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Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*



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**Implementation Guide No. 2017-3,
*Accounting and Financial Reporting for
Postemployment Benefits Other Than
Pensions (and Certain Issues Related to
OPEB Plan Reporting)***

November 2017



GOVERNMENTAL ACCOUNTING STANDARDS BOARD
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Implementation Guide of the Governmental Accounting Standards Board

Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*

November 2017

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INTRODUCTION

1. The objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on the requirements of Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended.

IMPLEMENTATION GUIDANCE

Scope and Applicability of This Implementation Guide

2. Questions and answers in this Implementation Guide address issues related to accounting and financial reporting for postemployment benefits other than pensions and for plans that are used to administer those benefits. Those benefits are referred to as other postemployment benefits (OPEB), and the plans that are used to administer OPEB are referred to as OPEB plans. The scope of this Implementation Guide excludes OPEB that is provided through OPEB plans that have the characteristics in paragraph 18 of Statement No. 85, *Omnibus 2017*. The requirements of this Implementation Guide apply to the financial statements of all state and local governments.

3. Paragraphs C3 and C6 of this Implementation Guide include provisions to remove from the *Codification of Governmental Accounting and Financial Reporting Standards* and the *Comprehensive Implementation Guide*, respectively, the following transition-related questions and answers in this Implementation Guide at the conclusion of the transition period for Statement 75: Questions 4.497–4.502. In addition, instructions in paragraphs C1 and C4 clarify the use of the term *trust* (or variations) for purposes of applying certain requirements in Implementation Guide No. 2017-2, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

Questions and Answers

Statement 75, as Amended

4. Questions and answers in this paragraph address issues related to accounting and financial reporting for OPEB in accordance with the requirements of Statement 75, as amended. For purposes of this Implementation Guide, the term *trust* (or variations) includes equivalent arrangements as referenced in paragraph 4 of Statement 75.

Scope and Applicability of Statement 75, as Amended

4.1. Q—A single or agent employer provides OPEB to its employees through a defined benefit OPEB plan that is administered through a trust that has the characteristics identified in paragraph 4 of Statement 75. The employer does not have a special funding situation (as defined by paragraph 18 of Statement 75) and does not have a payable to the OPEB plan. If there is no requirement that the employer make contributions to the plan, does Statement 75, as amended, apply to the employer?

A—Yes. If the single or agent employer provides benefits to its employees through a defined benefit OPEB plan that is administered through a trust in which contributions to the OPEB plan from employers and nonemployer contributing entities and earnings on those contributions are irrevocable; OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms; and OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and plan members, an employer that does not have a special funding situation

Scope and Applicability of Statement 75

should follow the provisions in paragraphs 21–58 of Statement 75, as amended, for OPEB liabilities to employees. (Paragraphs 9, 10, and 17 of Statement 85 also may be applicable.)

- 4.2. Q—If the single or agent employer in Question 4.1 has a special funding situation, does Statement 75, as amended, apply to the employer?

A—Yes. Regardless of whether the single or agent employer in Question 4.1 has a special funding situation, if the employer provides OPEB through a defined benefit OPEB plan that is administered through a trust that has the characteristics identified in paragraph 4 of Statement 75, Statement 75, as amended, applies. A single or agent employer that has a special funding situation should follow the provisions in paragraphs 21–26 and 99–108 of Statement 75, as amended, for OPEB liabilities to employees. (Paragraphs 9, 10, and 17 of Statement 85 also may be applicable.)

- 4.3. Q—An employer provides OPEB to its employees through a cost-sharing defined benefit OPEB plan that is administered through a trust that has the characteristics identified in paragraph 4 of Statement 75. There is no requirement that the employer make annual contributions to the plan because the employer has a special funding situation (as defined by paragraph 18 of Statement 75) in which the nonemployer contributing entity is the only entity with a legal requirement to make contributions. The employer has no payables to the OPEB plan, and contributions to the plan are not made by any other nonemployer entities. Does Statement 75, as amended, apply to the employer?

A—Yes. Because the employer has a special funding situation for benefits provided through an OPEB plan that is administered through a trust that has the characteristics identified in paragraph 4 of Statement 75, Statement 75, as amended, applies. In this circumstance, the cost-sharing employer should apply the requirements in paragraphs 21–26 and 111–115 of Statement 75, as amended, and paragraphs 9 and 10 of Statement 85 to recognize OPEB expense/expenditure and revenue for the support of the nonemployer contributing entity, as well as the requirements for note disclosures and required supplementary information (RSI) in paragraphs 89–98 of Statement 75, as amended.

- 4.4. Q—In the past, an employer provided OPEB to its employees through a cost-sharing defined benefit OPEB plan that is administered through a trust that has the characteristics identified in paragraph 4 of Statement 75. The employer no longer provides benefits to active employees through the plan. Does Statement 75, as amended, apply?

A—If the cost-sharing employer has no requirement to make contributions to the plan, does not have a payable to the OPEB plan, and does not receive support from a nonemployer contributing entity through contributions made directly to the OPEB plan (whether as a result of a special funding situation or not), the requirements of Statement 75, as amended, do not apply to the financial reporting by the employer.

- 4.5. Q—Does Statement 75, as amended, apply to OPEB that is provided through an OPEB plan that is closed to new entrants?

A—Yes. The requirements of Statement 75, as amended, apply to OPEB provided through closed plans, as well as to OPEB provided through open plans.

- 4.6. Q—Does Statement 75, as amended, apply to a governmental employer that provides OPEB through a single-employer plan that is administered by the employees' union if benefits are negotiated periodically (for example, every three to five years)?

A—Yes. Statement 75, as amended, is applicable to the state or local government whose employees are provided with OPEB through the plan. This is the case regardless of the

Scope and Applicability of Statement 75

nature of the entity administering the plan or whether the benefits provided through the plan are subject to periodic negotiation.

- 4.7. Q—An employer accounts for active-employee healthcare benefits in accordance with the requirements of Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended. May the employer also account for postemployment healthcare benefits in accordance with the requirements of Statement 10, as amended?

A—No. Paragraph 2 of Statement 10, as amended, excludes entirely from the scope of Statement 10 accounting for transactions resulting when an entity provides postemployment benefits, including postemployment healthcare benefits. The employer should account separately for the healthcare benefits for active employees, in accordance with Statement 10, as amended, and for the postemployment healthcare benefits, in accordance with the requirements of Statement 75, as amended.

Trusts

- 4.8. Q—An OPEB plan's trust agreement includes a provision for return of amounts remaining in the trust to an employer if all obligations associated with the plan that is administered through the trust have been fulfilled. Is this provision consistent with the criterion in paragraph 4a of Statement 75 regarding the irrevocability of contributions?

A—Yes. As used in paragraph 4a of Statement 75, irrevocability is understood to mean that an employer no longer has ownership or control of the assets, except for any reversionary right once *all* benefits have been paid. That is, for purposes of paragraph 4 of the Statement, the trust should be so constituted that assets may flow from an employer to the trust, but not from the trust to an employer—unless and until all obligations to pay benefits in accordance with the plan terms have been satisfied by payment or by defeasance with no remaining risk regarding the amounts to be paid or the value of assets held in the trust.

- 4.9. Q—A defined benefit OPEB plan's trust agreement includes a provision for the return of trust assets to an employer if the funded status of the plan reaches a specified level, regardless of whether all obligations associated with the plan that is administered through the trust have been fulfilled. Is this provision consistent with the criterion in paragraph 4a of Statement 75 regarding the irrevocability of contributions?

A—No. A provision for the reversion of trust assets to an employer prior to the point at which all obligations associated with the plan have been fulfilled is not consistent with the criterion related to irrevocability of contributions.

- 4.10. Q—A trust that is used to administer a defined benefit OPEB plan reimburses an employer for amounts paid for OPEB using employer resources as the benefits come due in accordance with the benefit terms. For example, the trust reimburses an employer for the share of the total age-adjusted premiums approximating claims costs that the employer paid to an insurer to provide benefits to inactive employees. Is this provision consistent with the criterion in paragraph 4a of Statement 75 regarding the irrevocability of contributions?

A—Yes. Reimbursements paid to the employer from the trust for amounts paid for OPEB using employer resources as the benefits come due in accordance with the benefit terms should not be considered a reversion of trust assets to the employer for purposes of evaluating whether the trust meets the criterion in paragraph 4a of Statement 75.

- 4.11. Q—If postemployment healthcare benefits (classified as OPEB) and some other benefit that is not OPEB (for example, pensions or active employee healthcare) are administered through a single trust, can that arrangement be considered as meeting the criterion in paragraph 4b

Scope and Applicability of Statement 75

of Statement 75—that is, that “OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms”?

A—The OPEB partition of the trust would meet the criterion in paragraph 4b of Statement 75 (regarding dedicated purpose) only if steps have been taken to ensure that the assets, once initially allocated to OPEB, are dedicated solely to providing OPEB until the point in time at which all benefits provided through the OPEB plan have been paid. That is, in the context of Statement 75, dedicated purpose should be understood as referring to the purpose of providing OPEB through a single plan rather than, for example, providing OPEB and some other benefit such as pensions or active employee healthcare.

Classifying benefits

OPEB versus pensions

- 4.12. Q—A city’s defined benefit pension plan for firefighters provides a postemployment health insurance subsidy in the form of an additional monthly cash payment to each pension recipient. There is no limitation on the use of the additional cash payment by recipients. Should the health insurance subsidy be classified as OPEB for financial reporting purposes?

A—No. In this circumstance, the use of the postemployment health insurance subsidy that is provided as an additional monthly cash payment to retirees and beneficiaries is not limited to payment of healthcare costs. Therefore, the subsidy should be considered retirement income. All retirement income should be classified as pensions.

- 4.13. Q—The terms of a postemployment benefit plan provide that those who retire from service will receive an amount, defined in terms of dollars or a formula, that may be used only (a) to offset the retiree’s cost of premium payments for participation in the employer’s healthcare insurance group with active employees or (b) for reimbursement of other healthcare costs, if the retirees provide proof of healthcare insurance costs or direct healthcare claims that are not reimbursed by others. Should the benefit be classified as OPEB for financial reporting purposes?

A—Yes. Even though the benefit is defined in terms of a dollar amount or formula, because the benefit is limited to the provision of postemployment healthcare, it should be classified as OPEB for financial reporting purposes.

- 4.14. Q—An employer provides retirees with retirement income, as well as life insurance and long-term care benefits, all of which are administered through a defined benefit pension plan. Should each benefit be accounted for as pensions or as OPEB?

A—All of the benefits should be accounted for as pensions. In accordance with Statements No. 68, *Accounting and Financial Reporting for Pensions*, No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, and 75, postemployment benefits (with the exception of postemployment healthcare benefits, which always are accounted for as OPEB) should be accounted for as pensions if they are provided through a defined benefit pension plan.

Postemployment Healthcare Benefits Provided through a Pension Plan

- 4.15. Q—An employer provides postemployment healthcare benefits that are administered through a defined benefit pension plan. Should the postemployment healthcare benefits be accounted for as pensions or as OPEB?

A—The postemployment healthcare benefits should be accounted for as OPEB. In accordance with Statements 68, 73, and 75, OPEB includes postemployment healthcare benefits (such as medical, dental, vision, hearing, or other health-related benefits) regardless of whether the postemployment healthcare benefits are provided separately or through a defined benefit pension plan.

Termination benefits

- 4.16. Q—A government offers an early retirement incentive in the form of healthcare benefits for 5 years to any employee with at least 20 years of service but does not otherwise provide healthcare benefits to employees that terminate active service. Should this benefit be accounted for as OPEB?

A—No. The benefit described is in the form of healthcare benefits to be given after employment. However, in determining how to classify and account for benefits given in the form of healthcare, it also is necessary to consider the purpose for which they are given. In the situation described, the fact that the healthcare benefits are conditioned on an employee's acceptance of the employer's early termination offer and are provided as an incentive for the employee to do so indicates that the benefit is provided in exchange for the early termination of services (a termination benefit), rather than as compensation for the employee's years of service (a postemployment benefit). Further, because the employer does not otherwise provide postemployment healthcare benefits, the termination benefit does not enhance existing defined benefit OPEB, and the requirements in paragraph 17 of Statement No. 47, *Accounting for Termination Benefits*, as amended, and paragraph 8 of Statement 75 do not apply. Therefore, the benefit should not be accounted for as OPEB. Rather, the benefit should be accounted for as a termination benefit and should be accounted for in accordance with the applicable requirements of Statement 47, as amended. (See Question 4.17 for a discussion of requirements if the termination benefits instead enhance an existing postemployment benefit.)

- 4.17. Q—In addition to preexisting postemployment healthcare benefits provided to eligible retirees that are age 65 or older, a government offers an early retirement incentive in the form of healthcare benefits for 5 years to any employee with at least 20 years of service. Acceptance of the employer's early termination offer would extend the duration of the preexisting postemployment healthcare benefits to also include ages 60–64. Does the early retirement incentive affect the amounts reported by the employer for its OPEB liability?

A—Yes. Although the benefit in this scenario is a termination benefit, Statement 47 as amended, and Statement 75 require that in the case of a termination benefit that is given in the form of an enhancement of the terms of an existing postemployment benefit (for example, by extending the period of time for which retiree healthcare will be provided, as in the situation described), the effects of that incentive on the existing postemployment benefit be included in the measure of the defined benefit OPEB liability of the employer that is required by Statement 75. (See Question 4.16 for a discussion of requirements if the termination benefits do not enhance an existing postemployment benefit.)

Sick leave-to-healthcare conversions

- 4.18. Q—If an employer converts employees' unused sick leave balances to individual healthcare accounts at the conclusion of active service to be applied to postemployment healthcare

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premiums or claims costs, do any of the following activities constitute OPEB: the establishment of the accounts, the payment of cash equal to the account balances to a third-party administrator, or cash payments from the accounts for premiums or benefits if the employer retains administration?

A—No. None of the activities mentioned constitute OPEB. Conversion of unused sick leave to an individual healthcare account is an example of a termination payment of sick leave, as discussed in footnote 6 of Statement No. 16, *Accounting for Compensated Absences*, as amended.

- 4.19. Q—Would there potentially be OPEB if the individual accounts discussed in Question 4.18 are used to pay terminated employees' assigned share of the cost of healthcare coverage through an insured group that also includes the employer's active employees?

A—Yes. Depending on the way that premiums are assigned to active employees and to inactive employees, the employer may be contributing part of the total cost of coverage for inactive employees. This would generally be the case, for example, if blended premium rates are assigned to all members of the insured group and the employer pays all or part of the blended premium rates for active employees. The postemployment healthcare benefit payments generally should be measured as the difference between the claims costs, or age-adjusted premiums approximating claims costs, for inactive employees in the group and the amount paid by those employees (including the amounts paid on behalf of terminated employees by the employer or a third-party administrator from the individual sick leave conversion accounts of those employees).

- 4.20. Q—Instead of converting an employee's unused sick leave hours to an individual retiree healthcare account at a rate based on the employee's salary at the time of termination of employment, an employer has an ongoing arrangement to provide, as part of the total compensation to the employee, postemployment healthcare benefits. The amount of the postemployment healthcare benefit for each employee is determined based on the employee's unused sick leave balance in hours at the time of termination of employment. Unused sick leave is converted to postemployment healthcare benefits at the rate of one month of healthcare premiums, up to a stipulated maximum monthly amount, for each eight hours of unused leave. The employer does not otherwise provide postemployment healthcare benefits and does not otherwise compensate employees for unused sick leave. How should the benefits provided under these terms be classified for financial reporting purposes?

A—The benefits to which unused sick leave is converted in this case—employer-paid postemployment healthcare benefits for the specified number of months for which each terminating employee is eligible—are defined benefit OPEB. Paragraph 8 of Statement 75 specifies that in circumstances in which a terminating employee's unused sick leave credits are converted to provide defined benefit OPEB (for example, defined benefit postemployment healthcare benefits), the resulting benefit or increase in benefit should be included in the measures of OPEB liabilities for purposes of Statement 75. Therefore, in the circumstances described in this question, the portion of sick leave expected to be converted to postemployment healthcare benefits should be classified as OPEB for financial reporting purposes. As a result, that portion of the sick leave should be excluded from the liability for compensated absences, and the resultant expected postemployment healthcare benefits should be included in the projection of benefit payments for purposes of measuring the total OPEB liability.

Disability benefits

- 4.21. Q—An employer provides disability benefits as a source of income until a recipient becomes eligible for pension benefits. An employee is required to terminate his or her employment to become eligible for the disability benefits. Should the disability benefits be classified as pensions for financial reporting purposes?

A—The disability benefit program described provides postemployment benefits (that is, benefits provided after employment as part of an employee’s total compensation for services), as indicated by the facts that eligibility for the benefits requires terminating employment and that the benefits are long term. If those long-term disability benefits are provided through a defined benefit pension plan, they should be classified as pensions. If those disability benefits are provided separately from a defined benefit pension plan, they should be classified as OPEB.

Workers’ compensation benefits

- 4.22. Q—Are workers’ compensation benefits considered OPEB for financial reporting purposes?

A—No. Workers’ compensation benefits are not provided as compensation for employee service. Therefore, they do not meet the definition of a postemployment benefit and should not be classified as OPEB for financial reporting purposes. Rather, for benefits that are not OPEB, Statement 10, as amended, establishes requirements for insurance-related activities associated with risks of loss from “job-related illnesses or injuries to employees” (paragraph 1e of Statement 10). Therefore, workers’ compensation benefits should be accounted for in accordance with the requirements of that Statement, as amended.

Types of OPEB

Classifying OPEB as defined benefit or defined contribution

- 4.23. Q—In an OPEB plan, the terms specify that an employer is required to contribute 7.5 percent of each employee’s annual salary to an individual employee account. Assets in each employee’s account can be used only for healthcare during retirement. Individual employee accounts are credited with interest at a rate of 5 percent per year, as specified in the benefit terms, and are assessed an administrative fee based on the average balance of assets in the account for the year. During retirement, an employee draws down the balance of the account, with interest continuing to accrue at the specified interest rate. Should this OPEB be classified as defined benefit or as defined contribution for purposes of applying Statement 75, as amended?

A—This OPEB is defined benefit for purposes of applying Statement 75, as amended. To be classified as defined contribution OPEB, paragraph 10 of Statement 75 specifies that all three of the following criteria are required to be met:

- a. An individual account is provided for each employee.
- b. The plan terms define the amount of contributions that the employer is required to make (or credits that it is required to provide) to an active employee’s account for periods in which the employee renders service.
- c. The OPEB that an employee will receive will depend only on the contributions (or credits) to the employee’s account, actual earnings on investments of those contributions (or credits), and the effects of forfeitures of contributions (or credits) made

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for other employees, as well as OPEB plan administrative costs, that are allocated to the employee's account.

Although the OPEB provided in this question meets the first two of these criteria, it does not meet the third criterion because the interest credited to an employee's account is based on a specified rate regardless of the actual earnings on the underlying investments made with the assets in the account. Because the OPEB does not meet all three of the criteria identified in paragraph 10 of Statement 75 to be classified as defined contribution, it should be classified as defined benefit for purposes of applying Statement 75, as amended.

- 4.24. Q—If, instead of crediting interest to the employees' accounts at a specified rate of return, the benefit terms described in Question 4.23 provide that interest on employees' account balances is determined based on an outside index, how should the OPEB be classified for accounting and financial reporting purposes?

A—Unless the investments of each employee's account mirror the investments that comprise the outside index, the crediting of interest earnings based on a rate that is tied to the performance of an outside index does not represent actual earnings on investments in the employees' accounts, and the OPEB should be classified as defined benefit for purposes of applying Statement 75, as amended.

- 4.25. Q—Rather than providing specified healthcare services (for example, medical office visits, prescription drugs, and hospitalization), an employer provides OPEB by paying a specified dollar amount to each employee during retirement that can only be used for the employee's healthcare costs. Should the OPEB be classified as defined contribution for purposes of applying Statement 75, as amended?

