEB cost measured in accordance with the statement, regardless of the amount actually contributed.
	- The difference between the annual OPEB costs and the amount contributed would result in the recognition of a net OPEB obligation at the end of the year.



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GASB Statement 75

Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

- Issued June 2015
- Replaces GASB Statement 45
- New standards for defined benefit and defined contribution OPEB
- Effective for fiscal years beginning June 30, 2017



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GASB Statement 75

- Requires an OPEB liability to be reported on the face of the financial statements rather than in the accompanying notes
- Changes to actuarial valuation and discounting
- Changes to required note disclosures and RSI

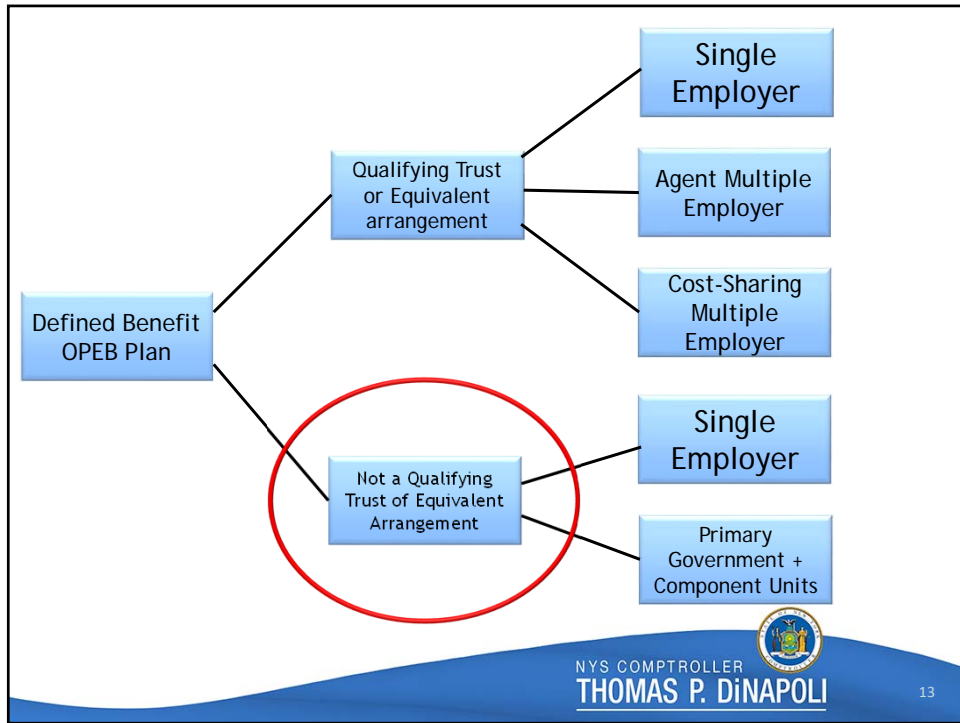


GASB Statement 75

Applicability

- Applies to all NYS local governments and school districts that prepare annual financial statements in accordance with GAAP and offer OPEB to their employees.
- Local governments that do not complete GAAP-compliant financial statements are encouraged to implement but are not required to do so for AUD reporting purposes.
- The ST-3 should reflect this reporting requirement.





GASB Statement 75 Financial Reporting

Modified Accrual Basis of Accounting Governmental Funds

OPEB Expenditures	Recognized when the total amounts paid by the employer for OPEB as benefits come due.
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To record an OPEB expenditure when benefits become due:

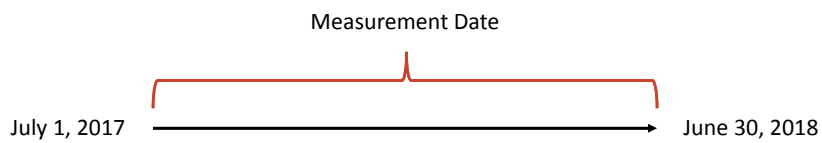
	Sub	Debit	Credit
A522 Expenditure		\$1,000	
A9089.8 Other Employee Benefits	\$1,000		
A600 Accounts Payable			\$1,000

GASB Statement 75

Financial Reporting

**Accrual Basis of Accounting
Government-Wide and Proprietary Funds**

Total OPEB Liability	<p>The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee services.</p> <p>Total OPEB Liability should be determined annually using an actuarial valuation as of a measurement date determined by the employer.</p>
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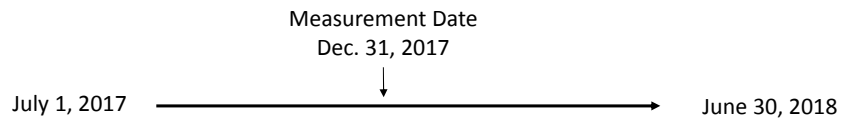


GASB Statement 75

Financial Reporting

**Accrual Basis of Accounting
Government-Wide and Proprietary Funds**

OPEB Expense	<p>Changes in the total OPEB liability between measurement dates should <u>generally</u> be recognized as OPEB expense in the current reporting period.</p>
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Example:

