

REPORTING

Note X – Other Postemployment Benefit (OPEB) Plans

INSTRUCTIONS TO PREPARER

Other postemployment benefits (OPEB) are benefits provided by an employer to plan participants, beneficiaries, and covered dependents through a plan or other arrangement that is separate from a plan to provide retirement income, except for postemployment health care benefits which are always OPEB. In addition to postemployment health care benefits, OPEB may include life insurance, disability income, tuition assistance, legal services, and other assistance programs. OPEB do not include social security benefits financed through FICA payroll taxes. However, if the employer pays postemployment contributions applicable to retirees for additional Medicare benefits, those benefits should be considered postemployment health care benefits and should be included in all relevant disclosures. Whether a particular type of benefit should be consider a pension benefit or OPEB depends on how the benefit is provided.

The following are OPEB note disclosure requirements for GASB Statements 43 and 45. These disclosures should be used when either both or one of these statements are effective for the government.

Under GASB Statement 43, disclosures must include:

- Plan Description
- Summary of Significant Accounting Policies
- Contributions and Reserves
- Funded Status and Funding Progress
- Actuarial Methods and Assumptions

Under GASB Statement 45, disclosures must include:

- Plan Description
- Funding Policy
- Annual OPEB Cost
- Net OPEB Obligation (for the current year and each of the two preceding year)
- Funded Status
- Actuarial Methods and Assumptions

Because of the diversity of plan types, administration, and methods used to report them GASB has duplicated disclosure requirements in GASB Statements 43 and 45. When entities are subject to both statements they should not duplicate disclosures.

GASB Statement 43 Disclosures: This statement requires that local governments administering plans for other postemployment benefits report specific financial information related to their plan. The focus of these disclosures is on financial statement presentation, the plan description, and the plans funded status and funding progress.

The notes to the financial statements of a defined benefit OPEB plan should include all of the following disclosures when the financial statements are presented in a stand-alone plan financial report or solely in the report of an employer.

When a plan's financial statements are presented in both an employer's report and a publicly available standalone report that complies with GASB Statement 43, the employer may limit plan disclosures to items a(1), b, and c(4), provided the employer discloses information about how to obtain the stand alone financial report.

a. Plan description

- (1) The plan should be identified as a single-employer, agent multiple-employer, or cost sharing multiple-employer defined benefit OPEB plan. The number of number of participating employers and other contributing entities should be disclosed.
- (2) The classes of employees covered in the plan should be disclosed, for example, general employees and public safety employees. The number of plan members, including employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits should be provided. If the plan is closed to new entrants, that fact should be disclosed.
- (3) Provide a brief description of benefit provisions, including the types of benefits, the provisions or policies with respect to automatic and ad hoc postretirement benefit increases, and the authority under which benefit provisions are established or may be amended should be disclosed.

b. Summary of significant accounting policies

- (1) Describe the basis of accounting, including policy with respect to the recognition in the financial statements of contributions, benefits paid, and refunds paid.
- (2) Provide a brief description of how the fair value of investments is determined, including the methods and significant assumptions used to estimate the fair value of investments, if that fair value is based on other than quoted market prices.

c. Contributions and reserves

- (1) Describe the authority under which the obligations of the plan members, employer(s), and other contributing entities to contribute to the plan are established or may be amended.
- (2) Discuss the funding policy, including a brief description of how the contributions of the plan members, employer(s), and other contributing entities are determined (for example, by statute, through an actuarial valuation, or in some other manner) and how the costs of administering the plan are financed. If applicable, legal or contractual contribution rates should be disclosed.
- (3) Disclose the required contribution rate(s) of active or retired plan members, as applicable, in accordance with the funding policy. The required contribution rate(s) should be expressed as a rate (amount) per member or as a percentage of covered payroll.

d. Funded status and funding progress

- (1) Provide information about the funded status of the plan as of the most recent valuation date. Include the actuarial valuation date, the actuarial value of the assets, the actuarial accrued liability, the total unfunded actuarial accrued 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. (Refer to GASB Statement 43, paragraphs 33 and 34 for calculation parameters. Plans with fewer than 100 plan members may be eligible to use the alternative method discussed in paragraphs 38 through 40).

- (2) Disclose the information about actuarial methods and assumptions used in valuations on which reported information about the plan's annual required contribution, (ARC), and the funded status and funding progress of the OPEB plans are based, including the following:
 - (a) Disclosure that actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determine amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.
 - (b) Disclosure that the required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.
 - (c) Disclosure that calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and the on the pattern of sharing of costs between the employer and plan member to that point. In addition, if applicable, the plan should disclose that the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitation on the pattern of cost sharing between the employer and loan members in the future.
 - (d) Disclosure that actuarial calculations reflect a long-term perspective. If applicable disclose that actuarial methods and assumptions used include techniques that are used to reduce short-term volatility in actuarial accrued liabilities and actuarial accrued liabilities and the actuarial value of assets.
 - (e) Identification of the actuarial methods and significant assumptions used to determine the ARC for the current year and the information required by note d(1). The disclosures should include:
 - i. The actuarial cost method.
 - ii. The methods used to determine the actuarial value of assets.
 - iii. The assumptions with respect to inflation rate, investment return (discount rate) (Including the method used to determine a blended rate for a partially funded plan, if applicable), projected salary increases if relevant to determination of the level of benefits, and, for postemployment healthcare plans, the healthcare cost trend rate. If the economic assumptions contemplate different rates for successive years (year based or select and ultimate rates), the rates that should be disclosed are the initial and ultimate rates.