A—No. The requirements in paragraph 10 of Statement 75 include a provision that to be classified as defined contribution OPEB, the benefit terms define the contributions that will be made to an *active* employee's account. The terms of this plan specify the benefit payments that will be made after an employee terminates employment. Therefore, the benefits should be classified as defined benefit for purposes of applying Statement 75, as amended.

- 4.26. Q—An employer contributes defined amounts to an OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of Statement 75, but the employer does not determine the level of benefits to be provided to employees. Instead, benefit levels are defined by the plan trustees and may be adjusted periodically by the trustees, subject to the limitation (which has been communicated to the employees) that benefits will be provided only to the extent that plan assets are available to pay them. Plan assets are administered as a single pool; individual member accounts are not maintained. Should the benefit be classified as defined contribution OPEB?

A—No. Paragraph 10 of Statement 75 provides that if the benefit does not have all the characteristics of defined contribution, it should be classified as defined benefit OPEB. Defined contribution OPEB is discussed in paragraph 10 of Statement 75 as providing an individual account for each employee, defining contributions that an employer is required to make to an active employee's account, and providing that the OPEB received by a member depends only on the amounts contributed (credited) to the member's account, actual earnings on investments of those contributions (credits), the effects of forfeitures of contributions (or credits) made for other members, and plan administrative costs that may be allocated to the member's account. In the circumstance described in this question, the benefits do not have all the characteristics of defined contribution OPEB because individual accounts are not maintained, the benefit terms do not define the contributions that an employer is required to make to individual active employees' accounts, and benefits do not depend only on the items listed in paragraph 10 of Statement 75; rather, they depend on

periodic benefit determinations by the plan trustees. Therefore, the OPEB should be classified as defined benefit.

Types of Defined Benefit OPEB Plans and Employers

4.27. Q—A public employee retirement system (PERS) administers the assets, the payment of benefits, and the general recordkeeping and support services for OPEB provided to the employees of three employer governments. A separate actuarial valuation is performed for separate classes of employees (for example, general government employees versus public safety employees), and employers make contributions for each class at different specified rates. The assets are held in a trust that meets the criteria in paragraph 4 of Statement 75 and legally are available to pay benefits to any employee. What type of plan(s) is the PERS administering?

A—The classification of the plan depends on whether there are legal restrictions on the use of the assets to provide benefits to each of the different classes of employees. In this situation, although different rates are calculated for different classes of employees, all plan assets legally are available to pay benefits of any employee, regardless of their employment class. Therefore, this plan is a cost-sharing multiple-employer plan for purposes of applying Statement 75, as amended.

4.28. Q—If the facts regarding the plan in Question 4.27 were changed, to the extent that separate actuarial valuations were performed for separate employers based on their employees and an allocation of assets to each employer, rather than for separate classes of employees, would the separate valuations change the classification of the plan from a cost-sharing multiple-employer plan to an agent multiple-employer plan?

A—No. The classification of the plan depends on whether assets held by the OPEB plan legally can be used to pay the benefits of the employees of any of the employers. In this situation, although different contribution rates are established for different employers, all plan assets legally are available to pay benefits pertaining to the employees of any employer. Therefore, this plan is classified as a cost-sharing multiple-employer plan for purposes of applying Statement 75, as amended.

4.29. Q—A defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of Statement 75 is used to provide OPEB to the employees of a state government and several governments that are component units of the state. There are no other entities whose employees are provided with OPEB through the plan. The assets in the plan legally can be used to pay benefits to the employees of the state or any of the component units. Is this plan a single-employer, agent multiple-employer, or cost-sharing multiple-employer plan?

A—This plan is a single-employer plan for financial reporting purposes. Defined benefit OPEB plans are classified according to the number of employers whose employees are provided with benefits through the plan and whether OPEB obligations and OPEB plan assets are shared. Paragraph 12 of Statement 75 specifies that a primary government and its component units should be considered to be one employer for purposes of classifying a defined benefit OPEB plan as single-employer or multiple-employer. (See Questions 4.48–4.50 for a discussion of issues related to employer reporting in this circumstance.)

4.30. Q—A defined benefit OPEB plan is used to provide OPEB to the employees of a state government, several governments that are component units of the state, and governments other than the state and the component units. The plan is administered through a trust that

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meets the criteria in paragraph 4 of Statement 75. Is this plan a single-employer, agent multiple-employer, or cost-sharing multiple-employer plan?

A—The plan is a multiple-employer plan for financial reporting purposes. If (a) a separate account is maintained for each of the governments or (b) a separate account is maintained for the state and its component units together and separate accounts are maintained for each of the other governments, such that the assets in each of the separate accounts legally are available to pay the benefits of only the employees of the government or governments whose assets are maintained in the separate account, the plan would be classified as an agent multiple-employer plan. If, instead, the OPEB plan assets legally can be used to pay the benefits of the employees of any of the governments, the plan would be classified as a cost-sharing multiple-employer plan.

- 4.31. Q—For purposes of classifying a defined benefit OPEB plan as single employer or multiple employer under paragraph 12 of Statement 75, does it matter whether the component unit is discretely presented or blended by the primary government?

A—No. For purposes of paragraph 12 of Statement 75, the primary government and its component unit are considered to be one employer regardless of whether the component unit is discretely presented or blended by the primary government.

- 4.32. Q—A PERS administers a single trust through which OPEB is provided to employees of local governments in a state. The trust meets the criteria in paragraph 4 of Statement 75. For certain employers (“nonpool employers”), the PERS maintains separate asset accounts. The assets and obligations of other employers (“pool employers”) are pooled. How should this arrangement be classified for purposes of applying Statement 75, as amended?

A—If the assets of each of the nonpool employers cannot legally be used to pay benefits to the employees of any other employer, the portion of the trust that is being used to administer benefits to the employees of the nonpool employers is a separate (agent multiple-employer) plan, and nonpool employers should apply the requirements of Statement 75, as amended, for agent employers. In this circumstance, the portion of the trust that is being used to administer the benefits of the employees of pool employers is a cost-sharing multiple-employer plan, and pool employers should apply the requirements of Statement 75, as amended, for cost-sharing employers. If, however, the assets in the trust may legally be used to pay benefits to the employees of any of the employers (pooled or nonpooled), the arrangement is one cost-sharing multiple-employer plan for financial reporting purposes, and all of the employers should apply the requirements of Statement 75, as amended, for cost-sharing employers.

- 4.33. Q—Several employers provide healthcare benefits through an arrangement in which the active employees and retirees of all of the employers are experience rated as a single pool to determine a blended premium rate that is applied for each active employee and retiree. With regard to the healthcare benefits provided to retirees, should the plan be reported as a cost-sharing multiple-employer OPEB plan?

A—Not necessarily. The characteristics mentioned are not determinative of whether a postemployment healthcare plan is a cost-sharing multiple-employer plan for financial reporting purposes. First, the OPEB plan would be classified as cost-sharing only if it is administered through a trust that meets the criteria in paragraph 4 of Statement 75. (If the active and retiree healthcare benefits are administered through a single trust, see Question 4.11 for additional discussion of considerations regarding the criteria in paragraph 4 of Statement 75.) In addition, the classification of a plan as cost-sharing multiple-employer for financial reporting purposes relates not to the current-period insurance premium structure used but to whether the employers in a plan share the OPEB liability and assets accumulated

in the plan. Only if the plan has these characteristics should it be classified as a cost-sharing multiple-employer plan.

Special Funding Situations—Defined

- 4.34. Q—For purposes of evaluating whether there is a special funding situation under Statement 75, what does it mean for a nonemployer entity to be legally responsible for providing financial support for OPEB?

A—For purposes of applying paragraph 18 of Statement 75, a nonemployer entity is legally responsible for financial support if it is required by legal or contractual provisions to make contributions directly to an OPEB plan or to make benefit payments as the OPEB comes due. Sources of legal provisions include those arising from constitutions, statutes, charters, ordinances, resolutions, governing body orders, and intergovernmental grant or contract regulations. Therefore, for purposes of Statement 75, as amended, a nonemployer contributing entity should be considered legally responsible for providing financial support for OPEB if, for example, there is a statutory requirement that it make a contribution directly to the OPEB plan. (See also Questions 4.35–4.37.)

- 4.35. Q—If a state legislature is not bound by the decisions of a prior legislature and the state's requirement to provide financial support for OPEB as a nonemployer entity is established in statute, could the state ever have a special funding situation?

A—Yes. The fact that a decision of one legislature cannot bind a subsequent legislature should not be considered an indication that the nonemployer contributing entity does not have a legal obligation to provide financial support for OPEB for the purposes of applying paragraph 18 of Statement 75. Nor should the circumstance be considered a condition that makes the financial support dependent upon an event or circumstance unrelated to the OPEB. Therefore, if the amount of the financial support is defined in such a manner that it meets the criterion in paragraph 18a of Statement 75 or if the nonemployer entity is the only entity that is legally responsible to provide financial support for OPEB, the circumstances would be classified as a special funding situation for purposes of Statement 75, as amended.

- 4.36. Q—In the past, a governmental nonemployer entity that is not otherwise identified as being responsible for providing financial support for a defined benefit OPEB plan has provided financial support for the OPEB plan as a nonemployer entity. Should the nonemployer entity's involvement be accounted for as a special funding situation? If not, which accounting and financial reporting standards apply?

A—No. The first characteristic of a special funding situation as described in paragraph 18 of Statement 75 is that the nonemployer entity is legally responsible for providing financial support for OPEB. A historical pattern of appropriating resources to provide financial support for the OPEB plan is not equivalent to a legal obligation for the nonemployer entity to provide financial support for OPEB. Therefore, in this circumstance, the nonemployer entity's involvement should not be accounted for as a special funding situation. The employers that provide benefits through the plan should apply the requirements of Statement 75, as amended, and Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, as amended, for employers that are not in special funding situations. In periods in which it provides financial support for OPEB, the nonemployer entity should apply the requirements in paragraph 13 of Statement 24, as amended, for on-behalf payments of fringe benefits.

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- 4.37. Q—Would the answer to Question 4.36 be different if the governmental nonemployer contributing entity’s resources have been appropriated specifically for the purpose of providing financial support for the OPEB plan?

A—No. An appropriation of resources for purposes of providing financial support for the OPEB plan is not, by itself, sufficient to create a legal requirement to provide financial support for OPEB for purposes of applying paragraph 18 of Statement 75.

- 4.38. Q—If an employer’s contributions to an OPEB plan or amounts paid by the employer for OPEB as the benefits come due are reimbursed through a federal grant, should this be accounted for as a special funding situation with the grantor as a nonemployer contributing entity?

A—No. Among other conditions, paragraph 18 of Statement 75 specifies that in order to be a special funding situation, the nonemployer contributing entity is required to make contributions directly to the OPEB plan or to make benefit payments directly as the OPEB comes due. The federal grant is provided to the employer as a reimbursement of the employer’s direct contributions to the OPEB plan or the employer’s payment of OPEB as the benefits come due. Therefore, the circumstances do not meet the definition of a special funding situation.

- 4.39. Q—In evaluating whether a special funding situation exists, does it matter if a nonemployer contributing entity is considered to be a state or local government for financial reporting purposes?

A—No. For purposes of evaluating whether a special funding situation exists, the type of entity (governmental or nongovernmental) for financial reporting purposes is not a factor.

- 4.40. Q—If a nonemployer contributing entity’s contribution requirement is defined in statute to be a specified percentage of the actuarially determined contribution of the employer, is the amount of the contribution “dependent upon one or more events or circumstances unrelated to the OPEB”?

A—No. A contribution amount that is defined as a percentage of an actuarially determined contribution is related to the OPEB provided through the plan and, therefore, would meet the condition described in paragraph 18a of Statement 75.

- 4.41. Q—A governmental nonemployer contributing entity has a legal requirement to provide financial support for defined benefit OPEB. In the current measurement period, the nonemployer contributing entity’s requirement for financial support has the characteristics of a special funding situation under paragraph 18 of Statement 75. However, legislation has been passed that reduces the nonemployer contributing entity’s requirement for financial support to zero in steps over the next five years. Should the circumstances be accounted for by the nonemployer contributing entity as a special funding situation?

A—Yes. Because the circumstances meet the requirements in paragraph 18 of Statement 75 to be accounted for as a special funding situation in the current period, the nonemployer contributing entity should apply the requirements of Statement 75, as amended, applicable to those situations. However, in establishing the governmental nonemployer contributing entity’s proportion under paragraphs 116–118 or 203–205 of Statement 75, as applicable, the nonemployer contributing entity is encouraged to consider the provisions of the legislation. (See also Questions 4.317 and 4.459.)

- 4.42. Q—Paragraph 18a of Statement 75 specifies that one of the characteristics of a special funding situation is that the amount of contributions or benefit payments for which

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the nonemployer entity legally is responsible is not dependent upon one or more events unrelated to the OPEB. If a nonemployer contributing entity is legally required to contribute or to make benefit payments equal to a specified (“flat”) dollar amount, is the amount considered to be dependent upon one or more events or circumstances unrelated to OPEB?

A—No. A specified dollar amount is not considered to be dependent upon an event or circumstance unrelated to OPEB. Therefore, in this circumstance, the contribution or benefit payments would satisfy the condition in paragraph 18a of Statement 75 that to be a special funding situation, the amount of contributions or benefit payments not be dependent upon one or more events unrelated to the OPEB.

Defined Benefit OPEB Other Than Insured Benefits

See also Questions 4.23–4.26 addressing the classification of OPEB as defined benefit or defined contribution.

Financial statement display

4.43. Q—Should OPEB liabilities or aggregation of OPEB liabilities be displayed on a separate line on the face of the financial statements?

A—OPEB liabilities are not required to be displayed separately on the face of the financial statements. However, for some governments, they will be significant balances, which may be displayed separately on the face of the financial statements. OPEB liabilities associated with different OPEB plans may be aggregated for display, and OPEB assets (for net OPEB assets) associated with different plans may be aggregated for display. However, aggregated OPEB assets and aggregated OPEB liabilities should be separately displayed.

4.44. Q—Can OPEB liabilities associated with different plans be displayed in the aggregate if the liabilities do not have the same measurement date?

A—Yes. Statement 75 does not limit the aggregation of OPEB liabilities based on measurement dates.

OPEB provided through OPEB plans that are administered through trusts that meet the criteria in paragraph 4 of Statement 75

Number of OPEB plans

4.45. Q—A defined benefit plan that is administered through a trust that meets the criteria in paragraph 4 of Statement 75 is used to provide OPEB to two classes of employees—those in elected positions and those in nonelected positions. Does Statement 75 require that the employer report the benefits provided to each class of employees as a separate plan?

A—If, on an ongoing basis, all assets are available for the payment of OPEB to either class of employees, even if the benefits differ by class, there is only one plan for financial reporting purposes. If, on an ongoing basis, a portion of the assets is legally restricted for the payment of benefits to one of the two membership classes, there are two separate plans for financial reporting purposes, even if the assets are pooled for investment purposes.

4.46. Q—If, within a single trust that meets the criteria in paragraph 4 of Statement 75, a portion of the assets is legally restricted to pay the defined benefit OPEB of a particular class of employees of all local governments within a state (for example, elected officials) and a portion is legally restricted to pay the defined benefit OPEB of another class of employees of the

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local governments, should the portion of the assets associated with each class be considered assets of a separate plan?

A—Yes, if, on an ongoing basis, each portion of assets held in the trust may not legally be used to pay benefits to other classes of employees. Paragraph 23 of Statement 75 requires in that circumstance, that the portion of trust assets restricted to pay benefits to each class of employees be considered assets of a separate defined benefit OPEB plan for financial reporting purposes. In this case, because each plan is used to provide benefits to more than one employer, each plan would be classified as a separate multiple-employer plan.

- 4.47. Q—Within a trust that meets the criteria in paragraph 4 of Statement 75 and is used to administer defined benefit OPEB, a certain portion of employer contributions and earnings on those contributions are accumulated in a separate account to be used as the basis for determining ad hoc postemployment benefit increases that if granted, will adjust the benefits of all retirees. Should the assets in the separate account be considered assets of a separate OPEB plan?

A—No. Paragraph 23 of Statement 75 requires that “if, on an ongoing basis, all assets accumulated in a defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 4 [of Statement 75] for the payment of benefits may legally be used to pay benefits . . . to *any* of the employees, the total assets should be reported as assets of one defined benefit OPEB plan even if administrative policy requires that separate reserves, funds, or accounts for specific groups of employees, employers, or types of benefits be maintained. . . .” That paragraph further differentiates between a separate account used as described in this question—that is, to provide an additional benefit to *all* retirees—and an account legally restricted for the benefits to only certain classes or groups of employees or to employees who are employees of certain entities.

Liabilities to employees for OPEB

Reporting by Primary Governments and Component Units

- 4.48. Q—A single-employer defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of Statement 75 is used to provide OPEB to the employees of a state government and several governments that are component units of the state. In their stand-alone financial reports, should each of the component units report as a single employer?

A—No. Paragraph 24 of Statement 75 requires that component units in this circumstance apply the cost-sharing employer requirements of Statement 75, as amended, for their own stand-alone financial reports. Therefore, each government would report its proportionate share of the collective net OPEB liability and would follow the requirements in paragraphs 59–98 of Statement 75, as amended (for cost-sharing employers that do not have a special funding situation), or paragraphs 109–115 of that Statement, as amended (for cost-sharing employers that have a special funding situation). (Paragraphs 9, 10, and 17 of Statement 85 also may be applicable.) Only in the financial report of the reporting entity (that is, the financial report that includes both the state and its component units) would note disclosures and RSI be presented in accordance with the requirements in paragraphs 47–58 of Statement 75, as amended, for a single employer.

- 4.49. Q—In the circumstances described in Question 4.48, if the component units do not issue stand-alone financial reports, is a portion of the net OPEB liability required to be allocated to

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the component units as if they were cost-sharing employers for purposes of the reporting entity's financial report?

A—Yes. The notion of the reporting entity described in Statement No. 14, *The Financial Reporting Entity*, as amended, is one in which the financial data of the component units are included with the financial data of the primary government. Regardless of whether the financial data (in this case, the proportionate share of the collective net OPEB liability and related measures) are issued in stand-alone financial reports of the component units, the reporting entity's financial report should include those data as if they had been. Paragraph 24 of Statement 75 requires that in stand-alone financial statements, the component units account for and report their participation in the OPEB plan as if they were cost-sharing employers. Therefore, the financial report of the reporting entity should include the primary government's and the component units' proportionate shares of the collective net OPEB liability and related measures as if the entities were cost-sharing employers.

- 4.50. Q—For purposes of applying the requirements in paragraph 24 of Statement 75 regarding the reporting of information about OPEB in the stand-alone reports of a primary government and its component units if those governments provide benefits through the same single-employer or individual agent-employer OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of Statement 75, does it matter whether the component unit is discretely presented or blended by the primary government?

A—No. For purposes of paragraph 24 of Statement 75, in stand-alone financial reports, the primary government and its component units each should account for and report its participation in the single-employer or individual agent-employer OPEB plan as if it was a cost-sharing employer, regardless of whether the component units are discretely presented or blended by the primary government.

- 4.51. Q—A primary government and its component unit provide OPEB through the same cost-sharing OPEB plan. How should each government determine the OPEB liability to report in its stand-alone financial statements?

A—Paragraph 12 of Statement 75 indicates that for *classification* purposes, a primary government and its component unit are considered one employer. However, for purposes of recognition and measurement, the primary government and component unit should be considered separate employers, and each should apply the requirements of Statement 75, as amended, for cost-sharing employers.

- 4.52. Q—In the circumstances described in Question 4.51, what requirements apply for purposes of note disclosures and RSI in the stand-alone financial report of the component unit?

A—In its stand-alone financial report, the component unit should apply the cost-sharing employer requirements of Statement 75, as amended, for note disclosures and RSI.

Use of Disaggregated Measures

See Question 4.96 (*single and agent employers*), Questions 4.192 and 4.234 (*cost-sharing employers*), and Question 4.320 (*governmental nonemployer contributing entities in a special funding situation*).

