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To: **Chief Fiscal Officers**

From: **Division of Local Government and School Accountability**

Subject: **Accounting and Financial Reporting for Other Postemployment Benefits as Required by GASB Statement 75**

Please provide copies of this bulletin to others who may need this information.

Purpose of Bulletin

This bulletin provides information regarding the accounting treatment for other post-employment benefits (OPEB) and guidance on how local governments and school districts can comply with the new standards in the Annual Update Document (AUD) and ST-3. More specifically, this bulletin will address the following:

- Applicability to local governments and school districts in New York State;
- Accounting and reporting requirements for financial statements prepared in accordance with generally accepted accounting principles (GAAP);
- Reporting requirements for the AUD and ST-3; and
- Sample journal entries for both governmental and proprietary funds.

This bulletin will not, however, address how to compute the specific valuations needed in the above accounting and reporting requirements. For information on computing the specific valuations, please refer directly to GASB Statement 75.

Background

OPEB are benefits other than pensions that state and local governments provide to their retirees. These benefits include healthcare benefits (e.g., medical, dental, vision, and prescription medicine) and other benefits (e.g., life insurance and disability benefits) provided separately from a pension plan.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (Statement 75). This statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, (Statement 45) and issues new standards for defined benefit OPEB and defined contribution OPEB provided to employees of state and local governments through OPEB plans. Its intent is to improve accounting and financial reporting by requiring an OPEB liability to be reported on the face of the financial statements rather than in the accompanying notes (as previously required by Statement 45).

These reporting requirements are effective for financial statements with fiscal years beginning after June 30, 2017.

Applicability to Local Governments and School Districts in New York State

Statement 75 applies to all 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 these new standards, however, they are not required to do so for AUD reporting purposes. Because school districts are required to complete GAAP-compliant financial statements, the ST-3 should reflect this reporting requirement.

Accounting and Reporting Requirements

While Statement 75 addresses both trusted and non-trusted OPEB plans, local governments and school districts in New York State (NYS) do not have the legal authority to establish a trust or equivalent arrangement to accumulate OPEB funds to meet the requirements of a qualifying trust or equivalent arrangement. Additionally, the majority of local governments in NYS have single-employer defined benefit OPEB plans. Therefore, the guidance in this bulletin will only focus on single-employer defined benefit plans that do not meet the criteria of a trusted plan set forth in paragraph 4 of Statement 75.[1]

GAAP Reporting

In financial statements prepared using the economic resource measurement focus and accrual basis of accounting, employers are required to recognize their total OPEB liability, OPEB expense, and related deferred inflows and outflows of resources.

Total OPEB Liability

[1] For accounting and financial reporting guidance for OPEB plans not included in this bulletin (e.g., trusted defined benefit plans, defined contribution plans, component units, etc.), refer to Statement 75.

Total OPEB liability should be determined annually[2] using an actuarial valuation as of a measurement date determined by the employer.[3] The measurement date should be a date between the end of the employer's prior fiscal year and the end of its current fiscal year and should be the same from year to year.

Total OPEB liability is measured as the portion of the actuarial present value of projected benefit payments[4] that is attributed to past periods of employee services.

OPEB Expense

Changes in the total OPEB liability between measurement dates should generally be recognized as OPEB expense in the current reporting period.[5]

Deferred Inflows/Outflows of Resources

Deferred inflows and outflows of resources may arise from differences in actuarial factors used to calculate the change in total OPEB liability.[6]

In addition, employers should report any benefits[7] and administrative expenses as deferred outflows of resources if they are made subsequent to the measurement date and before the end of the reporting period.[8]

In financial statements prepared using the current financial resource measurement focus and modified accrual basis of accounting, employers should recognize the total OPEB liability only 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 (a) amounts paid by the employer for OPEB as benefits come due and (b) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.

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[2] This can be accomplished by a) a new actuarial valuation every year based on the measurement date or b) using an actuarial valuation performed as of a date no earlier than 30 months and one day prior to the end of the employer's most recent fiscal year that is updated (or "rolled forward") to the measurement date.

[3] An alternative valuation method could be used in place of the actuarial valuation if the employer has fewer than 100 employees. Local governments or school districts who wish to use this approach should refer to Statement 75 for further guidance.