OPEB Expense = Change in Total OPEB Liability from 12/31/2016 to 12/31/2017

GASB Statement 75

Financial Reporting

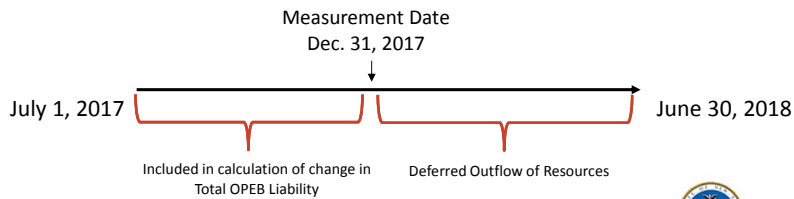
Accrual Basis of Accounting Government-Wide and Proprietary Funds	
Total OPEB Liability	OPEB Expense
Beginning balance + Service costs + Interest + Changes in benefit terms + Differences between expected and actual experiences + Changes in assumptions or other inputs - Benefit payments <hr style="border: 0.5px solid black;"/> Ending Balance	Service costs + Interest + Changes in benefit terms + Differences between expected and actual experiences + Changes in assumptions or other inputs <hr style="border: 0.5px solid black;"/> OPEB Expense



GASB Statement 75

Financial Reporting

Accrual Basis of Accounting Government-Wide and Proprietary Funds	
Deferred Inflows/Outflows of Resources	<p>May arise from changes in actuarial factors used to calculate the change in total OPEB liability.</p> <p>Employers should report any benefits as deferred outflows of resources if they are made subsequent to the measurement date and before the end of the reporting period.</p>



GASB Statement 75

Financial Reporting

Measurement Date
Dec. 31, 2017

July 1, 2017 → June 30, 2018

- Total OPEB Liability Beginning Balance = \$85,000
- Total OPEB Liability Ending Balance = \$100,000
- Benefits Paid = \$12,000 (\$6,000 prior to measurement date and \$6,000 after measurement date)

To recognize an increase in total OPEB liability and OPEB expense in a proprietary fund.

		Sub	
		Account	Debit
E_522	Expenses		\$21,000
E_495	Deferred Outflows of Resources		\$6,000
E_683	Total OPEB Liability		\$15,000
E_200	Cash		\$12,000



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GASB Statement 75

AUD/ST-3 Reporting

Governmental Funds

Total OPEB Liability	Reported on the Schedule of Non-Current Governmental Liabilities (W Schedule). This amount should be adjusted every year based on the change in total OPEB liability. Any amount of the total OPEB liability that is attributed to proprietary funds should be excluded, if applicable.
OPEB Expenditures	Should continue to be reported in the governmental fund financial statements when benefit payments are due.



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GASB Statement 75

AUD/ST-3 Reporting

Proprietary Funds

Local governments should allocate the portion of the total OPEB liability, OPEB expense, deferred outflows of resources, and deferred inflows of resources to the proprietary fund financial statements.

It is the local governments' responsibility to choose an appropriate allocation method.



GASB Statement 75

AUD/ST-3 Reporting

Code	Proprietary Funds	W Schedule
495 - Deferred Outflows of Resources	X	
683 - Total OPEB Liability*	X	X
691 - Deferred Inflows of Resources	X	

* This account code was previously names "Other Post-Employment Benefits" and accumulated the net OPEB obligation amounts as required by GASB Statement 45. It has been renamed "Total OPEB Liability" as a result of GASB Statement 75.



GASB Statement 75

First Year of Implementation

- Prior period adjustment to remove the Net OPEB Obligation (account code 683)
 - W Schedule
 - Any proprietary fund that reported OPEB

To record a prior period adjustment to remove the Statement 45 Net OPEB Obligation allocated to enterprise funds:

	Sub	Debit	Credit
E_683 Total OPEB Liability (formerly OPEB)		\$100,000	
E_924 Net Assets - Unrestricted			\$100,000



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GASB Statement 75

First Year of Implementation

- Prior period adjustment to establish (proprietary funds only):
 - A beginning balance of total OPEB liability
 - A beginning balance of deferred outflows of resources related to benefit payments made subsequent to the measurement date.

To record a prior period adjustment to establish the beginning balance of Total OPEB Liability and deferred outflows of resources for benefits paid subsequent to the measurement date:

	Sub	Debit	Credit
E_924 Net Assets Unrestricted		\$100,000	
E_495 Deferred Outflow of Resources		\$20,000	
E_683 Total OPEB Liability (formerly OPEB)			\$120,000



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GASB Statement 75

AUD/ST-3 Reporting

- RSI – Not required for AUD/ST-3 reporting purposes
- Note Disclosures – Required for AUD
 - Sample notes will be available
- Supplemental Schedule of Other Post-Employment Benefits – OPEB removed from AUD/ST-3



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OSC Resources

- OSC Accounting Bulletin, *Accounting and Financial Reporting for Other Post Employment Benefits as Required by GASB Statement 75*
- OSC OPEB FAQ Page
- GASB Statement 75
- GASB Implementation Guide No. 2017-3
- Professional Standards Unit
 - [LGSA PSU@osc.ny.gov](mailto:LGSA_PSU@osc.ny.gov)
 - (518) 474 - 5404



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Upcoming Projects

- *GASB Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68*
- *New LGMG – Capital Projects Fund*
- *Updates made to the School District Accounting and Reporting Manual (SD ARM)*



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Thank You



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