Single and Agent Employers

- 4.53. Q—In Questions 4.62 and 4.63, an employer provides OPEB through a single-employer or agent OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of Statement 75 (Trust A). Benefits are paid through Trust A. The employer establishes

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a second trust (Trust B). Assets in Trust B can be used only to make contributions to Trust A and can be moved to Trust A only upon instruction from the employer. Assets accumulated in Trust B are irrevocable by the employer and are protected from creditors of the employer. Can the employer in Question 4.62 or Question 4.63 report its OPEB liability to employees for benefits net of the fiduciary net position of Trust B?

A—No. As noted in the answers in Questions 4.62 and 4.63, in both circumstances, the assets in Trust B are employer assets. Financial reporting standards provide only for the OPEB plan's fiduciary net position to offset the total OPEB liability. Because there is no specific right-of-offset provision for reporting an employer's liability to employees for OPEB net of related employer assets, the employer assets held in Trust B should not reduce the amount reported by the employer as its liability to employees for OPEB.

- 4.54. Q—Should the employer in Question 4.53 consider the assets accumulated in Trust B restricted for purposes of its government-wide or proprietary fund statement of net position or governmental fund balance sheet?

A—Yes. The trust provision that limits the use of the assets in Trust B to future employer contributions to the OPEB plan is an external limitation such that the assets accumulated in Trust B should be considered restricted. Further, in accordance with paragraph 10 of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in determining the restricted net position or restricted fund balance, the restricted assets should be reduced by the amount of the OPEB liability that those resources will be used to liquidate.

Recognition and Measurement in Financial Statements Prepared Using the Economic Resources Measurement Focus and Accrual Basis of Accounting—Single and Agent Employers That Do Not Have a Special Funding Situation

Net OPEB liability

- 4.55. Q—What guidance does Statement 75 provide regarding recognizing a portion of the net OPEB liability for benefits provided through an OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of Statement 75 in fund financial statements if a portion of the net OPEB liability of a single or agent employer will be paid from an enterprise, internal service, or fiduciary fund?

A—Except for blended component units, which are discussed in Questions 4.49 and 4.50, Statement 75 does not establish specific requirements for allocation of the net OPEB liability or other OPEB-related measures to individual funds. However, for proprietary and fiduciary funds, consideration should be given to paragraph 42 of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, as amended, which requires that long-term liabilities that are “directly related to and expected to be paid from” those funds be reported in the statement of net position or statement of fiduciary net position, respectively.

- 4.56. Q—If the total OPEB liability is less than the OPEB plan's fiduciary net position, should the net balance be displayed in a single or agent employer's statement of net position as a negative net OPEB liability or as a net OPEB asset?

A—A net OPEB liability that is negative is, and should be displayed as, an asset in the employer's statement of net position.

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Measurement date

- 4.57. Q—If a single employer’s fiscal year-end is the same as the fiscal year-end of the OPEB plan through which it provides benefits, can the employer report a net OPEB liability as of a measurement date that is one year earlier than the “as of” date of the net OPEB liability reported by the plan at the same fiscal year-end?

A—Yes. To avoid a circumstance in which employer financial reports potentially would be delayed awaiting information that also is included in the OPEB plan’s financial report, Statement 75 permits the measurement date of the net OPEB liability reported by a single or agent employer to be as of a date no earlier than the end of its prior fiscal year provided that the actuarial valuation used to determine the net OPEB liability meets the timing requirements in paragraph 28 of Statement 75 and that the measure meets the requirement in paragraph 29 of Statement 75 that the plan and the employer use the same assumptions when measuring similar or related information. (See Questions 4.64–4.66.) Single-employer OPEB plans are required by Statement 74 to report information about the net OPEB liability of the employer as of the plan’s fiscal year-end. Therefore, for example, in financial statements as of June 30, 20X7, a single-employer OPEB plan is required to report a net OPEB liability measured as of June 30, 20X7, whereas the single employer that provides benefits through the plan can report a net OPEB liability with a measurement date of June 30, 20X6, if the requirements in paragraphs 28 and 29 of Statement 75 are met.

- 4.58. Q—If an employer participates in more than one defined benefit OPEB plan, is the employer required to use the same measurement date for each (collective) net OPEB liability and (collective) total OPEB liability?

A—No. Paragraphs 24 and 143 of Statement 75 specify that the requirements of that Statement related to liabilities to employees for OPEB, which include the provisions of the Statement for the selection of the measurement date of the (collective) net OPEB liability or (collective) total OPEB liability, should be applied separately to the OPEB provided through each defined benefit OPEB plan. Therefore, provided that the measurement date for each (collective) net OPEB liability or (collective) total OPEB liability meets the requirements of Statement 75, the related OPEB liabilities presented in an employer’s financial report can have different measurement dates. For example, in financial statements for its fiscal year ended June 30, 20X7, an employer can report a net OPEB liability with a measurement date of June 30, 20X7, for OPEB provided through single-employer OPEB Plan A and a proportionate share of the collective net OPEB liability with a measurement date of March 31, 20X7, for OPEB provided through cost-sharing OPEB Plan B. (See Question 4.143 regarding note disclosure requirements if different measurement dates are used.)

The OPEB plan’s fiduciary net position

- 4.59. Q—Do the provisions for update procedures for the total OPEB liability also apply to valuation of the OPEB plan’s fiduciary net position component of the net OPEB liability? That is, can the measure of the OPEB plan’s fiduciary net position from an earlier date be rolled forward for use in the measure of the net OPEB liability at the current measurement date?

A—No. Paragraph 27 of Statement 75 requires that the OPEB plan’s fiduciary net position component of the net OPEB liability be determined at the measurement date using the same valuation methods that would be applied by the OPEB plan for purposes of preparing the OPEB plan’s statement of fiduciary net position. (See Question 4.67 for additional discussion of update procedures for the total OPEB liability.)

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- 4.60. Q—If a change occurs in a factor relevant to measurement of the OPEB plan’s fiduciary net position between the measurement date of the net OPEB liability and the employer’s current fiscal year-end, should the net OPEB liability that is reported by the employer in the current fiscal year be updated to include the effects of the change?

A—No. The employer should report the net OPEB liability determined as of the measurement date. The effects of a change in the OPEB plan’s fiduciary net position that occurs subsequent to the measurement date of the net OPEB liability reported in the current fiscal year should be reflected in the net OPEB liability as of the next measurement date—that is, in the next fiscal year. (See Question 4.154 regarding note disclosures about changes subsequent to the measurement date.)

- 4.61. Q—In years in which investment returns exceed expectations, an agent OPEB plan reports a portion of those returns in an investment reserve at the aggregated plan level, and the amounts in the reserve account are excluded from the plan assets of the individual employers’ plans for purposes of determining their contribution requirements. The amounts remain in the reserve account until a year in which investment returns are lower than expected, at which time a portion of the investment account is allocated to individual employers’ plans. For purposes of Statement 75, can amounts in the reserve account be excluded from the measures of the OPEB plan’s fiduciary net position used to determine the net OPEB liabilities reported by the individual employers?

A—No. For purposes of Statement 75, the assets in the reserve account should be allocated to the fiduciary net position of the OPEB plans of the individual employers. To exclude those assets would overstate the net OPEB liabilities of all the employers that provide benefits through the agent OPEB plan.

- 4.62. Q—An employer provides OPEB through a single-employer OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of Statement 75 (Trust A). Benefits are paid through Trust A. The employer establishes a second trust (Trust B). Assets in Trust B can be used only to make contributions to Trust A and can be moved to Trust A only upon instruction from the employer. Assets accumulated in Trust B are irrevocable by the employer and are protected from creditors of the employer. For purposes of determining the employer’s net OPEB liability, does the OPEB plan’s fiduciary net position include the net position of Trust A and the net position of Trust B?

A—No. In the circumstance described, benefit payments can be made to employees through Trust A but cannot be made through Trust B. As a result, the assets in Trust B do not have present service capacity as OPEB plan assets. Therefore, only the net position of Trust A is included as part of the OPEB plan’s fiduciary net position. The assets in Trust B should continue to be reported as assets of the employer. Accordingly, amounts associated with Trust B should be reported in the employer’s government-wide financial statements as governmental or business-type activities and in the employer’s governmental or proprietary fund financial statements.

- 4.63. Q—Would the answer in Question 4.62 be different if Trust A is used to administer an agent OPEB plan and Trust B is established by one agent employer?

A—No. For the same reasons identified in the answer in Question 4.62, in the circumstances in this question, only the net position of Trust A is included as part of the OPEB plan’s fiduciary net position. The assets in Trust B should continue to be reported as assets of the individual employer. Accordingly, amounts associated with Trust B should be reported in the employer’s government-wide financial statements as governmental or business-type activities and in the employer’s governmental or proprietary fund financial statements.

Total OPEB liability

Timing and frequency of actuarial valuations

- 4.64. Q—Is the actuarial valuation date required to have the same relationship to the measurement date in each reporting period (or, for employers that have biennial actuarial valuations, to the measurement date in every other reporting period)?

A—No. Unlike the measurement date of the net OPEB liability, which is required to maintain the same relationship with the employer’s fiscal year-end from period to period (for example, in every year, the employer uses a measurement date of June 30 of the prior fiscal year), the date of the actuarial valuation that is used to determine the employer’s net OPEB liability at the measurement date can vary from period to period (or every 2 periods if biennial valuations are used) provided that it is within 30 months and 1 day of the employer’s fiscal year-end.

- 4.65. Q—Actuarial valuations to determine the total OPEB liability for OPEB provided through a single-employer plan are performed as of June 30 each year, which also is the fiscal year-end of the OPEB plan and the employer. Because the results of the actuarial valuation are not available until several months after the actuarial valuation date, the OPEB plan, in its financial report, discloses information about the total OPEB liability based on an update of the results of the actuarial valuation as of the end of its prior fiscal year. The employer elects to use a measurement date one year prior to its fiscal year-end—that is, in its financial statements as of June 30, 20X7, it reports a net OPEB liability with a measurement date of June 30, 20X6. At June 30, 20X7, as the basis for the total OPEB liability, should the employer use the results of the update of the June 30, 20X5 actuarial valuation that was used to report information about the total OPEB liability in the OPEB plan’s financial report as of June 30, 20X6, or should the employer use the results of the actuarial valuation as of June 30, 20X6?

A—Paragraph 29 of Statement 75 requires that the OPEB plan and employer use the same assumptions when measuring similar or related OPEB information. Therefore, if any assumption used in the actuarial valuation as of June 30, 20X6, was different from an assumption used in the update of the June 30, 20X5 actuarial valuation used by the OPEB plan to report the net OPEB liability as of June 30, 20X6, the employer is required to use the results of the same update of the June 30, 20X5 actuarial valuation.

- 4.66. Q—What is the earliest date of an actuarial valuation that can be used as the basis for determining the total OPEB liability component of the net OPEB liability reported by a single or agent employer at its June 30, 20X7 fiscal year-end?

A—Paragraph 28 of Statement 75 permits use of an actuarial valuation as of a date 30 months and 1 day earlier than the employer’s most recent fiscal year-end as the basis for the total OPEB liability reported by a single or agent employer. Therefore, in its June 30, 20X7 financial statements, the employer can use the results of an actuarial valuation as of December 31, 20X4, or later.

- 4.67. Q—The measurement date for the net OPEB liability of a single or agent employer is June 30. Actuarial valuations of the total OPEB liability component of the net OPEB liability are obtained annually as of December 31, and the results from the mid-year actuarial valuation are updated to June 30. Are there specific procedures that are required for an update for financial reporting purposes?

A—No. Statement 75 does not establish specific procedures for this purpose. Therefore, professional judgment should be applied to determine the extent of procedures necessary to faithfully represent the total OPEB liability as of the measurement date. In all circumstances,

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the total OPEB liability should include all significant effects of transactions and other events between the actuarial valuation date and the measurement date. In some circumstances, for example, if there are few differences between expected and actual experience, no changes in benefit terms, and no circumstances suggesting that a significant change of assumption is needed, it might be reasonable to roll forward the results of the mid-year actuarial valuation to the measurement date with few adjustments. However, in other circumstances, more significant adjustments might be necessary to update the results of the mid-year actuarial valuation to the measurement date. (See Question 4.68 for examples of events that might have a significant effect on the total OPEB liability.) The Statement also requires that in evaluating the extent of procedures necessary to update the measure to the measurement date, among the factors that should be considered is whether a new actuarial valuation is needed for this purpose. (See Question 4.153 regarding note disclosures when update procedures are used.)

- 4.68. Q—What are some examples of transactions or other events that can occur between the actuarial valuation date and the measurement date that might have a significant effect on the total OPEB liability?

A—A change in the total OPEB liability can arise from a single factor or a combination of factors. Some examples of circumstances that might have a significant effect on the total OPEB liability for benefits provided through an OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of Statement 75 include a change of benefit terms, a change in the size or composition of the covered group, a change in the municipal bond yield or index rate component of the discount rate, and a change in the OPEB plan's fiduciary net position such that the discount rate used in the calculation of the total OPEB liability is impacted.

- 4.69. Q—If a change occurs in a factor relevant to measurement of the total OPEB liability between the measurement date of the net OPEB liability and the employer's current fiscal year-end, should the net OPEB liability that is reported by the employer in its current fiscal year be updated to include the effects of the change?

A—No. The employer should report the net OPEB liability determined as of the measurement date. The effects on the total OPEB liability of a change that occurs subsequent to the measurement date of the net OPEB liability reported in the current fiscal year should be reflected in the net OPEB liability as of the next measurement date—that is, in the employer's next fiscal year. (See Question 4.154 regarding note disclosures related to changes subsequent to the measurement date.)

- 4.70. Q—If actuarial valuations are performed biennially, does Statement 75 require an update to the total OPEB liability in the intervening year for purposes of financial reporting by single or agent employers that provide benefits through OPEB plans that are administered through trusts that meet the criteria in paragraph 4 of Statement 75?

A—Yes. The total OPEB liability reported in a single or agent employer's financial statements should be a new measure each year, based either on a new actuarial valuation as of the measurement date or on an actuarial valuation performed as of a date no earlier than 30 months and 1 day prior to the end of the employer's fiscal year that is updated to the measurement date. If update procedures are used and significant changes occur in, for example, benefits, the covered population, or other factors affecting the valuation results between the actuarial valuation date and the measurement date of the net OPEB liability, professional judgment should be used to determine the extent of the procedures needed to roll forward the measurement of the total OPEB liability, and consideration should be given to whether a new actuarial valuation is needed. (See also Question 4.67.)

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Projection of benefit payments

The substantive plan and historical pattern of sharing of benefit-related costs between the employer and inactive employees

4.71. Q—What is meant by the term *substantive plan* in paragraph 30 of Statement 75?

A—The term *substantive plan* is used to describe the terms of the OPEB plan as they are understood by the employer and employees. As noted in paragraph 30 of Statement 75, the substantive plan may differ from the benefit terms that are described in a written document. (See Question 4.72.)

4.72. Q—How does the substantive plan for financial reporting purposes relate to the written plan?

A—If a comprehensive plan document exists, that document may provide the best evidence of what the substantive plan is. However, in some cases, there may not be a comprehensive plan document that fully and accurately reflects the understanding of benefit terms by the parties. For example, a plan document may state generally that the employer will provide postemployment healthcare benefits but not specify the types or levels of benefits, the eligibility requirements, or the periods over which the benefits will be provided—or the employer may have a long-established practice of providing benefits in addition to what is stated in an original plan document. Accordingly, other information should be considered when determining the basis for the projection of benefit payments for financial reporting purposes. This includes other communications between the employer and the employees and the historical pattern of practice with regard to the sharing of benefit-related costs with inactive employees.

4.73. Q—Should OPEB be excluded from the determination of the actuarial present value of total projected benefit payments for purposes of applying Statement 75 for any of the following reasons: (a) the benefits are not vested, (b) the plan documents include a provision that specifies that the employer can unilaterally decide to amend or discontinue the benefits, (c) the benefits or employer contributions for benefits are collectively bargained, or (d) the benefits are substantially financed as they come due (sometimes referred to as “pay-as-you-go” financing)?

A—No. The projection of benefit payments should include all benefits provided for under the substantive plan, including changes that already have been announced to the employees at the measurement date, regardless of whether those changes will not begin to affect benefit payments until a future period. The projection should include both vested and nonvested employees that are provided with benefits through the plan, considering relevant demographic assumptions with regard to all such employees, and the requirements of Statement 75 related to the projection of benefit payments apply without regard for the timing or method of an employer’s financing of the benefits.

4.74. Q—Should the projection of benefit payments include the portion of the total benefit-related costs that is expected to be paid by inactive employees as a condition of receiving OPEB—for example, the benefit terms require that inactive employees pay a portion of the insurance premiums associated with their postemployment healthcare benefit and the inactive employees are not reimbursed by the plan for those amounts?

A—Generally, no. The projection of benefit payments should exclude amounts that are expected to be paid by inactive employees through the sharing of benefit-related costs to the extent that those amounts are consistent with an established pattern of practice or other provisions of the substantive plan for OPEB. (See also Question 4.86.)

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- 4.75. Q—In determining the actuarial present value of total projected benefit payments, may the projection include the effects of contemplated future changes in the types or level of postemployment benefits (for example, dental benefits or prescription drug coverage) that the employer will provide?

A—No. The projection of benefit payments should include all types and levels of postemployment benefits provided under the substantive plan. The substantive plan includes the benefits as they are understood by the employer and employees. (See Question 4.71.) Therefore, the projection of benefits would include the effects of any changes that already have been announced to employees at the measurement date, regardless of whether those changes will not begin to affect benefit payments until a future period. Changes of benefit terms that are contemplated for the future should not be incorporated into the projection of benefit payments until those changes are part of the substantive plan.

- 4.76. Q—If postemployment healthcare benefits are limited by the amount of funding approved by the legislature on an annual basis, how would this affect the projection of benefit payments for purposes of applying Statement 75?

A—The necessity of annual authorization of funding as part of the legislative budget process should not limit the projection of benefit payments, as such. However, the funding decisions made by the legislature or other governing body over time do enter into the projection of benefit payments to the extent that those decisions play a role in establishing and continually modifying the pattern of sharing of benefit-related costs between the employer and inactive employees.

- 4.77. Q—A state statute provides that the administrator of the state's retiree healthcare plan is required to make changes to the plan to maintain a specified minimum funded level. From time to time, in compliance with that statute, the OPEB plan administrator adopts changes to the OPEB plan's benefit terms. At what point in time should anticipated changes to the OPEB plan's benefit terms be included in the projection of benefit payments for purposes of Statement 75?

A—Paragraph 30 of Statement 75 requires that projected benefit payments include all benefits in accordance with the benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. In addition, that paragraph requires that the projection include consideration of the established pattern of the sharing of benefit-related costs between the employer and inactive employees. To the extent that the effects of the anticipated benefit changes are determined to be part of an established pattern of the sharing of benefit-related costs with inactive employees, those effects should be considered in the projection of benefit payments beginning in the period in which that determination is made. Any portion of the expected effects of the anticipated benefit changes that is not determined to be part of the pattern of sharing of benefit-related costs with inactive employees is not part of the substantive plan until the benefit change has been adopted. Therefore, although the state statute requires a change in benefit terms in the future if certain conditions arise, those effects of anticipated changes should not be incorporated into the projection of benefit payments for purposes of Statement 75 until the OPEB plan's fiscal year-end in which the benefit change has been adopted, that is, the benefit change is part of the substantive plan.

- 4.78. Q—A local school district provides defined benefit postemployment healthcare. In 3 of the past 10 years, the district has offered voluntary early termination incentives that included additional postemployment healthcare benefits to employees that accepted the district's offer to take early retirement by the end of the school year. The incentive has been provided in the form of a reduction in inactive employees' share of insurance premiums. Because the termination benefits affect the district's existing net OPEB liability, the district

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includes the termination benefits in the measurement of its OPEB liability in accordance with the requirements of Statement 47, as amended, and Statement 75. Should such ad hoc increases in the district's net OPEB liability as a result of voluntary termination incentive programs be viewed as part of a "pattern of practice with regard to the sharing of benefit-related costs with inactive employees" as referred to in paragraph 30 of Statement 75?