[4] Projected benefit payments should include all benefits to be provided to current active and inactive employees through the OPEB plan in accordance with the benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

[5] Certain exceptions are noted in Statement 75, paragraph 157.

[6] For example, differences in expected and actual experience with regard to economic or demographic factors, changes of assumptions about future economic or demographic factors, or other inputs.

[7] Except for amounts paid by nonemployer contributing entities that are not in a special funding situation for OPEB as the benefits come due. These amounts should be recognized as revenue.

[8] Amounts paid during the measurement period should be reported as a reduction of the total OPEB liability.

Employers are also required to complete note disclosures and required supplementary information (RSI). Samples are available in Statement 75 Appendix C.

Retroactive restatement is required for all prior periods presented in the financial statements. If restatement for a prior period is not practical, the cumulative effect of applying this statement should be presented as a restatement of beginning net position for the earliest period restated.

AUD/ST-3 Reporting

As previously stated, Statement 75 applies to all 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 these new standards, however, they are not required to do so for AUD reporting purposes. Because school districts are required to complete GAAP-compliant financial statements, the ST-3 should reflect this reporting requirement.

For governmental fund financial statements, local government and school districts should annually report their total OPEB liability[9] 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. Expenditures should continue to be reported in the governmental fund financial statements when benefit payments are due. See Appendix A of this bulletin for sample governmental funds journal entries.

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, if applicable. It is the local governments' responsibility to choose an appropriate allocation method. See Appendix B of this bulletin for sample governmental and proprietary funds journal entries.

Additionally, in the first year of implementation, a prior period adjustment must be made to remove the net OPEB obligation[10] (account code 683) from the prior year in both the Schedule of Non-Current Governmental Liabilities and any proprietary fund that reported OPEB. Proprietary funds will also need to make a prior period adjustment to establish a beginning balance of total OPEB liability and deferred outflows of resources related to benefit payments made subsequent to the measurement date. See Appendix A and Appendix B of this bulletin for sample prior period adjustment journal entries.

[9] Any amount of the total OPEB liability that is attributed to proprietary funds should be excluded, if applicable.
[10] The net OPEB obligation was required to be reported in account code 683, Other Post Employment Benefits, per Statement 45.

Local governments and school districts should use the following codes to comply with these requirements:

Code	Proprietary Funds	W Schedule
495 – Deferred Outflows of Resources	X	
683 – Total OPEB Liability[a]	X	X
691 – Deferred Inflows of Resources	X	
[a] This account code was previously named "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.		

Sample note disclosures for OPEB are available in the AUD sample notes. RSI is not required for AUD/ST-3 reporting purposes. Additionally, we have removed the former supplemental schedule of Other Post-Employment Benefits - OPEB from the AUD and ST-3 and, at this time, we are not requiring a separate OPEB supplemental schedule.

Additional Information

If you have questions pertaining to the accounting guidance described in this bulletin, please contact the State Comptroller's regional office that serves your local government. Please also refer to our GASB 75 & OPEB Frequently Asked Questions page.

Appendix A

Sample Journal Entries (Governmental Funds)

The following sample journal entries are intended to demonstrate how Statement 75 affects the individual fund financial statements filed by a local government or school district as part of its AUD/ST-3. These sample journal entries are based on the following assumptions:

- The fiscal year is July 1, 2017 through June 30, 2018.
- There is one fund: General (A).
- The OPEB measurement date is December 31, 2017.

General Fund

a) To record an expenditure for amounts paid by the local government for OPEB benefits due:

Account	Debit	Credit
A522 Expenditures *(various subsidiary accounts)*	XXX	
A200 Cash or A600 Accounts Payable		XXX

Schedule of Non-Current Governmental Liabilities (W Schedule)

b) To record a prior period adjustment to remove the Statement 45 net OPEB obligation allocated to the governmental funds:[11]

Account	Debit	Credit
W683 Total OPEB Liability[12]	XXX	
W129 Total Non-Current Gov't Liabilities		XXX

c) To record the Statement 75 Total OPEB Liability allocated to the governmental funds as of the December 31, 2017 measurement date:[13]

Account	Debit	Credit
W129 Total Non-Current Gov't Liabilities	XXX	
W683 Total OPEB Liability		XXX

[11] This entry is only made in the first year of implementation.
[12] This account was previously called Other Post Employment Benefits for GASB Statement 45 reporting.
[13] For governmental fund financial statements, any benefits and administrative expenses paid subsequent to the measurement date and before the end of the reporting period (January 1, 2018 through June 30, 2018 in this example) are not recorded. These amounts, however, would be recorded as a deferred outflow of resources on the government-wide statements.