- iv. The amortization method (level dollar or level percentage of projected payroll) and the amortization period (equivalent single amortization period, for plans that use multiple periods) for the most recent actuarial valuation and whether the period is closed or open. Plans that use the aggregate actuarial cost method should disclose that because the method does not identify or separately amortize unfunded actuarial liabilities, information about the plans funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and that the information presented is intended to approximate the funding progress of the plan.

GASB Statement 45 Disclosures: The GASB has issued Statement 45, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Per GASB Statement 45, the notes to the financial statements of employers should include the following information for each defined benefit OPEB plan in which they participate, regardless of the type of plan (except as indicated). Disclosures for more than one plan should be combined in a manner that avoids unnecessary duplication.

Entities that have established an OPEB trust fund should also present all of the additional disclosures required by GASB Statement 43.

1. Plan description

- (a) The name of the plan, identification of the public employee retirement system or other entity that administers the plan, and identification of the plan as a single-employer, agent multiple-employer, agent multiple-employer, or cost sharing multiple-employer defined benefit OPEB plan.
- (b) Brief description of the types of benefits and the authority under which benefit provisions are established or may be amended.
- (c) Whether the OPEB plan issues a stand-alone financial report or is included in the report of a PERS or other entity, and if so, how to obtain the report.

2. Funding Policy

- (a) Authority under which the obligations of the plan members, employer(s), and other contributing entities to contribute to the plan are established or may be amended.
- (b) Required contribution rate(s) of plan members. The required contribution rate(s) could be expressed as a rate (amount) per member or as a percentage of covered payroll.
- (c) Required contribution rate(s) of the employer in accordance with the funding policy, in dollars or as a percentage of current-year covered payroll, and, if applicable, legal or contractual maximum contribution rates. If the plan is a single-employer or agent plan and the rate differs significantly from the ARC, disclose how the rate is determined (e.g. by statute or contract) or that the plan is financed on a pay-as-you-go basis. If the plan is cost-sharing plan, disclose the required contributions in dollars and the percentage of that amount contributed for the current year and each of the two preceding years, and how the required contribution rate is determined (e.g. by statute, by contract, on an actuarially determined basis) or that the plan is financed on a pay-as-you-go basis.

In addition to the above, sole and agent employers should disclose the following information for each

plan.

3. For the current year:

- annual OPEB cost and the dollar amount of contributions made
- if the employer has a net OPEB obligation, also disclose the components of annual OPEB cost:
 - ARC,
 - interest on the net OPEB obligation, and
 - adjustment to the ARC
- the increase or decrease in the net OPEB obligation, and
- the net OPEB obligation at the end of the year.

4. For the current year and each of the two preceding years, annual OPEB cost, percentage of annual OPEB cost contributed that year, and net OPEB obligation at the end of the year. (For the first two years, the required information should be presented for the transition year, and for the current and transition years, respectively.)

5. 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 (or funding excess),
- 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 (or funding excess) to annual covered payroll.

The information should be calculated in accordance with the requirements for calculating actuarially determined OPEB information included in financial reports.

6. Disclosure of information about actuarial methods and assumptions used in valuations on which reported information about the ARC, annual OPEB cost, and the funded status and funding progress of OPEB plans is based, including the following:

- (a) Disclosure that actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.
- (b) Disclosure that the required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.
- (c) Disclosure that calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, if applicable, the

employer should disclose that the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

- (d) Disclosure that actuarial calculations reflect a long-term perspective. If applicable disclose that consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.
- (e) Identification of the actuarial methods and significant assumptions used to determine the ARC for the current year. The disclosures should include:
 - i. The actuarial cost method.
 - ii. The methods used to determine the actuarial value of assets.
 - iii. The assumptions with respect to inflation rate, investment return (including the method used to determine a blended rate for a partially funded plan, if applicable), postemployment benefit increases, if applicable, projected salary increases if relevant to determination of the level of benefits, and, for postemployment healthcare plans, the healthcare cost trend rate. If the economic assumptions contemplate different rates for successive years (year based or select and ultimate rates), the rates that should be disclosed are the initial and ultimate rates.
 - iv. The amortization method (level dollar or level percentage of projected payroll) and the amortization period (equivalent single amortization period, for plans that use multiple periods) for the most recent actuarial valuation and whether the period is closed or open. Employers that use the aggregate actuarial cost method should disclose that because the method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and that the information presented is intended to approximate the funding progress of the plan.