A—No. Paragraph 30 of Statement 75 refers to a pattern of sharing of benefit-related costs with inactive employees related to the underlying objective of OPEB—providing compensation for services. In the circumstances cited in this question, the employer's history of providing additional benefits from time to time reflects a different objective—providing an incentive for early termination of services. Therefore, such actions should not be viewed as part of the pattern of sharing of benefit-related costs for purposes of financial reporting of OPEB.

Postemployment benefit changes

- 4.79. Q—A defined benefit OPEB plan's enabling statute provides for a postemployment benefit increase if the investment earnings rate for the plan's fiscal year exceeds the actuarially assumed rate. Should this postemployment benefit increase be treated as automatic?

A—Yes. Paragraph 31 of Statement 75 requires that the effects of any postemployment benefit changes that are embedded in the benefit terms and for which there is no discretion as to timing or amount be included in the projection of future benefit payments. In this example, although a certain economic condition is required to be met for the postemployment benefit increase to be effective, if that condition is met, there is no discretion regarding whether the increase will be granted.

- 4.80. Q—In the circumstance described in Question 4.79, can the long-term expected rate of return that is used to establish the discount rate be reduced by a factor that is anticipated to represent the assets that are expected to be used to pay the automatic postemployment benefit change instead of incorporating the anticipated effects of the postemployment benefit change into the projection of benefit payments?

A—No. Paragraph 31 of Statement 75 requires that the effects of automatic postemployment benefit changes be included in the projection of benefit payments. The long-term expected rate of return that is used as the basis for the discount rate should not be adjusted to approximate the effects of the postemployment benefit change on the measurement of the total OPEB liability.

- 4.81. Q—A defined benefit OPEB plan's enabling statute provides that the board of trustees can annually authorize a postemployment benefit increase not to exceed a specified percentage increase or the change in a specified price index, whichever is lower. The maximum allowable increase has always been authorized. Should the effects of this provision be included in the projection of future benefit payments?

A—This postemployment benefit change is not automatic because approval of the board of trustees is required to authorize the benefit increase. Therefore, the effects of the postemployment benefit change provision should be included in the projection of future benefit payments only if the provision is evaluated to be *substantively automatic*. Footnote 9 of Statement 75 identifies some of the factors that might be relevant in making this determination—the historical pattern of granting the changes, the consistency in the amounts of the changes or in the amounts of the changes relative to a defined cost-of-living or inflation index, and whether there is evidence to conclude that changes might not continue to be granted in the future despite what might otherwise be a pattern that would indicate such changes are substantively automatic.

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- 4.82. Q—When should the effects of an ad hoc postemployment benefit change that is determined not to be substantively automatic be included in the projection of future benefit payments?

A—If an ad hoc postemployment benefit change is determined not to be substantively automatic, the effects of the postemployment benefit change should be included in the projection of benefit payments for measurement of the total OPEB liability as of the first measurement date at which the ad hoc postemployment benefit change has been granted and the amount is known or reasonably estimable.

- 4.83. Q—A collective-bargaining agreement that includes a provision for a postemployment benefit change has been made prior to the measurement date of the net OPEB liability. However, the change does not go into effect until after the current measurement date. Should the change in projected benefit payments as a result of this agreement be included in the measurement of the total OPEB liability?

A—Yes. The actuarial present value of projected benefit payments should include benefits to be provided pursuant to a contractual agreement, including a collective-bargaining agreement, that is in effect at the measurement date. In other words, the issue is whether the *agreement* is in effect at that date, not whether the benefits included in the agreement will begin to accrue or begin to be paid by that date.

- 4.84. Q—A collective-bargaining agreement that includes a provision for a postemployment benefit change has been made *after* the employer’s June 30, 20X7 measurement date. Should the change in projected benefits as a result of this agreement be included in the measurement of the total OPEB liability at June 30, 20X7?

A—No. Paragraph 30 of Statement 75 requires that projected benefit payments 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.” Because the *agreement* was not in effect at June 30, 20X7, the effect of the change of benefit terms should not be included in the total OPEB liability measured as of that date. (See also Question 4.154 regarding note disclosures related to changes subsequent to the measurement date.)

Administrative costs

- 4.85. Q—Paragraph 31 of Statement 75 specifies that “administrative costs associated with providing OPEB should be excluded from projected benefit payments” for purposes of determining the total OPEB liability. With regard to postemployment healthcare benefits, should amounts that are directly related to the payment of medical claims, such as third-party claims-administration fees, be classified as administrative costs?

A—No. Amounts that are directly related to the payment of medical claims should be classified as benefit payments. Certain other items should be classified as administrative costs and, therefore, excluded from the projection of benefit payments in accordance with paragraph 31 of Statement 75. Such items are costs that are related to the OPEB plan’s administrative operations and that are not reported by the OPEB plan as investment expense—for example, certain salaries and payroll taxes, trust custodial fees, and attorney and consultant fees. (See also Question 4.103 for a discussion of OPEB plan administrative expense in the projection of the OPEB plan’s fiduciary net position for purposes of determining the discount rate.)

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Projecting postemployment healthcare benefits based on claims costs or age-adjusted premiums approximating claims costs

- 4.86. Q—An employer provides healthcare benefits to (a) active employees and (b) retirees (who are classified as inactive employees for purposes of Statement 75). The amounts to be paid by the employer, active employees, and inactive employees receiving benefits are stated in terms of the blended premium rates for all covered individuals. For purposes of calculating the total OPEB liability, should the projection of benefit payments be based on the difference, if any, between the blended premium rates for a period and the amounts required to be paid by the inactive employees for the period?

A—Generally, no. Except in the limited circumstances addressed in Actuarial Standard of Practice No. 6 (ASOP 6), *Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions*, the total OPEB liability should be measured based on the difference between (a) the claims costs, or age-adjusted premiums approximating claims costs, for the inactive employees in the group for the period and (b) the amounts required to be paid by the inactive employees for that period. (Examples of this approach are presented in Illustration B1 in nonauthoritative Appendix B of this Implementation Guide.)

- 4.87. Q—With regard to the scenario in Question 4.86, if the employer’s stated payment for the active-employee healthcare benefits is capped and the employees are required to pay the difference, if any, between the blended premium and the amount of the employer’s stated payment, would the active employees be subsidizing the inactive-employee benefits?

A—Only if the amounts expected to be paid by active employees exceed the expected claims costs, or age-adjusted premiums approximating claims costs, on an ongoing basis can it be concluded that the active employees are subsidizing the inactive-employee healthcare benefit. Otherwise, the amount of the benefit payments that is used as the basis for the projection of the total OPEB liability is determined in the manner discussed in Question 4.86. That is, generally, the first step is to determine the claims costs, or age-adjusted premiums approximating claims costs, for inactive employees for the period. The second step is to subtract the amounts paid by the inactive employees for the period from their claims costs, or age-adjusted premiums approximating claims costs. (Examples of this approach are presented in Illustration B1 in nonauthoritative Appendix B of this Implementation Guide.)

- 4.88. Q—For purposes of Statement 75, is there an effect on the projection of benefit payments if the benefit payments are implicit (sometimes referred to as an “implicit rate subsidy”) rather than explicit?

A—Generally, no. Except in the limited circumstances addressed in ASOP 6, the difference between claims costs, or age-adjusted premiums approximating claims costs, for inactive employees and the amounts paid by those individuals should be the basis for the projection of benefit payments for OPEB. This is the case regardless of the manner in which the benefit is described or incurred.

- 4.89. Q—In a risk-retention plan, what amounts should be considered benefit payments for postemployment benefits for financial reporting purposes?

A—In a risk-retention plan, benefit payments for postemployment benefits are the amounts of claims costs paid for inactive employees, net of amounts required to be paid by inactive employees for those benefits. (See also Question 4.85.)

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Benefit caps

- 4.90. Q—What is the difference between a cap on benefit payments and a cap on employer contributions in an OPEB plan for which an employer makes contributions to a trust that meets the criteria in paragraph 4 of Statement 75?

A—A cap on benefit payments explicitly imposes an upper limit on the amount of per capita benefit payments in each period. For example, the contractual agreement between an employer and the employees' union for retiree healthcare stipulates that the employer's per capita benefit payments should not exceed \$4,000 per year per retiree. Such a benefit cap is part of the definition of the benefits to be provided to current active and inactive employees through the OPEB plan in accordance with the substantive plan and, thus, potentially should be considered in the computation of the actuarial present value of total projected benefit payments. (See also Questions 4.91 and 4.92.)

To illustrate the effect of including a benefit cap in the projection of benefit payments for purposes of Statement 75, assume that the employer in the example currently provides benefits equal to an average of \$3,000 per retiree per year and that its historical pattern of sharing the benefit-related costs with retirees has been to adjust the benefit terms to pay for 80 percent of the anticipated total per capita benefit payments for retirees for the year. In the absence of a benefit cap, that pattern of sharing of benefit-related costs would be assumed to continue as total per capita benefit payments for retirees are assumed to continue to increase. However, inclusion of the benefit cap described in the example would result in capping the benefit payments at \$4,000 per retiree per year in any year in which a higher amount otherwise would have been projected.

In contrast, a cap on the employer's contributions imposes an upper limit on the amount that the employer will pay into the defined benefit OPEB plan in advance of the period in which benefit payments come due. For example, a state statute might limit an employer's rate of contributions to a defined benefit retiree healthcare plan to not more than 6 percent of the payroll of active employees. Unlike a cap on benefit payments, such a cap on contributions is not part of the definition of benefits to be provided to retirees in accordance with the substantive plan. Accordingly, such a cap on employer contributions should not be considered in the projection of benefit payments until the cap results in a change in the substantive plan—for example, by modifying the pattern of sharing of benefit-related costs with inactive employees that should be considered part of the substantive plan in subsequent valuations.

- 4.91. Q—Under what conditions should a legal or contractual cap on benefit payments to be provided in the current year be taken into consideration in projecting the benefit payments to be provided in future periods?

A—A legal or contractual cap on benefit payments that is established to limit an employer's obligation for OPEB should be factored into the projection of benefit payments if both of the following conditions apply:

- a. The cap sets an upper limit on the benefit payments to be provided to inactive employees each period, as distinguished from a cap on the employer's contributions to a defined benefit OPEB plan. (See also Question 4.90.)
- b. The cap is assumed to be effective, taking into consideration all relevant facts and circumstances, including the employer's record of enforcing the cap in the past. (For example, has the employer ever previously increased the benefit cap when the original capped amount was reached?)

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- 4.92. Q—If a legal or contractual cap on benefit payments meets the two conditions identified in the answer in Question 4.91, what is the assumed effect on benefits that are projected to be paid at or after the point that the benefit payments reach an effective benefit cap?

A—If a legal or contractual cap on benefit payments meets the two conditions identified in the answer in Question 4.91, the benefit payments for OPEB each period should be projected to increase based on continuation of the historical pattern of sharing of benefit-related costs between the employer and the inactive employees up to the point at which the benefit payments reach the capped amount. From that point forward, the benefit should be projected to not exceed the capped amount.

Discount rate

- 4.93. Q—Should the discount rate calculated in accordance with the requirements of Statement 75 for benefits provided through an OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of Statement 75 be the same discount rate that is used for purposes of determining a funding policy?

A—The requirements of Statement 75, including the requirement that the discount rate used for purposes of determining the total OPEB liability for OPEB plan financial reporting and employer financial reporting be developed using the same assumptions, establish standards within the context of accounting and financial reporting, not within the context of funding OPEB. Therefore, if the discount rate that is used to determine the funding policy is determined in a manner that differs from the requirements of Statement 75 and the rates are different, the rate that is used to determine a funding policy should not be used for financial reporting purposes.

- 4.94. Q—For employers whose employees are provided with OPEB through an agent plan, should the discount rate used by each employer to measure its total OPEB liability be specific to the employer?

A—Paragraph 15 of Statement 75 specifies that the requirements of Statement 75, as amended, for agent employers “apply to the OPEB provided to the employer’s own employees.” Therefore, for purposes of Statement 75, the discount rate that is used by each employer whose employees are provided with OPEB through an agent plan is required to be specific to the employer and is dependent upon the employer’s individual facts and circumstances, including the timing and amount of projected benefit payments to employees provided with OPEB through the employer’s individual plan, the individual plan’s fiduciary net position, and the employer’s contribution policy.

- 4.95. Q—If the actuarial valuation date is earlier than a single or agent employer’s measurement date and the long-term expected rate of return assumption remains the same at the measurement date as it was at the actuarial valuation date, does the discount rate have to be evaluated for significant changes between the actuarial valuation date and the measurement date?

A—Yes. A change in the discount rate can occur due to factors other than a change in the long-term expected rate of return. For example, a change in the municipal bond yield or index rate (if used in the determination of the discount rate) or a change in the projected fiduciary net position of the OPEB plan that affects the relative weighting of the long-term expected rate of return and the municipal bond yield or index rate can affect the discount rate. Therefore, these and other factors, if applicable, should be considered when evaluating whether changes have occurred that should be reflected in the total OPEB liability at the measurement date, either through update procedures or through a new actuarial valuation. (See Question 4.67 for a discussion of update procedures.)

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- 4.96. Q—If, within a single-employer or individual agent-employer OPEB plan, (a) multiple contribution rates are determined for the employer because different rates are determined for separate classes of employees, (b) each rate is the result of a separate actuarial valuation, and (c) there is separate tracking of the assets held for each employee class, should a separate discount rate be calculated for each employee class or should one discount rate be calculated for the employer?

A—Only one discount rate is required for each employer. However, paragraph 26 of Statement 75 permits separate application of the measurement requirements of the Statement to different classes of employees, provided that the results of the measurements for each class are aggregated for reporting purposes.

Comparing projections of the OPEB plan’s fiduciary net position to projected benefit payments

- 4.97. Q—An employer has an actuarially determined contribution rate and has a written policy that specifies that the employer will contribute at that rate each period. The employer has consistently adhered to its policy for the past 10 years, and there are no known events or conditions that indicate that the employer will not continue to adhere to its policy in the future. In this circumstance, for purposes of determining the discount rate, how would the amount of projected employer contributions that should be included in the projection of the OPEB plan’s fiduciary net position be determined?

A—In this circumstance, the actuarially determined contribution rate of the employer would be used as the basis for the projection of future employer contributions. Future employer contributions based on the actuarially based funding method should be evaluated to determine the extent to which they are associated with the service costs of future employees. The portion of future contributions that is associated with the service costs of future employees would be excluded from the projection of the OPEB plan’s fiduciary net position, which would be compared to projected future benefit payments for current active and inactive employees to determine whether and, if so, to what extent the municipal bond yield or index rate should be reflected in the discount rate.

- 4.98. Q—There is a formal, written policy for an employer to contribute the actuarially determined contribution; however, historically, the employer has only contributed 80 percent of that actuarially determined contribution. Is this fact relevant to the projection of cash flows for purposes of determining the discount rate?

A—Yes. Paragraph 38 of Statement 75 requires that if a formal, written policy related to contributions exists, application of professional judgment should consider the most recent five-year contribution history as a key indicator of future contributions. Therefore, in this circumstance, the fact that the employer has historically contributed only 80 percent of the actuarially determined contribution should be considered a key indicator in determining future contributions.

- 4.99. Q—If the benefit payments in a period are projected to be partially covered by the OPEB plan’s projected fiduciary net position, should the covered portion be discounted using the long-term expected rate of return on OPEB plan investments, with only the remainder discounted at the required municipal bond yield or index rate?

A—Paragraphs 37 and 40 of Statement 75 require that projected benefit payments for a period be compared to the OPEB plan’s projected fiduciary net position in the period for purposes of determining whether the long-term expected rate of return or the municipal bond yield or index rate should be used to discount the benefit payments of the period when determining the discount rate. The Statement does not require that a specific approach be used to assign the total of the projected benefit payments in each period to the projected

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“funded” and “unfunded” categories. Therefore, the total of the benefit payments that are projected to occur in a period during which the OPEB plan’s fiduciary net position is projected to not be sufficient to make those benefit payments may be divided into projected funded and unfunded portions or the entire total may be classified as unfunded.

- 4.100. Q—Paragraph 39 of Statement 75 indicates that if the results are sufficiently reliable, any approach to evaluating the sufficiency of the OPEB plan’s projected fiduciary net position to make projected benefit payments can be used in place of the projections of cash flows that are described in paragraphs 37 and 38 of the Statement. Is a specific method contemplated?

A—No. The determination of whether the results of an alternative approach to making the evaluation required in paragraph 37 of Statement 75 are sufficiently reliable for this purpose is subject to professional judgment.

- 4.101. Q—Does the requirement in paragraph 37 of Statement 75 to exclude the portion of projected contributions intended to finance benefits of future employees from projected contributions for purposes of determining the discount rate apply to situations in which benefits are substantially financed as they come due (sometimes referred to as “pay-as-you-go” financing)?

A—Yes, unless the plan is closed to new entrants, a portion of projected contributions should be allocated to future employees, regardless of the manner in which the benefits are financed. (For an example, see Illustration B2 in nonauthoritative Appendix B of this Implementation Guide.)

- 4.102. Q—For purposes of determining the discount rate in accordance with the requirements of Statement 75, if an employer has an adopted policy of making benefit payments from its own resources as the benefits come due and the employer will not be reimbursed for those amounts from trust assets, would projected cash flows from employer contributions always equal projected cash flows for benefit payments?

A—Generally, no. All projected benefit payments, including those that are expected to be made from the employer’s resources, should be included in projected outflows from OPEB plan fiduciary net position. In contrast, unless an OPEB plan is closed to new entrants, a portion of the projected cash flows from employer contributions should be allocated to future employees. (See Question 4.101.) In addition, regardless of whether the plan is closed to new entrants, an evaluation should be made as to whether the employer will have the ability and willingness to make benefit payments from its own resources for all periods in the projection. In any periods in which those conditions are not expected to be met, the projected cash flows from employer contributions should not exceed the amounts expected to be paid from the employer’s resources.

- 4.103. Q—For purposes of projecting the OPEB plan’s fiduciary net position to determine the discount rate, should OPEB plan administrative expense be included as a reduction of the OPEB plan’s fiduciary net position?

A—Yes. For purposes of determining the discount rate, the projection of the OPEB plan’s fiduciary net position should include all projected additions to and deductions from the OPEB plan’s fiduciary net position, including deductions for administrative expense. (For an example, see Illustration B2 in nonauthoritative Appendix B of this Implementation Guide. For a discussion of the classification of certain items as benefit payments or as administrative costs, see Question 4.85.)

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Calculating the discount rate

- 4.104. Q—As of what date should the long-term expected rate of return and the municipal bond yield or index rate that are used to establish the discount rate be determined—the valuation date or the measurement date?

A—The long-term expected rate of return on OPEB plan investments is an assumption, and assumptions generally are not required to be updated between actuarial valuation dates unless there is an indication that the assumption is no longer valid. Therefore, the expectation developed as of the actuarial valuation date can be used at the measurement date unless it is determined to no longer be appropriate. In contrast, the municipal bond yield or index rate is not an assumption and should be determined as of the measurement date. If the actuarial valuation to determine the total OPEB liability is performed earlier than the measurement date, consideration should be given to changes in the municipal bond yield or index rate, along with other factors that potentially affect the discount rate, such as the OPEB plan's fiduciary net position, to evaluate whether those factors would result in changes that should be reflected in the total OPEB liability at the measurement date, either through update procedures or through a new actuarial valuation. (See Question 4.67 for a discussion of update procedures.)

Attribution of the actuarial present value of projected benefit payments to periods

- 4.105. Q—In what way are multiple exit ages considered in the attribution of the actuarial present value of projected benefit payments to periods for financial reporting purposes?

A—Generally, unless the alternative measurement method is used to measure the total OPEB liability, the end point of the attribution period would not be a single age or single date. Rather, assumptions are made as to when employees will exit from active service. Examples of events that might result in an employee's exit from active service are the termination of employment, incurrance of a disability, retirement, and death. Assumptions about events that result in exit from active employment are expressed as the probability of the occurrence of the triggering event based on, for example, the employee's age or number of years of service. Those probabilities are applied to all projected ages/years of service of an employee, resulting in multiple exit ages for each employee.