Appendix B

Sample Journal Entries (Governmental and Proprietary Funds)

The following sample journal entries are intended to demonstrate how GASB Statement 75 affects the individual fund financial statements filed by a local government as part of its AUD. These sample journal entries are based on the following assumptions:

- The fiscal year is July 1, 2017 through June 30, 2018.
- There are two funds - General (A) and Water Enterprise (EW). OPEB are allocated to each fund using an equitable method.
- The OPEB measurement date is December 31, 2017.

Governmental Fund Entry

General Fund

a) To record an expenditure for amounts paid by the local government for OPEB benefits due:

Account	Debit	Credit
A522 Expenditures *(various subsidiary accounts)*	XXX	
A200 Cash or A600 Accounts Payable		XXX

Schedule of Non-Current Governmental Liabilities (W Schedule)

b) To record a prior period adjustment to remove the Statement 45 net OPEB obligation allocated to the governmental funds:[14]

Account	Debit	Credit
W683 Total OPEB Liability[15]	XXX	
W129 Total Non-Current Gov't Liabilities		XXX

c) To record the Statement 75 Total OPEB Liability allocated to the governmental funds as of the December 31, 2017 measurement date:[16]

[14] This entry is only made in the first year of implementation.

[15] This account was previously called Other Post Employment Benefits for GASB Statement 45 reporting.

[16] For governmental funds financial statements, any benefits and administrative expenses paid subsequent to the measurement date and before the end of the reporting period (January 1, 2018 through June 30, 2018 in this example)

Account	Debit	Credit
W129 Total Non-Current Gov't Liabilities	XXX	
W683 Total OPEB Liability		XXX

Proprietary Fund - First Year Entries

d) To record a prior period adjustment to remove the Statement 45 net OPEB obligation allocated to the water enterprise fund:[17]

Account	Debit	Credit
EW683 Total OPEB Liability[18]	XXX	
EW924 Net Assets - Unrestricted		XXX

e) To record a prior period adjustment to establish the beginning balance of the total OPEB liability allocated to the water enterprise fund:[19]

Account	Debit	Credit
EW924 Net Assets-Unrestricted	XXX	
EW683 Total OPEB Liability		XXX

f) To record a prior period adjustment to establish deferred outflows of resources for benefits paid subsequent to the measurement date[20] allocated to the water enterprise fund:[21]

Account	Debit	Credit
EW495 Deferred Outflows of Resources	XXX	
EW924 Net Assets-Unrestricted		XXX

g) To recognize an increase in the total OPEB liability, the change in deferred outflows/inflows of resources and OPEB expense.

Account	Debit	Credit

are not recorded on the W schedule. These amounts, however, would be recorded as a deferred outflow of resources on the proprietary fund financial statements if payments were attributed to employee benefits in such funds.

[17] This entry is only made in the first year of implementation.

[18] This account was previously called Other Post Employment Benefits for GASB Statement 45 reporting.

[19] This entry is only made in the first year of implementation.

[20] Prior year measurement date is assumed to be December 31, 2016. The amount of deferred outflows of resources reported reflects the benefits paid from the EW fund between 1/1/2017 – 6/30/2017.

[21] This entry is only made in the first year of implementation.

EW522 Expenses (various subsidiary accounts)	XXX	
EW495 Deferred Outflows of Resources	XXX	
EW691 Deferred Inflows of Resources	XXX	
EW683 Total OPEB Liability		XXX
EW200 Cash[22] or A600 Accounts Payable		XXX

[22] Amount represents the total amount of OPEB benefits paid during the fiscal year.