- 4.106. Q—If an employee that is provided with OPEB through a single-employer or individual agent-employer OPEB plan is inactive but is expected to return to work for the single or agent employer, should the attribution period for the employee extend over expected future years of service?

A—Yes, generally an inactive employee that is expected to return to service for the employer would be assumed to have exit ages that extend through future periods. Therefore, to meet the requirement in paragraph 42d of Statement 75, the attribution period generally should extend through all of the employee's assumed ages of exit from active service. (See also Question 4.108.)

- 4.107. Q—Benefit terms provide that an employee is eligible for OPEB only after completing 10 years of active service and that after meeting the service requirement, the employee is fully eligible for benefits. Should a portion of the actuarial present value of projected benefit payments be attributed to only the first 10 years of an employee's expected service life, or should the attribution period include all periods within an employee's projected service life?

A—The exchange of benefits for services generally is viewed as related to an employee's entire career. Therefore, the attribution period should include all periods of an employee's projected service for an employer that provides benefits through the OPEB plan, regardless

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of whether additional benefits are expected to be earned after eligibility requirements are fulfilled.

- 4.108. Q—If the OPEB plan terms specify that an employee and the employee’s beneficiaries, spouse, and other dependents become ineligible for all benefits upon the employee attaining a specified age but there is an expectation that the employee will continue to be employed past that age, should the attribution period include employment periods in which the employee and the employee’s beneficiaries, spouse, and other dependents will no longer be eligible for benefits?

A—No. For purposes of Statement 75, the employee’s active service under the plan terms does not extend past the point at which the employee and the employee’s beneficiaries, spouse, and other dependents become ineligible to receive all benefits (including refunds of employee contributions). That is, at that point, the employee ceases to be a plan member. Therefore, the attribution period should not include employment periods after the employee and the employee’s beneficiaries, spouse, and other dependents become ineligible for all benefits. Consequently, for purposes of paragraph 42d of Statement 75, the date at which the employee and the employee’s beneficiaries, spouse, and other dependents become ineligible to receive all benefits under the plan terms should be the employee’s last assumed date of exit from active service. For example, in an OPEB plan that provides only healthcare, if the plan terms provide that an employee and the employee’s beneficiaries, spouse, and other dependents are eligible to receive postemployment healthcare benefits only until the employee is age 65 and there is no expected refund of employee contributions, the end of the attribution period is the date at which the employee will attain age 65, regardless of whether the employee is expected to remain employed past that date.

- 4.109. Q—If there is a deferred retirement option program (DROP) for pensions but no such program for OPEB, should the attribution period for determining the total OPEB liability end at the assumed date of entrance into the pension DROP?

A—No. An employee’s date of exit from active service for purposes of attributing the present value of projected benefit payments for OPEB should be determined based on the expectation of the employee’s active service for purposes of the OPEB plan. Therefore, an employee that is expected to participate in the pension DROP could be assumed to be “retired” for purposes of the pension attribution but active for purposes of the OPEB attribution.

OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB, and support of nonemployer contributing entities

Changes in the net OPEB liability

See also Question 4.492 for a discussion of the requirements in paragraph 43 of Statement 75 in circumstances in which the alternative measurement method is used to measure the total OPEB liability.

- 4.110. Q—At its December 31, 20X7 fiscal year-end, a single or agent employer recognizes a net OPEB liability with a measurement date of June 30, 20X7. For purposes of reporting OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB, over what period should changes in the net OPEB liability be determined?

A—The changes in the net OPEB liability to be recognized in accordance with paragraph 43 of Statement 75 are those occurring since the last measurement date—that is, the measurement period. In this circumstance, the measurement period includes all changes after June 30, 20X6 (the prior-year measurement date) and through June 30, 20X7 (the

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current-year measurement date). With the exception of contributions to the OPEB plan from the employer subsequent to the measurement date of the net OPEB liability and before the end of the reporting period (excluding amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation), which are required by paragraph 44 of Statement 75 to be reported as a deferred outflow of resources related to OPEB at the end of the reporting period, changes in the net OPEB liability that occur after the measurement date are not accounted for until the next fiscal year. (See also Question 4.154 regarding note disclosures about changes subsequent to the measurement date.)

- 4.111. Q—Should the balances of deferred outflows of resources and deferred inflows of resources related to OPEB be adjusted for interest?

A—No. All changes, including interest on the total OPEB liability and changes in the OPEB plan's fiduciary net position, are included in the net OPEB liability. Therefore, interest should not be separately calculated on the balances of deferred outflows of resources and deferred inflows of resources related to OPEB.

- 4.112. Q—Should balances of deferred outflows of resources and deferred inflows of resources arising from a single source—that is, from differences between expected and actual experience with regard to economic or demographic factors, changes of assumptions, or differences between projected and actual earnings on OPEB plan investments—in different periods be reported as separate amounts or net of each other?

A—Consistent with the requirements in paragraph 43a of Statement 75, balances of deferred outflows of resources and deferred inflows of resources arising from differences between expected and actual experience in different periods should not be reported net. Similarly, balances of deferred outflows of resources and deferred inflows of resources arising from changes of assumptions in different periods should not be reported net. In contrast, paragraph 43b of Statement 75 requires that deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual earnings on OPEB plan investments in different periods be netted and reported as deferred outflows of resources related to OPEB if the net balance is a debit and reported as deferred inflows of resources related to OPEB if the net balance is a credit.

- 4.113. Q—For purposes of determining OPEB expense, should the balances of deferred outflows of resources or deferred inflows of resources arising from a single source—for example, differences between expected and actual experience with regard to economic or demographic factors—in different periods be aggregated?

A—No. For purposes of determining OPEB expense, records of the closed-period “layers” arising in each year, as well as the period over which each of the layers is required to be recognized in OPEB expense, are needed. However, for presentation in notes to financial statements, the layers of deferred outflows of resources should be aggregated to present balances of deferred outflows of resources by source, and the layers of deferred inflows of resources should be aggregated to present balances of deferred inflows of resources by source.

- 4.114. Q—For the measurement period ended June 30, 20X7, can the portion of the change in the net OPEB liability attributable to service cost be calculated based on the results of the actuarial valuation used to determine the prior year's net OPEB liability with a measurement date of June 30, 20X6?

A—Yes. Use of a service cost measure based on the results of the actuarial valuation that determined the beginning net OPEB liability for the reporting period is consistent with the

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requirement to calculate interest on the total OPEB liability over the period. Interest on service cost should be included in the amount reported as interest on the total OPEB liability. (See Question 4.115.)

- 4.115. Q—If the approach described in Question 4.114 is used to determine the service cost for the measurement period ended June 30, 20X7, should the amounts identified as interest on the total OPEB liability be calculated on the beginning total OPEB liability, adjusted for service cost and *actual* benefit payments (including refunds of employee contributions), or should *projected* benefit payments from the actuarial valuation that is used to determine the service cost be used for purposes of the adjustment?

A—Interest on the total OPEB liability should be determined based on the beginning total OPEB liability, adjusted for service cost and *actual* benefit payments (that is, the amount that is required by Statement 74 to be reported as benefit payments in the OPEB plan's statement of changes in fiduciary net position). Because the actual amounts of benefit payments and contributions are components of the total change in the plan's fiduciary net position, it would be consistent to use actual amounts to determine other components of the change in the net OPEB liability, including the changes in the total OPEB liability resulting from benefit payments and interest on the total OPEB liability.

- 4.116. Q—How should the effects of an ad hoc postemployment benefit change for inactive employees be classified for purposes of determining OPEB expense if the effects of the change were not included in the present value of projected benefit payments as of the prior measurement date because the postemployment benefit change was not determined to be substantively automatic?

A—The effects of such an ad hoc postemployment benefit change should be recognized in OPEB expense for the reporting period in which the change in the net OPEB liability is recognized, as required by paragraph 43 of Statement 75.

- 4.117. Q—The effects of a postemployment benefit increase that was determined to be substantively automatic were included in the present value of projected benefit payments in the total OPEB liability as of the prior measurement date. The postemployment benefit increase was not provided in the current measurement period. At the current measurement date, the postemployment benefit increase still is determined to be substantively automatic. In this circumstance, how should the effects on the total OPEB liability that result from not providing the postemployment benefit increase be classified for purposes of determining OPEB expense?

A—The effects on the total OPEB liability that result from not providing the postemployment benefit increase should be accounted for as a difference between expected and actual experience.

- 4.118. Q—Would the answer to Question 4.117 be different if, at the current measurement date, the postemployment benefit increase is no longer considered to be substantively automatic?

A—No. The effects on the total OPEB liability that result from the postemployment benefit increase not being provided in the current measurement period should be classified as a difference between expected and actual experience, even if the postemployment benefit increase is determined to no longer be substantively automatic at the current measurement date.

The reclassification of the postemployment benefit increase during the measurement period as ad hoc rather than as substantively automatic is a separate event, and the effects of that reclassification on the total OPEB liability should be accounted for as a change of benefit

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terms, which is required by paragraph 43 of Statement 75 to be recognized in OPEB expense in the reporting period in which the net OPEB liability recognized by the employer reflects the change.

- 4.119. Q—If the terms of a defined benefit OPEB plan are amended and a change of assumption is made as a direct result of the amendment, should the effect of the change of assumption on the total OPEB liability be included with the effect of the change of benefit terms for purposes of determining OPEB expense?

A—Yes. Although, generally, the effect of a change of assumption on the total OPEB liability should be separated from the effect of a change of benefit terms, in circumstances in which the change of assumption is adopted as a direct result of the change of benefit terms, the effect of the change of assumption should be classified as a component of the change of benefit terms. For example, if the minimum eligibility age in a plan is modified, changes of assumptions about the rates at which active employees will become eligible to receive benefits that are made to adjust for the change of benefit terms would be directly related to the benefit change. Although mathematically separable, if the change of assumptions would not have occurred in the absence of the change of benefit terms, the change of assumptions is, in substance, a component of the change of benefit terms, and the effects of the change should be included in the effects of a change of benefit terms. In contrast, if at the same actuarial valuation date, a change is made to mortality assumptions based on the results of a recent experience study and mortality rates are not associated with the eligibility age, the effect of the change of mortality assumption would not be directly related to the change of benefit terms and should be classified as a change of assumption.

- 4.120. Q—How should the effects of a change in the discount rate on the total OPEB liability be classified?

A—A change in the total OPEB liability arising from a change in the discount rate should be accounted for as a change of assumption or other input. A change in the discount rate can result from a change in the long-term expected rate of return on OPEB plan investments (an assumption), a change in the municipal bond yield or index rate (an other input), or a change in the relative weighting of the rates (the result of a change of assumption or other input that affects projected plan fiduciary net position or projected benefit payments).

- 4.121. Q—If an OPEB plan purchases an allocated insurance contract that meets the criteria in paragraph 35 of Statement 75, how should the effects on the components of the net OPEB liability be classified for purposes of employer expense recognition?

A—The purchase of the allocated insurance contract results in a reduction of the OPEB plan's fiduciary net position for the amount paid for the contract and a reduction in the total OPEB liability due to benefit payments. If there is a difference between the amount recognized as a benefit payment by the OPEB plan and the amount of the actuarial present value of projected benefit payments that is removed from the total OPEB liability as a result of the purchase, that amount should be classified as a difference between expected and actual experience.

- 4.122. Q—An employer provides healthcare benefits to (a) active employees and (b) retirees (who are classified as inactive employees for purposes of Statement 75). The amounts to be paid by the employer, active employees, and inactive employees receiving benefits are stated in terms of the blended premium rates for all covered individuals. The employer remits premium payments directly to the insurer and is not reimbursed from trust resources for any portion of those payments. What amount of the total current-period (blended) premiums for active employees and inactive employees should be classified as changes in the OPEB plan's

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fiduciary net position resulting from employer contributions and benefit payments for postemployment healthcare?

A—Of the total current blended premiums, the amount that should be classified as employer contributions and benefit payments for postemployment healthcare generally should be the difference between (a) the total claims costs, or age-adjusted premiums approximating claims costs, for the inactive employees in the group for the measurement period and (b) the amounts required to be paid by the inactive employees for that period. If the total of the blended premiums for the employer's active employees and inactive employees differs from the total of the claims costs, or age-adjusted premiums approximating claims costs, for the employer's active employees and inactive employees, any portion of the difference that is not specifically identifiable with payments for active employees or payments for inactive employees should be allocated between the employer's payments for active-employee healthcare and the employer's contributions (benefit payments) for postemployment healthcare. Statement 75 does not establish a requirement for a specific allocation approach for those amounts. Therefore, an accounting policy should be adopted related to the allocation, and that policy should be applied in a consistent manner from period to period.

- 4.123. Q—Paragraph 43b of Statement 75 requires that changes in the net OPEB liability arising from differences between projected and actual earnings on OPEB plan investments be recognized in OPEB expense over a closed five-year period beginning in the current measurement period, with any remaining balance from the current period reported net of the remaining balances that arose in prior periods. Can the amount of the net balance from prior periods that is recognized in OPEB expense in the current period be determined by multiplying the remaining net balance that arose in prior periods by 25 percent?

A—No. Determining the amount to recognize in OPEB expense by applying 25 percent to the remaining net balance is an example of an open-period method, and paragraph 43b of Statement 75 requires that these differences be recognized in expense using a closed-period method. For example, in 20X7, using a closed-period, straight-line method, the amount of the remaining net balance that arose in prior periods to recognize in OPEB expense in the current period would be 25 percent of the portion of the remaining balance that arose in 20X6, 33 percent of the portion of the remaining balance that arose in 20X5, 50 percent of the portion of the remaining balance that arose in 20X4, and 100 percent of the portion of the remaining balance that arose in 20X3. Alternatively, the amounts to recognize in OPEB expense in 20X7 could be determined as 20 percent of each of the differences that arose in 20X3–20X6.

- 4.124. Q—How should the projected earnings on OPEB plan investments be calculated for purposes of determining the difference between projected and actual earnings?

A—Projected earnings on OPEB plan investments should consider changes in invested amounts and should be calculated as the return that actual invested amounts would have earned at the assumed rate of return over the measurement period. For this purpose, the assumed rate of return should be net of investment expense, but not net of administrative expense, and should reflect the expectation of the rate as of the beginning of the measurement period.

- 4.125. Q—If the alternative measurement method is not used to determine the total OPEB liability, can an employer apply a method for recognition of OPEB expense for differences between expected and actual experience, changes of assumptions or other inputs, or a difference between projected and actual earnings on OPEB plan investments that would result in all of the amount being recognized in the year in which the change is reflected in the net OPEB

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liability or all of the amount being recognized in the final year of the recognition period required in paragraph 43 of Statement 75?

A—No. In accordance with paragraph 43a of Statement 75, if the alternative measurement method is not used to measure the total OPEB liability, changes in the total OPEB liability arising from differences between expected and actual experience or changes of assumptions or other inputs are required to be recognized using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the plan (active employees and inactive employees), determined at the beginning of the measurement period. In accordance with paragraph 43b, differences between projected and actual earnings on OPEB plan investments are required to be recognized using a systematic and rational method over a closed five-year period. Recognizing all of the change associated with these events in the OPEB expense of a single year is inconsistent with those provisions of Statement 75.

- 4.126. Q—Paragraphs 43a and 43b of Statement 75 require that certain changes in the net OPEB liability be recognized in OPEB expense over specified periods using a systematic and rational method. What are examples of systematic and rational methods?

A—The simplest systematic and rational method is the straight-line method. The level-percentage-of-payroll method is another example of a systematic and rational attribution method. However, any systematic and rational method can be used.

- 4.127. Q—The employees of a government include a large number of inactive employees who are entitled to, but have not yet requested, a refund of their contributions to the plan and earnings on those contributions. The amount of the refunds will change only in accordance with actual earnings on plan investments and, as such, are not associated with certain of the changes in the net OPEB liability that are reported as deferred outflows of resources and deferred inflows of resources related to OPEB. Can those employees be excluded from the determination of the average of the expected remaining service lives of employees?

A—No. Statement 75 requires that the average of the expected service lives of employees include all active and inactive employees that are provided with benefits (including refunds of employee contributions) through the plan.

- 4.128. Q—If changes in the total OPEB liability arising from differences between expected and actual experience or a change of assumption or other input occur only in the portion of the total OPEB liability associated with active employees, can the changes be recognized in OPEB expense over the average of the expected remaining service lives of active employees?

A—No. Paragraph 43a of Statement 75 requires differences between expected and actual experience and changes of assumptions to be recognized in OPEB expense over the average of the expected remaining service lives of *all* employees—active employees and inactive employees—regardless of whether the change is directly associated with certain individual employees. (The preceding answer applies only if the alternative measurement method is not used to measure the total OPEB liability. See Question 4.492 if the alternative measurement method is used.)

- 4.129. Q—Over what period should a change in the total OPEB liability arising from differences between expected and actual experience or changes of assumptions or other inputs be recognized in OPEB expense if the average of the expected remaining service lives of

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employees is less than one year as of the beginning of the measurement period, for example, as might occur in a closed plan?

A—In this circumstance, changes in the total OPEB liability arising from differences between expected and actual experience or changes of assumptions should be recognized in OPEB expense over one period. This results in all changes in the total OPEB liability being recognized in OPEB expense in full in the reporting period in which they are reflected in the net OPEB liability reported by the employer.

- 4.130. Q—In determining the average of the expected remaining service lives of employees for purposes of measuring OPEB expense, should the probabilities of different decrements, such as disability, death, retirement, or separation from service, be considered?

A—Yes. OPEB expense and the total OPEB liability are related measures, and application of the requirements of Statement 75 for attribution of the present value of projected benefit payments to periods generally would result in consideration of the probability of various decrements for purposes of determining the total OPEB liability. (See Question 4.105.) Because probabilities of decrements are required to be considered relative to expected service lives when measuring the total OPEB liability, it would be inconsistent to omit consideration of those events when measuring the average of the expected remaining service lives for use in determining OPEB expense.

- 4.131. Q—Does the answer in Question 4.130 mean that the number of employees that should be included in the denominator of the calculation of the average of the expected remaining service lives of employees for purposes of measuring OPEB expense should incorporate weighting by probabilities of receiving benefit payments?

A—No. Each individual that is a plan member at the measurement date should be counted as one in the denominator for purposes of determining the average.

- 4.132. Q—Can the period over which deferred outflows of resources and deferred inflows of resources related to OPEB arising from changes in the total OPEB liability are recognized in expense be calculated as a weighted average of the expected remaining service lives of the employees provided with benefits through the plan?

A—No. Statement 75 requires that the period be equal to the average of the expected remaining service lives of employees that are provided with benefits through the plan. For this purpose, the average should incorporate an expected remaining service life for each active and inactive employee, and each employee's expected remaining service life should not be weighted by any factor. (The preceding answer applies only if the alternative measurement method is not used to measure the total OPEB liability. See Question 4.492 if the alternative measurement method is used.)

- 4.133. Q—If a retiree is deceased but the retiree's dependent is receiving OPEB payments through the OPEB plan, should the dependent be included in the count of the number of employees that is used to determine the average of the expected remaining service lives of employees?

A—Yes. Inactive employees include retirees or their beneficiaries currently receiving benefits. The dependent of a deceased retiree is a beneficiary if the dependent receives benefits through the OPEB plan and should be included in the count of employees for purposes of determining the average of the expected remaining service lives of employees. However, only one dependent of a deceased retiree should be included in the count of the number of employees for this purpose.

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- 4.134. Q—Paragraph 43c of Statement 75 requires that a single or agent employer not recognize OPEB expense for a change in a net OPEB liability resulting from its contributions to the OPEB plan during the measurement period. How should a single or agent employer account for its contributions to the OPEB plan during the measurement period?

A—Single or agent employer contributions to the OPEB plan during the measurement period increase the OPEB plan’s fiduciary net position and, therefore, should be accounted for by the employer as a reduction of the net OPEB liability. (See Questions 4.137–4.140 regarding accounting for contributions made subsequent to the measurement date.)

- 4.135. Q—An employer issues \$100 million of OPEB obligation bonds. The proceeds from the bond issue are remitted directly into the OPEB trust fund, which the employer includes in its annual financial statements; they do not flow through the employer’s general fund. How should the transaction be accounted for?

A—Regardless of the funds’ flow, the substance of the transaction is that the *employer* has issued general bonded debt, from which it has derived the proceeds, and has applied the proceeds to make a contribution to the *plan*. Even though the employer, in this case, includes the plan as an OPEB trust fund in its financial statements, the employer and the plan are separate legal entities, and this transaction should be viewed as an external transaction for financial reporting purposes. The employer’s first entry, therefore, should be to recognize the bond issue. Its second, unless the amounts remitted to the OPEB plan are for payment of an existing payable to the OPEB plan, should be to recognize its contribution to the plan as a reduction of the net OPEB liability (or as a deferred outflow of resources if the contribution is made subsequent to the measurement date of the net OPEB liability reported in the current period).

If the amounts remitted to the OPEB plan are for payment of an existing payable to the plan, the employer’s second entry should be to recognize the reduction of that payable. In this case, there would be no change in the OPEB plan’s fiduciary net position resulting from the receipt of the bond proceeds, and there would be no effect on the net OPEB liability to be recognized as a result of the transaction.

- 4.136. Q—How should a single or agent employer classify revenue that is recognized in accordance with paragraph 43d of Statement 75 for the support provided by a nonemployer contributing entity that is not in a special funding situation?

A—The employer should classify this revenue in the same manner as it classifies grants from other entities.

Employer contributions subsequent to the measurement date

- 4.137. Q—What should be included in the amounts reported as deferred outflows of resources for a single or agent employer’s contributions made subsequent to the measurement date?

A—For purposes of paragraph 44 of Statement 75, the deferred outflow of resources reported by an employer should include contributions made by the employer (excluding amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation) during its fiscal year that will be reflected in the net OPEB liability in the next measurement period—that is, the amount of contributions through the end of the employer’s fiscal year to be recognized by the OPEB plan on the accrual basis of accounting in the next measurement period. The deferred outflow of resources would not include the employer’s payments subsequent to the measurement date to satisfy a contribution receivable recognized by the plan prior to the end of the current measurement period.

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- 4.138. Q—In 20X7, an employer reports a deferred outflow of resources related to OPEB for contributions made to the OPEB plan subsequent to the measurement date and before the end of the reporting period. How should the contributions be accounted for in the subsequent reporting period (20X8)?

A—In 20X8, the amount of contributions that was reported as a deferred outflow of resources related to OPEB in 20X7 is a component of the change in the net OPEB liability (an increase in the OPEB plan's net position) that is reported by the employer. Accordingly, in 20X8, the amount should be accounted for by the employer as a reduction of deferred outflows of resources related to OPEB and as part of the change in the net OPEB liability.

- 4.139. Q—A government with a fiscal year-end of June 30, 20X7, makes a payment to a defined benefit OPEB plan on June 15, 20X7, equal to its legally required contributions for the period October 1, 20X6–September 30, 20X7. In the government's June 30, 20X7 financial report, the government's net OPEB liability is measured as of September 30, 20X6. How should the payment to the OPEB plan that is made on June 15, 20X7, be reported in the government's financial statements prepared using the economic resources measurement focus?

A—In the government's financial statements prepared using the economic resources measurement focus, the portion of the payment to the OPEB plan that relates to the period October 1, 20X6–June 30, 20X7, is a contribution subsequent to the measurement date and before the government's fiscal year-end and should be reported as a deferred outflow of resources related to OPEB in accordance with paragraph 44 of Statement 75.

The portion of the payment to the OPEB plan that relates to the period July 1, 20X7–September 30, 20X7, is not a contribution for the period ended June 30, 20X7, and, therefore, it should not be reported as a deferred outflow of resources resulting from contributions subsequent to the measurement date. As such, the portion of the payment to the OPEB plan that relates to the period July 1, 20X7–September 30, 20X7, should be reported as a prepaid amount as of June 30, 20X7.

- 4.140. Q—For its June 30, 20X7 fiscal year-end, a government measures its net OPEB liability as of December 31, 20X6. At June 30, 20X7, legally required contributions for the period January 1, 20X7–June 30, 20X7, have not been made to the OPEB plan. How should those unpaid contributions be reported in the government's financial statements prepared using the economic resources measurement focus?

A—For the unpaid contributions, the government should report a payable and a deferred outflow of resources related to OPEB resulting from contributions subsequent to the measurement date and before the government's fiscal year-end.

Recognition and Measurement in Financial Statements Prepared Using the Economic Resources Measurement Focus and Accrual Basis of Accounting—Single and Agent Employers That Have a Special Funding Situation

See Questions 4.294–4.302 and 4.309–4.318 addressing paragraphs 99–107 and 116–118 of Statement 75, as amended, as well as Questions 4.55–4.109 addressing paragraphs 27–42 of Statement 75. For purposes of applying Questions 4.55–4.109 to benefits provided by a single or agent employer that has a special funding situation, the term net OPEB liability applies to the collective net OPEB liability.

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***Recognition in Financial Statements Prepared Using the Current Financial Resources
Measurement Focus and Modified Accrual Basis of Accounting—All Single and Agent
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- 4.141. Q—If, at the end of the reporting period, benefit payments are due and payable and the OPEB plan’s fiduciary net position is sufficient for payment of those benefits, should any portion of a single or agent employer’s net OPEB liability be recognized in financial statements prepared using the current financial resources measurement focus?

A—No. In circumstances in which benefit payments are due and payable and the OPEB plan’s fiduciary net position is sufficient for payment of those benefits, no portion of the net OPEB liability should be recognized in financial statements prepared using the current financial resources measurement focus.

- 4.142. Q—If, at the end of the reporting period, benefit payments are due and payable and the OPEB plan’s fiduciary net position is not sufficient for payment of those benefits, should any portion of a single or agent employer’s net OPEB liability be recognized in financial statements prepared using the current financial resources measurement focus?

A—Yes. In circumstances in which benefit payments are due and payable and the OPEB plan’s fiduciary net position is not sufficient for payment of those benefits, the employer should recognize an amount equal to the amount of benefit payments due and payable that exceeds the OPEB plan’s fiduciary net position as an OPEB liability in financial statements prepared using the current financial resources measurement focus.

Notes to Financial Statements—All Single and Agent Employers

- 4.143. Q—If an employer reports OPEB liabilities that have different measurement dates, is the employer required to update the measures to the same measurement date for purposes of presenting the total OPEB-related measures required by paragraph 47 of Statement 75 or for disclosing additional information about the OPEB liabilities that is required by Statement 75?

A—No. Information reported in notes about OPEB liabilities focuses on conditions as of the measurement date. For purposes of presenting information to meet the requirement in paragraph 47 of Statement 75 for disclosure of the total amounts of OPEB-related measures if those amounts are not otherwise identifiable from information presented in the financial statements, the employer should disclose the total of the amounts reported in the financial statements for OPEB provided through each plan, regardless of differences in their measurement dates. As specified by Statement 75, the information that is required to be provided in notes should be disclosed for benefits provided through each single-employer or agent defined benefit OPEB plan in which the employer participates. If different measurement dates are used for OPEB provided through different plans, the information in notes about each benefit arrangement should reflect its individual measurement date.

- 4.144. Q—The employees of a primary government and its component units are provided with OPEB through an OPEB plan for which paragraph 24 of Statement 75 requires the reporting entity to apply the requirements for note disclosures applicable to a single or agent employer. Can the reporting entity meet the requirement in paragraph 49 of Statement 75 for separate identification in note disclosures of OPEB-related amounts associated with the primary

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government and those associated with its discretely presented component units by disclosing OPEB-related amounts for discretely presented component units in the aggregate?

A—Yes. The requirement in paragraph 49 of Statement 75 is intended to result in information about the primary government (including its blended component units), on the one hand, and the discretely presented component units in the aggregate, on the other hand.

- 4.145. Q—A single-employer or agent OPEB plan issues a stand-alone financial report in accordance with Statement 74, as amended, that includes certain information that also is required by Statement 75, as amended, to be reported by an employer that provides OPEB through the plan. For example, a single-employer plan includes a 10-year schedule of changes in the net OPEB liability using information as of the same measurement date as required to be presented by the employer. Can the employer omit from its report the information included in the OPEB plan's stand-alone report if the employer's report refers to the OPEB plan's stand-alone report?

A—All information required by Statement 75, as amended, should be included in the single or agent employer's financial report. The only item for which Statement 75 permits reference to the OPEB plan's report in place of including the detail in the employer's report is the information required by paragraph 54 of Statement 75 about the elements of the OPEB plan's fiduciary net position if the OPEB plan's report is available on the Internet.

OPEB plan description

- 4.146. Q—Should the information that is required by paragraphs 50b and 50c of Statement 75 about benefit terms and the number of employees that are covered by the benefit terms, respectively, be current as of the actuarial valuation date that is used as the basis for the total OPEB liability, the measurement date of the net OPEB liability, or the employer's fiscal year-end?

A—The requirements in paragraphs 50b and 50c of Statement 75 are intended to result in the disclosure of information about the benefit terms at the measurement date of the net OPEB liability. If a change occurs in the benefit terms or the number of employees that are covered by the benefit terms between the measurement date and the employer's fiscal year-end such that the effect of the change on the net OPEB liability is expected to be significant, paragraph 56f of Statement 75 requires information about the change to be disclosed.

- 4.147. Q—Under the benefit terms of OPEB provided through an agent plan, an employee earns service credit for years of employment with any of the employers that provide benefits through the plan. Each employer remains responsible for financing the portion of an employee's benefits related to the service credit earned when the employee worked for that employer. As such, some portion of the change in the employer's total OPEB liability may arise, for example, from differences between expected and actual experience related to an employee who no longer works for the employer but who still works for another employer that participates in the agent plan. In this circumstance, should the employee be considered an active employee or an inactive employee?

A—The employee should be considered active by the employee's current employer. The employee should be considered inactive by all of the employee's former employers within the agent plan. The amount of the total OPEB liability for an inactive employee may change due to differences between expected and actual experience or due to changes of assumptions or other inputs.

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- 4.148. Q—In the disclosure required by paragraph 50c of Statement 75, should spouses or other dependents be included in the count of employees covered by the benefit terms?

A—An employee, their spouse, and their other dependents are considered to be one unit. Therefore, a spouse or other dependent should be included in the count of the number of employees covered by the benefit terms only if the employee is not already included.

- 4.149. Q—Should all contributions made to the OPEB plan by a single or agent employer during the employer's fiscal year be included in the amount of contributions that paragraph 50d of Statement 75 requires to be disclosed?

A—No. For purposes of paragraph 50d of Statement 75, contributions should include only (a) the amount of actual contributions, which are cash contributions from the employer to the OPEB plan that would be recognized as additions from contributions in the OPEB plan's statement of changes in fiduciary net position during the period that coincides with the employer's fiscal year, and (b) the amount of contributions from the employer to the OPEB plan that would be recognized by the OPEB plan as a current receivable during the period that coincides with the employer's fiscal year. This would exclude, for example, payments made to satisfy employer payables to the OPEB plan that arose in an earlier fiscal year. (See also Question 4.150.)

- 4.150. Q—For purposes of providing information about contributions that is required by paragraph 50d of Statement 75, what should be considered a contribution recognized by the OPEB plan as a current receivable?

A—For purposes of paragraph 50d of Statement 75, current receivables are the portion of OPEB plan receivables that (a) would be recognized as additions from the employer's contributions during the employer's reporting period and (b) would be collectible within a year as of the end of the employer's reporting period. For example, a receivable recognized by the OPEB plan for an employer's contributions related to the last month of the employer's fiscal year that have not been paid at that date but that are expected to be paid in the following month would be a current receivable of the OPEB plan.

Information about the net OPEB liability

The OPEB plan's fiduciary net position

- 4.151. Q—If a single or agent employer's employees are provided with OPEB through a defined benefit plan for which financial statements are not publicly available on the Internet, what information should be disclosed in the employer's financial statements regarding the OPEB plan's fiduciary net position?

A—The single or agent employer should apply paragraph 54 of Statement 75 regarding note disclosures about the OPEB plan's fiduciary net position. That paragraph requires that the employer disclose all information required by Statement 75 and other standards about the OPEB plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position. Therefore, the employer would have to include information in its financial statements to comply with all note disclosure requirements applicable to the OPEB plan. This information includes the information required by Statement 74, as well as information required by other Statements. For example, the employer would be required to present information to comply with disclosure requirements related to OPEB plan deposits and investments, including information required by Statements No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, No. 31, *Accounting and Financial Reporting for Certain Investments and for*

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*External Investment Pools, No. 40, Deposit and Investment Risk Disclosures, and No. 72,
Fair Value Measurement and Application, as amended, as applicable.*

Changes in the net OPEB liability

Schedule of changes in the net OPEB liability

- 4.152. Q—If part of the total service cost for OPEB provided through a single-employer or individual agent-employer OPEB plan is identified as being paid by the active employees through their annual contribution requirement for OPEB, should the amount presented in the schedule of changes in the net OPEB liability be only the portion of the total service cost that is required to be paid by the employer?

A—No. Paragraph 246 of Statement 75 defines service costs as “the portions of the actuarial present value of projected benefit payments that are attributed to valuation years.” The actuarial present value of projected benefit payments generally would not include a reduction for expected active employee contributions for OPEB. Therefore, the amount presented as service cost in the schedule of changes in the net OPEB liability should be the *total* service cost of the measurement period.

Additional information

- 4.153. Q—If a single or agent employer reports a net OPEB liability that is based on the results from an actuarial valuation that has been updated to the measurement date, what information is the employer required to disclose regarding the update?

A—Information about the measure of the total OPEB liability (for example, the assumptions used in the measurement) should reflect amounts and circumstances as of the measurement date. However, if update procedures were used to develop the measure of the total OPEB liability, paragraph 56a of Statement 75 requires that the employer disclose that fact. No other specific information about the update process is required.

- 4.154. Q—What information, if any, is required to be disclosed about a change in a relevant factor that occurs between the measurement date of the net OPEB liability and the employer’s current fiscal year-end?

A—For a change that is expected to have a significant effect on the net OPEB liability, in its financial report for the current fiscal year, the employer should provide information required by paragraph 56f of Statement 75 about the nature of the change, as well as the amount of the expected impact of the change on the net OPEB liability, if known. For example, if a change of benefit terms is made between the measurement date and the end of the employer’s current fiscal year and an estimate of the effect of the change of benefit terms on the net OPEB liability has been made and is evaluated by the employer to be significant, the employer should include in note disclosures a brief description of the benefit change and the estimated amount of the expected resultant change in the net OPEB liability. (See Questions 4.60 and 4.69 regarding the timing of the recognition of the effects of such changes.)

Required Supplementary Information (RSI)—All Single and Agent Employers

- 4.155. Q—A single-employer plan is used to provide OPEB only to volunteer firemen. The volunteers are not paid a salary. Employer contributions are assessed as a dollar amount per active volunteer. How does this affect requirements for a single employer’s presentation

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of information in schedules of RSI about the net OPEB liability and employer contributions in relation to a measure of payroll?

A—Employer contributions to the OPEB plan are not based on a measure of pay; as a result, there is no covered payroll. In addition, because the volunteers are not paid a salary, there is no covered-employee payroll. Therefore, the requirements in paragraph 57b and paragraph 57c or paragraph 57d of Statement 75, as amended, for ratios that present the employer's net OPEB liability and employer contributions, respectively, as a percentage of a measure of payroll would not be applicable for the employer that provides benefits through this plan, and those ratios should not be presented in the RSI schedules.

- 4.156. Q—The measurement date of a single or agent employer's net OPEB liability is December 31, 20X6, and is different from its fiscal year-end, which is June 30, 20X7. For purposes of presenting information about the employer's payroll (covered payroll if contributions are based on a measure of pay or covered-employee payroll if contributions are not based on a measure of pay) in the schedules of RSI required by paragraph 57 of Statement 75, as amended, the measure of payroll should reflect what period?

A—In the employer's schedule of RSI that presents the components of the net OPEB liability and related ratios as required by paragraph 57b of Statement 75, as amended, the amount of payroll presented should be the relevant annual payroll (covered payroll or covered-employee payroll) during the measurement period that ends on the measurement date of the net OPEB liability—that is, the period from January 1, 20X6, to December 31, 20X6. If the employer presents a contribution-related schedule in accordance with paragraph 57c or paragraph 57d of Statement 75, as amended, the measure of payroll included in that schedule should be the relevant annual payroll during the employer's fiscal year—that is, the period from July 1, 20X6, to June 30, 20X7.

Paragraphs 57c and 57d, as amended

- 4.157. Q—Should all contributions made to the OPEB plan by a single or agent employer during the employer's fiscal year be included in the amount of contributions reported in the schedule of RSI that is required by paragraph 57c or paragraph 57d of Statement 75, as amended, as applicable?

A—No. For purposes of paragraphs 57c and 57d of Statement 75, contributions are amounts that are not associated with separately financed specific liabilities of the individual employer and include only the amounts that would be recognized as additions from the employer's contributions in the OPEB plan's statement of changes in fiduciary net position during the period that coincides with the employer's fiscal year for (a) actual contributions, which are cash contributions from the employer to the OPEB plan, and (b) current receivables. This would include, for example, the amount of legally required employer contributions that are not associated with a specific liability of the individual employer to the OPEB plan and that would be recognized as a current receivable by the OPEB plan as of the end of the employer's fiscal year. It would exclude, for example, employer payments made to satisfy OPEB plan receivables that arose in an earlier employer fiscal year. (See also Question 4.158 regarding current receivables.)

- 4.158. Q—For purposes of reporting contributions in the schedule of RSI that is required by paragraph 57c or 57d of Statement 75, as amended, as applicable, what should be considered a contribution recognized by the OPEB plan as a current receivable?

A—For purposes of paragraphs 57c and 57d of Statement 75, current receivables are the portion of OPEB plan receivables that (a) would be recognized as additions from the employer's contributions during the employer's reporting period, (b) would be collectible within a year, and (c) is not associated with separately financed specific liabilities of the

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employer. For example, a receivable recognized by the OPEB plan for an employer's contributions related to the last month of the employer's fiscal year that have not been paid at that date but that are expected to be paid in the following month would be a current receivable.

- 4.159. Q—If a single or agent employer has an actuarially determined contribution amount but contributes according to a statutorily established rate, which RSI schedule(s) related to contributions is the employer required to present?

A—The employer should present the information required in paragraph 57c of Statement 75, as amended, which includes amounts to compare the actuarially determined contribution of the employer during the employer's fiscal year to the amount of employer contributions recognized by the OPEB plan in relation to the actuarially determined contribution during the same period. The requirements in paragraph 57c of Statement 75, as amended, apply if an actuarially determined contribution of the employer is calculated for any purpose, regardless of whether the employer's contribution requirements or contribution policy is based on the actuarially determined contribution amount. Only if an actuarially determined contribution is not calculated should a single or agent employer whose contribution requirements are statutorily or contractually established present the schedule required by paragraph 57d of Statement 75, as amended, which includes amounts to compare the employer's statutorily or contractually required contribution during the employer's fiscal year to contributions made by the employer during the same period.

- 4.160. Q—If a contribution rate for the period from July 1, 20X6, to June 30, 20X7, is adopted at October 31, 20X5, based on the results of an actuarial valuation as of June 30, 20X5, should the resulting actuarially determined contribution be reported in the schedule of contributions for the employer's fiscal year ended June 30, 20X6, or June 30, 20X7?

A—The actuarially determined contribution is an amount determined based on the most recent measurement available when the contribution for the reporting period was adopted. Therefore, in this example, assuming that the results of the June 30, 20X5 actuarial valuation are the most recent results available as of October 31, 20X5, amounts based on those results should first be presented in the contribution schedule required by paragraph 57c of Statement 75, as amended, for the employer's fiscal year ended June 30, 20X7.

- 4.161. Q—If an actuarially determined contribution is calculated for the OPEB plan's fiscal year and the employer's fiscal year does not coincide with the fiscal year of the plan, what amount should be reported in the contribution-related schedule required by paragraph 57c of Statement 75?

A—For each year, the amount reported in the contribution schedule required by paragraph 57c of Statement 75 should be the amount that is applicable to the employer's fiscal year for which information is being reported. Therefore, if the actuarially determined contribution is not calculated for the employer's fiscal year, the amount to be included in the schedule would be determined as the aggregate of the actuarially determined contributions for the portions of the plan's fiscal years that overlap the employer's fiscal year. For example, an employer's fiscal year is from July 1 to June 30, and the plan's fiscal year is from January 1 to December 31. The actuarially determined contribution applicable to the employer's fiscal year ended June 30, 20X7, would be the actuarially determined contribution for the last six months of the plan's fiscal year 20X6 (because that fiscal year overlapped the first six months of the employer's fiscal year), plus the actuarially determined contribution for the first six months of the plan's fiscal year 20X7 (because that fiscal year overlapped the last six months of the employer's fiscal year).

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4.162. Q—Should the schedule of contribution-related information required by paragraph 57c of Statement 75, as amended, include information for the year between actuarial valuations if actuarially determined contributions are calculated biennially?

A—Yes. The actuarially determined contribution for the period between actuarial valuations should be reported using the results of the actuarial valuation that established the contribution applicable to that period.

4.163. Q—What actuarial methods and assumptions should be used to calculate the actuarially determined contribution reported in accordance with the requirements in paragraph 57c of Statement 75?

A—For purposes of applying the requirements in paragraph 57c of Statement 75, an actuarially determined contribution is defined, in part, as a contribution calculated in conformity with Actuarial Standards of Practice—a calculation that applies relevant guidance from Actuarial Standards of Practice, for example, standards related to the selection of economic or demographic assumptions. Statement 75 does not establish requirements for the specific methods and assumptions used to calculate an actuarially determined contribution.

4.164. Q—If the contribution requirements of an employer are determined using an actuarial value of assets that incorporates differences between projected and actual earnings on OPEB plan investments over a three-year period, can that method continue to be used to determine contribution requirements after implementation of Statement 75?

A—Yes. As noted in Question 4.163, Statement 75 does not establish requirements for the specific methods and assumptions, if any, used for funding purposes. Therefore, an actuarial value of assets can continue to be used for funding purposes. However, for purposes of complying with Statement 75, all changes in the OPEB plan's fiduciary net position, including the full amount of the actual earnings on OPEB plan investments, should be included in the calculation of the net OPEB liability and changes in the net OPEB liability in the measurement period in which they occur.

4.165. Q—Paragraph 245 of Statement 75 states that schedules of RSI “should not include information that is not measured in accordance with the requirements of this Statement.” Does that mean that information about actuarially determined contributions should be presented only if it is calculated using the same methods and assumptions as are required to be applied for purposes of measuring the net OPEB liability?

A—No. As noted in Question 4.163, an actuarially determined contribution is defined, in part, as a contribution calculated in conformity with Actuarial Standards of Practice; however, Statement 75 does not establish requirements for the specific methods and assumptions that are used to calculate an actuarially determined contribution. Therefore, if calculated, a single or agent employer should present measures of actuarially determined contributions, regardless of the methods and assumptions used to calculate them.

4.166. Q—Should amounts recognized by a single-employer or individual agent-employer OPEB plan for contributions pursuant to a separately financed specific liability of the employer be included in the amount reported by the employer as contributions in relation to the actuarially determined contribution, as required by paragraph 57c of Statement 75, or as contributions

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in relation to statutorily or contractually required contributions, as required by paragraph 57d of Statement 75, as applicable?

A—No. The measure of the actuarially determined contribution that is required by paragraph 57c(1) of Statement 75 or the statutorily or contractually required contribution that is required by paragraph 57d(1) of Statement 75 excludes amounts, if any, to separately finance specific liabilities of the individual employer to the OPEB plan. Similarly, the amount of contributions presented in relation to the actuarially determined or statutorily or contractually required contribution, as applicable, should exclude amounts recognized as additions to the OPEB plan for separately financed specific liabilities of the individual employer to the OPEB plan.

- 4.167. Q—If contribution rates are established for the employer in a single-employer or agent OPEB plan and a nonemployer contributing entity, should the schedule of RSI that presents contributions made as compared to actuarially determined or to statutorily or contractually required contributions (paragraph 57c or paragraph 57d of Statement 75, as amended, respectively) in the financial report of the employer include amounts for the nonemployer contributing entity?

A—No. The schedule should include information about contributions made by, and the actuarially determined or statutorily or contractually required contributions of, only the single or agent employer.

- 4.168. Q—May active employee contributions for OPEB be added to the RSI schedule that presents contributions made as compared to actuarially determined or statutorily or contractually required contributions (paragraph 57c or paragraph 57d of Statement 75, as amended, respectively)?

A—No. Including active employee contributions for OPEB in the schedule could obscure information about employer contribution decisions. Instead, active employee contribution rates for OPEB (in dollars or as a percentage of covered payroll) should be disclosed in notes to financial statements as required by paragraph 50d of Statement 75.

- 4.169. Q—The dollar amount of a single or agent employer's actuarially determined contribution is calculated based on the projected covered payroll for the year to which the contribution will apply. An actuarially determined contribution rate, expressed as a percentage of the *projected* covered payroll also is calculated. The employer contributes based on that actuarially determined contribution rate, applied to its *actual* covered payroll, which frequently is not the same as the projected covered payroll. Thus, the dollar amount of employer contributions may differ from the dollar amount of the actuarially determined contribution that is calculated because of the difference between projected and actual covered payrolls. Which amount should be reported as the actuarially determined contribution in the employer's schedule of contribution-related information required by paragraph 57c of Statement 75, as amended?

A—The intent of the schedule required by paragraph 57c of Statement 75, as amended, is to provide information to allow a reader to evaluate the degree to which an employer is meeting actuarially determined financing requirements. Therefore, the actuarially determined contribution and the amount of contributions recognized by the OPEB plan in relation to that contribution should be presented on a comparable basis. Thus, for this schedule, the dollar amount of the actuarially determined contribution should be adjusted, if necessary, so that the amount reported is based on the same measure of payroll as the contributions recognized as additions in the OPEB plan's statement of changes in fiduciary net position. (See Illustration B3 in nonauthoritative Appendix B of this Implementation Guide for an example.)

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Cost-Sharing Employers**

Cost-Sharing Employers

4.170. Q—In Question 4.203, an employer provides OPEB through a cost-sharing OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of Statement 75 (Trust A). Benefits are paid through Trust A. One cost-sharing employer establishes a second trust (Trust B). Assets in Trust B can be used only to make contributions to Trust A and can be moved to Trust A only upon instruction from the employer. Assets accumulated in Trust B are irrevocable by the employer and are protected from creditors of the employer. Can the employer in Question 4.203 report its OPEB liability to employees for benefits net of the fiduciary net position of Trust B?

A—No. As noted in the answer in Question 4.203, in that circumstance, the assets in Trust B are employer assets. Financial reporting standards provide only for the OPEB plan's fiduciary net position to offset the total OPEB liability. Because there is no specific right-of-offset provision for reporting an employer's liability to employees for OPEB net of related employer assets, the employer assets held in Trust B should not reduce the amount reported by the employer as its liability to employees for OPEB.

4.171. Q—Should the employer in Question 4.170 consider the assets accumulated in Trust B restricted for purposes of its government-wide or proprietary fund statement of net position or governmental fund balance sheet?

A—Yes. The trust provision that limits the use of the assets in Trust B to future employer contributions to the OPEB plan is an external limitation such that the assets accumulated in Trust B should be considered restricted. Further, in accordance with paragraph 10 of Statement 63, in determining the restricted net position or restricted fund balance, the restricted assets should be reduced by the amount of the OPEB liability that those resources will be used to liquidate.

Recognition and Measurement in Financial Statements Prepared Using the Economic Resources Measurement Focus and Accrual Basis of Accounting—Cost-Sharing Employers That Do Not Have a Special Funding Situation

Proportionate share of the collective net OPEB liability

4.172. Q—Historically, a cost-sharing employer has contributed 100 percent of its contractually required contributions, which are actuarially determined. Is the employer required to recognize a portion of the collective net OPEB liability even though it has contributed an amount equal to its contractually required contributions in the past?

A—Yes. Statement 75 requires that a cost-sharing employer recognize its proportionate share of the collective net OPEB liability determined in accordance with the provisions in paragraphs 59–61 of Statement 75, regardless of whether it has made its contractually required contributions in the past.

4.173. Q—What guidance is there regarding recognizing a cost-sharing employer's proportionate share of the collective net OPEB liability if a portion of the liability will be paid from an enterprise, internal service, or fiduciary fund?

A—Allocation of the OPEB liability to blended component units in circumstances in which the primary government and its component unit provide pensions through the same cost-sharing OPEB plan is discussed in Question 4.51. Statement 75 does not establish other specific requirements for allocation of the employer's proportionate share of the collective net OPEB liability or other OPEB-related measures to individual funds. However, for proprietary and fiduciary funds, consideration should be given to paragraph 42 of NCGA Statement 1, as

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amended, which requires that long-term liabilities that are “directly related to and expected to be paid from” those funds be reported in the statement of net position or statement of fiduciary net position, respectively.

- 4.174. Q—If the total OPEB liability is less than the OPEB plan’s fiduciary net position, should a cost-sharing employer’s proportionate share of the collective net balance be displayed in the employer’s statement of net position as a negative liability or as an asset?

A—A net OPEB liability that is negative is an asset. Therefore, the cost-sharing employer should display its proportionate share of the collective balance as an asset in its statement of net position.

Measurement date

- 4.175. Q—If a cost-sharing employer’s fiscal year-end is the same as the fiscal year-end of the OPEB plan through which it provides benefits, can the employer report its proportionate share of the collective net OPEB liability as of a measurement date that is one year earlier than the “as of” date of the (collective) net OPEB liability reported by the plan at the same fiscal year-end?

A—Yes. To avoid a circumstance in which employer financial reports potentially would be delayed awaiting information that also is included in the OPEB plan’s financial report, Statement 75 permits the measurement date of the collective net OPEB liability used by a cost-sharing employer to determine its reported OPEB liability to be as of a date no earlier than the end of its prior fiscal year, provided that the actuarial valuation used to determine the collective net OPEB liability meets the timing requirements in paragraph 71 of Statement 75 and that the measure meets the requirement in paragraph 72 of Statement 75 that the plan and the employers use the same assumptions when measuring similar or related information. (See Questions 4.204–4.206.) Cost-sharing OPEB plans are required by Statement 74 to report information about the (collective) net OPEB liability as of the plan’s fiscal year-end. Therefore, for example, in financial statements as of June 30, 20X7, a cost-sharing OPEB plan is required to report a (collective) net OPEB liability measured as of June 30, 20X7, whereas a cost-sharing employer that provides benefits through the plan can report a proportionate share of the collective net OPEB liability with a measurement date of June 30, 20X6, if the requirements in paragraphs 71 and 72 of Statement 75 are met.

- 4.176. Q—If an employer participates in more than one defined benefit OPEB plan, is the employer required to use the same measurement date for each (collective) net OPEB liability and (collective) total OPEB liability?

A—No. Paragraphs 24 and 143 of Statement 75 specify that the requirements of that Statement related to liabilities to employees for OPEB, which include the provisions of the Statement for the selection of the measurement date of the (collective) net OPEB liability or (collective) total OPEB liability, should be applied separately to the OPEB provided through each defined benefit OPEB plan. Therefore, provided that the measurement date for each (collective) net OPEB liability or (collective) total OPEB liability meets the requirements of Statement 75, the related OPEB liabilities presented in an employer’s financial report can have different measurement dates. For example, in financial statements for its fiscal year ended June 30, 20X7, an employer can report a net OPEB liability with a measurement date of June 30, 20X7, for OPEB provided through single-employer OPEB Plan A and a proportionate share of the collective net OPEB liability with a measurement date of March 31, 20X7, for OPEB provided through cost-sharing OPEB Plan B. (See Question 4.272 regarding note disclosure requirements if different measurement dates are used.)

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Cost-Sharing Employers**

Determining a cost-sharing employer's proportion

- 4.177. Q—A cost-sharing plan is used to provide OPEB to the employees of Employer A and Employer B. Employers are required to make contributions to the plan as a specified percentage of active-employee payroll. An employee is employed by Employer A for 18 years and then is employed by Employer B for 6 years. The employee retires from Employer B. Should Employer A and Employer B report proportionate shares of the collective net OPEB liability that reflect the length of service provided to each employer? That is, should Employer A report 75 percent of the net OPEB liability ($18 \text{ years} \div 24 \text{ years}$) for OPEB of the employee and Employer B report 25 percent of that liability ($6 \text{ years} \div 24 \text{ years}$)?

A—No. The relative length of past service provided by an employee to an individual cost-sharing employer generally is not relevant to the proportionate share of the net OPEB liability that should be reported by the employer. In a cost-sharing plan, the cost of the OPEB provided to an individual employee is not directly associated with the employer to which the employee provides services. Instead, the OPEB of all employees are pooled, and the pooled costs are shared among the participating employers through the assessment of periodic contributions. Therefore, paragraphs 59 and 60 of Statement 75 require that a cost-sharing employer report a proportionate share of the collective net OPEB liability that is determined by multiplying the collective net OPEB liability by a proportion that is based on the manner in which contributions are assessed—for instance, in this example, projected active-employee payroll might be used as the basis for determining each employer's proportion.

- 4.178. Q—Can the basis on which an employer's proportion is determined be changed? For example, if in its prior fiscal year, an employer's proportion was determined based on contributions during the measurement period, can the employer's proportion be determined in the subsequent period using an average of contributions over the past five measurement periods?

A—Yes. The employer's proportion is an assumption and, like other assumptions, is subject to change as, for example, new events occur, more experience is acquired, or additional information is obtained. A change in the basis for the employer's proportion might affect the applicability of certain requirements of Statement 75, including those in paragraphs 64–67 of Statement 75, as amended, which address changes in the employer's proportion and contributions made as compared to the employer's proportionate share of total employer and nonemployer contributing entity contributions. For example, a change from a proportion based on contributions made during the measurement period to a proportion based on an average of contributions in past measurement periods might result in differences in each future measurement period between the employer's contributions and its proportionate share of total employer and nonemployer entity contributions, for which paragraphs 65–67 of Statement 75, as amended, establish requirements. (See Question 4.281 for a discussion of note disclosures regarding changes in proportion.)

- 4.179. Q—Can a measure of employer plus employee contributions be used as the basis for an employer's proportion?

A—No. Paragraph 59a of Statement 75 specifies that an employer's proportion is "a measure of the proportionate relationship of (1) the employer . . . to (2) all employers and all nonemployer contributing entities." Employees are specifically excluded from the definition of nonemployer contributing entities in paragraph 246 of Statement 75. Therefore, employee contributions should not be considered in the determination of the employer's proportion.

- 4.180. Q—A cost-sharing plan that is used to provide benefits to employees of several governmental employers also is used to provide benefits to certain nongovernmental employers. When a governmental employer determines its proportion for purposes of reporting its proportionate share of the collective net OPEB liability and related measures under Statement 75, should

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the proportion represent the relationship of the employer to all employers that provide benefits through the plan or the relationship of the employer to only the other governmental employers?

A—The governmental employer's proportion should be representative of its relationship to *all* employers that provide benefits through the OPEB plan, regardless of whether those employers are governmental or nongovernmental for financial reporting purposes.

- 4.181. Q—In a cost-sharing OPEB plan in which employers' proportions are based on each employer's dollar amount of required contributions, an employer enters the plan with three months left in the measurement period. Should the employers' proportions at the measurement date reflect only 3 months of required contributions from the new employer but 12 months of required contributions from the other employers?

A—No. An adjustment should be made so that each employer's proportion is determined using a measure of required contributions over the same period of time.

- 4.182. Q—A state is legally required to make contributions to a cost-sharing defined benefit OPEB plan as a nonemployer contributing entity, but the circumstances do not meet the criteria for a special funding situation. Do the state's contributions affect the determination of the employers' proportions for purposes of applying paragraph 59 of Statement 75? If so, how?

A—Yes. Paragraph 59 of Statement 75 requires that an employer's proportion consider the contributions made by nonemployer contributing entities that provide support for the employer but that are not in a special funding situation. That is, for purposes of determining each employer's portion, the contributions of the nonemployer contributing entity for that employer are treated as if they were made by that employer.

- 4.183. Q—With regard to the requirement in paragraph 61 of Statement 75 related to the timing of the establishment of the employer's proportion, what are examples of an actuarially determined proportion?

A—Examples of actuarially determined proportions for purposes of paragraph 61 of Statement 75 include (a) a proportion based on the long-term projected payrolls of each of the employers that provide benefits through a plan in which contributions are assessed in relation to payroll and the employers do not have a special funding situation and (b) a proportion based on a projection of the future actuarially determined contribution amounts of each of the contributing entities if contribution requirements are based on those amounts.

- 4.184. Q—Are all employers whose employees are provided with OPEB through the same cost-sharing plan required to use the same basis to establish their proportions under paragraphs 59 and 60 of Statement 75?

A—No. An employer's selection of a basis for the establishment of its proportion under paragraphs 59 and 60 of Statement 75 is independent of the selection of a basis by other employers whose employees are provided with OPEB through the cost-sharing plan. For example, one cost-sharing employer can determine its proportion based on contributions during the measurement period, while another employer uses the average of contributions over the past five measurement periods as the basis for its proportion.

- 4.185. Q—An employer has an expectation that its future contribution requirements will diminish relative to the contribution requirements of all contributing entities and ultimately will be zero—for example, the employer begins providing OPEB to new hires through a defined contribution plan, rather than through the cost-sharing plan, so that its future covered payroll and, hence, its future contributions will decrease relative to others over time because

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contributions are assessed as a percentage of covered payroll. For purposes of paragraphs 59–61 of Statement 75, can the employer assume that its proportion is zero percent because in the long term it expects its required contributions to reduce to zero?

A—No. Even though the employer expects that its share of required contributions ultimately will reduce to zero, it would not be appropriate to use zero percent as its share in the current period because it expects to be required to make contributions in some future periods. It should use an approach for determining its basis that is consistent with the manner in which contributions are assessed, and if it chooses to use a forward-looking basis as is encouraged in paragraph 59a of Statement 75, that basis should consider both short-term and long-term contribution requirements. For example, the employer could determine its proportion by comparing the present value of its expected future contributions to the present value of the expected future contributions of all contributing entities.

- 4.186. Q—If some or all of an employer’s required contributions to an OPEB plan are reimbursed to the employer through a federal grant, should amounts to be reimbursed be counted as a contribution from the employer for purposes of determining the employer’s proportion?

A—Yes. The amount of required contributions that will be reimbursed to the employer should be considered employer contributions when determining the relationship of the employer to all contributing entities.

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

See also Question 4.492 for a discussion of the requirements in paragraphs 64 and 65 of Statement 75, as amended, and paragraph 17 of Statement 85 in circumstances in which the alternative measurement method is used to measure the total OPEB liability.

- 4.187. Q—Should a cost-sharing employer’s deferred outflows of resources and deferred inflows of resources arising from changes in proportion or contributions during the measurement period (as discussed in paragraphs 64 and 65 of Statement 75, as amended) be reported as separate amounts or net of each other?

A—Deferred outflows of resources and deferred inflows of resources arising from a change in proportion (as discussed in paragraph 64 of Statement 75, as amended) or from contributions during the measurement period (as discussed in paragraph 65 of Statement 75, as amended) in the same measurement period may be netted and reported, in a single year, as a deferred outflow of resources related to OPEB if the net balance is a debit or as a deferred inflow of resources related to OPEB if the net balance is a credit. However, the resultant deferred outflow of resources or deferred inflow of resources balance in one period should not be netted against deferral balances arising in other periods from changes in proportion and contributions.

- 4.188. Q—Upon joining a cost-sharing plan (the new plan), an employer enters into a long-term installment contract with the new plan for the portion of the past service cost associated with its employees that exceeds assets transferred into the plan. How should the employer account for the installment contract and the transfer of assets into the new plan in financial statements prepared using the economic resources measurement focus and accrual basis of accounting?

A—The employer should account for the amount of the installment contract as a payable to the new plan under paragraphs 140 and 141 of Statement 75, as amended. In addition, for purposes of applying the requirements in paragraphs 62–68 of Statement 75, as amended, both the amount of the installment contract payable and the amount of the assets transferred

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into the new plan should be accounted for as contributions from the employer for a separately financed specific liability of the individual employer.

- 4.189. Q—If the cost-sharing employer in Question 4.188 enters the new plan in the middle of the employer’s fiscal year (the entrance date) and the measurement date of the collective net OPEB liability is before the entrance date, what is the employer’s proportion relative to the new plan in the fiscal year that it enters the plan?

A—Paragraph 61 of Statement 75 requires that the employer’s proportion be determined at the measurement date. Therefore, the employer’s proportion would be zero in the fiscal year that it enters the plan.

- 4.190. Q—For the cost-sharing employer in Question 4.188, should payments made by the employer to the new plan relative to the installment contract payable affect the amount of OPEB expense recognized?

A—No. Payments made by the cost-sharing employer relative to the installment contract payable reduce the reported payable and do not affect the amounts reported by the employer as OPEB expense.

Proportionate share

- 4.191. Q—If an employer enters into a cost-sharing OPEB plan in the middle of the measurement period, should the employer’s proportionate share of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB in the period of its entrance be based on changes in the collective net OPEB liability over the entire measurement period, or should it prorate its proportionate shares to reflect the fact that it was a participant in the plan for less than the full measurement period?

A—The employer should report its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB based on the events of the full measurement period.

- 4.192. Q—If an employer uses different proportions to determine its share of different pieces of the collective net OPEB liability (for example, for different classes of employees), can it determine its total proportionate share of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB using a single (overall) proportion applied to the collective measures, or for each collective measure, is it required to continue to attribute the piece associated with each class of employees using the relevant proportion?

A—Either approach is permitted. Paragraph 63 of Statement 75 requires that the employer’s proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB be determined using the employer’s proportion of the collective net OPEB liability, which is a single proportion that is calculated as the employer’s proportionate share of the collective net OPEB liability divided by the collective net OPEB liability. However, paragraph 26 of Statement 75 broadly establishes the permissibility of applying the measurement requirements of the Statement to individual classes or groups if “separate actuarial valuations are performed for different classes or groups of employees because different contribution rates apply for each class or group depending on the applicable benefit structures, benefit formulas, or other factors. . . .” Regardless of the approach that is used, an employer should recognize and report only the aggregated amount of the employer’s proportionate share of each measure.

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Cost-Sharing Employers**

Change in proportion

- 4.193. Q—If a cost-sharing employer’s proportion changes from the proportion used in the prior period, how should the net effect of that change be determined?

A—The net effect of the change in proportion should be determined in accordance with paragraph 64 of Statement 75. That paragraph requires that the effect be measured as of the beginning of the period. Therefore, if the alternative measurement method is not used to measure the total OPEB liability, the net effect is the debit (deferred outflow of resources) or credit (deferred inflow of resources) that is required to reflect the employer’s new proportion in its proportionate shares of the collective net OPEB liability and collective deferred outflows of resources and deferred inflows of resources related to OPEB as of the beginning of the measurement period. (See Illustration B4-3 in nonauthoritative Appendix B of this Implementation Guide for an example of the calculation of the net effect of the change in proportion for a cost-sharing employer. See also Question 4.492 if the alternative measurement method is used.)

- 4.194. Q—Should the length of the period over which the net effect of a change in a cost-sharing employer’s proportion is recognized in the employer’s OPEB expense be the average of the expected remaining service lives of the employer’s own employees or the average of the expected remaining service lives of *all* employees that are provided with OPEB through the plan?

A—Paragraph 64 of Statement 75 requires that the cost-sharing employer recognize the net effect of a change in its proportion over a period equal to the average of the expected remaining service lives of *all* employees that are provided with OPEB through the plan. This is the same period that is used for the determination of collective OPEB expense for the effects of changes of assumptions on the collective net OPEB liability during the measurement period for which the employer is recognizing its change in proportion. (The preceding answer applies only if the alternative measurement method is not used to measure the total OPEB liability. See Question 4.492 if the alternative measurement method is used.)

Contributions during the measurement period

- 4.195. Q—How should a cost-sharing employer account for its contributions to the OPEB plan during the measurement period?

A—A cost-sharing employer should apply the requirements in paragraphs 65 and 66 of Statement 75, as amended, to account for the effects of its own contributions to the OPEB plan (including amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation). If the alternative measurement method is not used to measure the total OPEB liability, paragraph 65 of Statement 75 requires that differences between (a) the employer’s contributions other than those to separately finance specific liabilities of the individual employer to the OPEB plan and (b) its proportionate share of the total of such contributions made by all employers and nonemployer contributing entities be recognized in OPEB expense over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the plan beginning in the current measurement period. (See Illustration B4-3 in nonauthoritative Appendix B of this Implementation Guide for an example. See also Question 4.492 if the alternative measurement method is used.)

Paragraph 66 of Statement 75 requires that the employer recognize OPEB expense for the difference between its contributions made during the measurement period to separately finance specific liabilities of the individual employer and the employer’s proportionate share of those contributions. (See Questions 4.196–4.198 regarding accounting for contributions subsequent to the measurement date.)

Employer contributions subsequent to the measurement date

- 4.196. Q—What should be included in the amounts reported as deferred outflows of resources for a cost-sharing employer’s contributions made subsequent to the measurement date?

A—For purposes of paragraph 68 of Statement 75, the deferred outflow of resources reported by an employer should include contributions made by the employer (excluding amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation) during its fiscal year that will be reflected in the net OPEB liability in the next measurement period—that is, the amount of contributions through the end of the employer’s fiscal year to be recognized by the OPEB plan on the accrual basis of accounting in the next measurement period. The deferred outflow of resources would not include the employer’s payments subsequent to the measurement date to satisfy a contribution receivable recognized by the plan prior to the end of the current measurement period. (See also Question 4.269.)

- 4.197. Q—A government with a fiscal year-end of June 30, 20X7, makes a payment to a defined benefit OPEB plan on June 15, 20X7, equal to its legally required contributions for the period October 1, 20X6–September 30, 20X7. In the government’s June 30, 20X7 financial report, the government’s proportionate share of the collective net OPEB liability is measured as of September 30, 20X6. How should the payment to the OPEB plan that is made on June 15, 20X7, be reported in the government’s financial statements prepared using the economic resources measurement focus?

A—In the government’s financial statements prepared using the economic resources measurement focus, the portion of the payment to the OPEB plan that relates to the period October 1, 20X6–June 30, 20X7, is a contribution subsequent to the measurement date and before the government’s fiscal year-end and should be reported as a deferred outflow of resources related to OPEB in accordance with paragraph 68 of Statement 75.

The portion of the payment to the OPEB plan that relates to the period July 1, 20X7–September 30, 20X7, is not a contribution for the period ended June 30, 20X7, and, therefore, it should not be reported as a deferred outflow of resources resulting from contributions subsequent to the measurement date. As such, the portion of the payment to the OPEB plan that relates to the period July 1, 20X7–September 30, 20X7, should be reported as a prepaid amount as of June 30, 20X7.

- 4.198. Q—For its June 30, 20X7 fiscal year-end, a government measures its proportionate share of the collective net OPEB liability as of December 31, 20X6. At June 30, 20X7, legally required contributions for the period January 1, 20X7–June 30, 20X7, have not been made to the OPEB plan. How should those unpaid contributions be reported in the government’s financial statements prepared using the economic resources measurement focus?

A—For the unpaid contributions, the government should report a payable and a deferred outflow of resources related to OPEB resulting from contributions subsequent to the measurement date and before the government’s fiscal year-end.

Support of nonemployer contributing entities not in a special funding situation

- 4.199. Q—As a nonemployer contributing entity, a state that is not in a special funding situation makes a direct contribution to a cost-sharing OPEB plan to improve the overall funded status of the plan. In the measurement period in which the contribution is reflected in the collective

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Cost-Sharing Employers**

net OPEB liability, does each employer that provides OPEB through the plan have to recognize revenue for a portion of the state's contribution to the plan?

A—Yes. Paragraph 69 of Statement 75 requires that each employer in a cost-sharing OPEB plan recognize revenue for contributions to the OPEB plan from the nonemployer contributing entity that is not in a special funding situation. The amount of revenue recognized should include contributions from the nonemployer contributing entity to separately finance liabilities of the individual employer, as well as the employer's proportionate share of the nonemployer contributing entity's contributions to the OPEB plan for purposes other than separate financing of employers' specific liabilities to the OPEB plan.

- 4.200. Q—How should a cost-sharing employer classify revenue that is recognized in accordance with paragraph 69 of Statement 75 for the support provided by a nonemployer contributing entity that is not in a special funding situation?

A—The employer should classify this revenue in the same manner as it classifies grants from other entities.

Measurement of the collective net OPEB liability, collective OPEB expense, and collective deferred outflows of resources and deferred inflows of resources related to OPEB

Collective net OPEB liability

Measurement date

See Questions 4.175 and 4.176.

The OPEB plan's fiduciary net position

- 4.201. Q—Do the provisions for update procedures for the total OPEB liability also apply to valuation of the OPEB plan's fiduciary net position component of the collective net OPEB liability? That is, can the measure of the OPEB plan's fiduciary net position from an earlier date be rolled forward for use in the measure of the collective net OPEB liability at the current measurement date?

A—No. Paragraph 70 of Statement 75 requires that the OPEB plan's fiduciary net position component of the collective net OPEB liability be determined at the measurement date using the same valuation methods that would be applied by the OPEB plan for purposes of preparing the plan's statement of fiduciary net position. (See Question 4.207 for additional discussion related to update procedures for the total OPEB liability.)

- 4.202. Q—If a change occurs in a factor relevant to measurement of the OPEB plan's fiduciary net position between the measurement date of the collective net OPEB liability and the employer's current fiscal year-end, should the employer's proportionate share of the collective net OPEB liability be updated in the employer's current fiscal year to include the effects of the change?

A—No. The employer should report its proportionate share of the collective net OPEB liability determined as of the measurement date. The effects of a change in the OPEB plan's fiduciary net position that occurs subsequent to the measurement date of the collective net OPEB liability that is used to determine the amounts reported by the employer in the current fiscal year should be reflected in the collective net OPEB liability as of the next measurement date—that is, in the employer's next fiscal year. (See Question 4.282 about note disclosures related to changes subsequent to the measurement date.)

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- 4.203. Q—An employer provides OPEB through a cost-sharing OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of Statement 75 (Trust A). Benefits are paid through Trust A. One cost-sharing employer establishes a second trust (Trust B). Assets in Trust B can be used only to make contributions to Trust A and can be moved to Trust A only upon instruction from the employer. Assets accumulated in Trust B are irrevocable by the employer and are protected from creditors of the employer. For purposes of determining the collective net OPEB liability, does the OPEB plan's fiduciary net position include the net position of Trust A and the new position of Trust B?

A—No. In the circumstance described, benefit payments can be made to employees through Trust A but cannot be made through Trust B. As a result, the assets in Trust B do not have present service capacity as OPEB plan assets. Therefore, only the net position of Trust A is included as part of the OPEB plan's fiduciary net position. The assets in Trust B should continue to be reported as assets of the individual employer. Accordingly, amounts associated with Trust B should be reported in the employer's government-wide financial statements as governmental or business-type activities and in the employer's governmental or proprietary fund financial statements.

Total OPEB liability

Timing and frequency of actuarial valuations

- 4.204. Q—Is the actuarial valuation date required to have the same relationship to the measurement date in each reporting period (or, for employers that have biennial actuarial valuations, to the measurement date in every other reporting period)?

A—No. Unlike the measurement date of the net OPEB liability, which is required to maintain the same relationship with the employer's fiscal year-end from period to period (for example, in every year, the employer uses a measurement date of June 30 of the prior fiscal year), the date of the actuarial valuation that is used to determine the collective net OPEB liability at the measurement date can vary from period to period (or every 2 periods if biennial valuations are used) provided that it is within 30 months and 1 day of the employer's fiscal year-end.

- 4.205. Q—Actuarial valuations to determine the total OPEB liability for OPEB provided through a cost-sharing plan are performed as of June 30 each year, which also is the fiscal year-end of the OPEB plan. Because the results of the actuarial valuation are not available until several months after the actuarial valuation date, the OPEB plan, in its financial report, discloses information about the total OPEB liability based on an update of the results of the actuarial valuation as of the end of its prior fiscal year. An employer that provides benefits through the plan has a June 30 fiscal year-end and elects to use a measurement date one year prior to its fiscal year-end—that is, in its financial statements as of June 30, 20X7, it reports its proportionate share of the collective net OPEB liability with a measurement date of June 30, 20X6. At June 30, 20X7, as the basis for the total OPEB liability component of the collective net OPEB liability, should the employer use the results of the update of the June 30, 20X5 actuarial valuation that was used to report information about the total OPEB liability in the OPEB plan's financial report as of June 30, 20X6, or should the employer use the results of the actuarial valuation as of June 30, 20X6?

A—Paragraph 72 of Statement 75 requires that the OPEB plan and employer use the same assumptions when measuring similar or related OPEB information. Therefore, if any assumption used in the actuarial valuation as of June 30, 20X6, was different from an assumption used in the update of the June 30, 20X5 actuarial valuation used by the OPEB plan to report the collective net OPEB liability as of June 30, 20X6, the employer is required to use the results of the same update of the June 30, 20X5 actuarial valuation.

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- 4.206. Q—What is the earliest date of an actuarial valuation that can be used as the basis for determining the total OPEB liability component of the collective net OPEB liability, a proportion of which is reported by a cost-sharing employer at its June 30, 20X7 fiscal year-end?

A—Paragraph 71 of Statement 75 permits use of an actuarial valuation as of a date 30 months and 1 day earlier than the employer’s most recent fiscal year-end as the basis for the total OPEB liability that is used to determine a cost-sharing employer’s proportionate share of the collective net OPEB liability. Therefore, in its June 30, 20X7 financial statements, the employer can use the results of an actuarial valuation as of December 31, 20X4, or later.

- 4.207. Q—The measurement date of the collective net OPEB liability for benefits provided through a cost-sharing plan is June 30. Actuarial valuations of the total OPEB liability component of the collective net OPEB liability are obtained annually as of December 31, and the results from the mid-year actuarial valuation are updated to June 30. Are there specific procedures that are required for an update for financial reporting purposes?

A—No. Statement 75 does not establish specific procedures for this purpose. Therefore, professional judgment should be applied to determine the extent of procedures necessary to faithfully represent the total OPEB liability as of the measurement date. In all circumstances, the total OPEB liability should include all significant effects of transactions and other events between the actuarial valuation date and the measurement date. In some circumstances, for example, if there are few differences between expected and actual experience, no changes in benefit terms, and no circumstances suggesting that a significant change of assumption is needed, it might be reasonable to roll forward the results of the mid-year actuarial valuation to the measurement date with few adjustments. However, in other circumstances, more significant adjustments might be necessary to update the results of the mid-year actuarial valuation to the measurement date. (See Question 4.208 for examples of events that might have a significant effect on the total OPEB liability.) The Statement also requires that in evaluating the extent of procedures necessary to update the measure to the measurement date, among the factors that should be considered is whether a new actuarial valuation is needed for this purpose. (See Question 4.280 regarding note disclosures when update procedures are used.)

- 4.208. Q—What are some examples of transactions or other events that can occur between the actuarial valuation date and the measurement date that might have a significant effect on the total OPEB liability?

A—A change in the total OPEB liability can arise from a single factor or a combination of factors. Some examples of circumstances that might have a significant effect on the total OPEB liability for benefits provided through an OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of Statement 75 include a change of benefit terms, a change in the size or composition of the covered group, a change in the municipal bond yield or index rate component of the discount rate, and a change in the OPEB plan’s fiduciary net position such that the discount rate used in the calculation of the total OPEB liability is impacted.

- 4.209. Q—If a change occurs in a factor relevant to measurement of the total OPEB liability between the measurement date of the collective net OPEB liability and the employer’s current fiscal year-end, should the employer update the amount reported as its proportionate share of the collective net OPEB liability in the employer’s current fiscal year to include the effects of the change?

A—No. The employer should report its proportionate share of the collective net OPEB liability determined as of the measurement date. The effects on the total OPEB liability of a change that occurs subsequent to the measurement date of the collective net OPEB liability that is

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used in the employer's liability measure reported in the current fiscal year should be reflected in the collective net OPEB liability as of the next measurement date—that is, in the employer's next fiscal year. (See Question 4.282 regarding note disclosures related to changes subsequent to the measurement date.)

- 4.210. Q—If actuarial valuations are performed biennially, does Statement 75 require an update to the total OPEB liability in the intervening year for cost-sharing employer financial reporting purposes?

A—Yes. The total OPEB liability should be a new measure each year, based either on a new actuarial valuation as of the measurement date or on an actuarial valuation performed as of a date no earlier than 30 months and 1 day prior to the end of the employer's fiscal year that is updated to the measurement date. If update procedures are used and significant changes occur in, for example, benefits, the covered population, or other factors affecting the valuation results between the actuarial valuation date and the measurement date of the collective net OPEB liability, professional judgment should be used to determine the extent of the procedures needed to roll forward the measurement of the total OPEB liability, and consideration should be given to whether a new actuarial valuation is needed. (See also Question 4.207.)

Projection of benefit payments

The substantive plan and historical pattern of sharing of benefit-related costs between the employer and inactive employees

- 4.211. Q—What is meant by the term *substantive plan* in paragraph 73 of Statement 75?

A—The term *substantive plan* is used to describe the terms of the OPEB plan as they are understood by the employer and employees. As noted in paragraph 73 of Statement 75, the substantive plan may differ from the benefit terms that are described in a written document. (See Question 4.212.)

- 4.212. Q—How does the substantive plan for financial reporting purposes relate to the written plan?

A—If a comprehensive plan document exists, that document may provide the best evidence of what the substantive plan is. However, in some cases, there may not be a comprehensive plan document that fully and accurately reflects the understanding of benefit terms by the parties. For example, a plan document may state generally that the employer will provide postemployment healthcare benefits but not specify the types or levels of benefits, the eligibility requirements, or the periods over which the benefits will be provided—or the employer may have a long-established practice of providing benefits in addition to what is stated in an original plan document. Accordingly, other information should be considered when determining the basis for the projection of benefit payments for financial reporting purposes. This includes other communications between the employer and the employees and the historical pattern of practice with regard to the sharing of benefit-related costs with inactive employees.

- 4.213. Q—Should OPEB be excluded from the determination of the actuarial present value of total projected benefit payments for purposes of applying Statement 75 for any of the following reasons: (a) the benefits are not vested, (b) the plan documents include a provision that specifies that the employer can unilaterally decide to amend or discontinue the benefits, (c) the benefits or employer contributions for benefits are collectively bargained, or (d) the

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benefits are substantially financed as they come due (sometimes referred to as “pay-as-you-go” financing)?

A—No. The projection of benefit payments should include all benefits provided for under the substantive plan, including changes that already have been announced to the employees at the measurement date, regardless of whether those changes will not begin to affect benefit payments until a future period. The projection should include both vested and nonvested employees that are provided with benefits through the plan, considering relevant demographic assumptions with regard to all such employees, and the requirements of Statement 75 related to the projection of benefit payments apply without regard for the timing or method of an employer’s financing of the benefits.

- 4.214. Q—Should the projection of benefit payments include the portion of the total benefit-related costs that is expected to be paid by inactive employees as a condition of receiving OPEB—for example, the benefit terms require that inactive employees pay a portion of the insurance premiums associated with their postemployment healthcare benefit and the inactive employees are not reimbursed by the plan for those amounts?

A—Generally, no. The projection of benefit payments should exclude amounts that are expected to be paid by inactive employees through the sharing of benefit-related costs to the extent that those amounts are consistent with an established pattern of practice or other provisions of the substantive plan for OPEB. (See also Question 4.226.)

- 4.215. Q—In determining the actuarial present value of total projected benefit payments, may the projection include the effects of contemplated future changes in the types or level of postemployment benefits (for example, dental benefits or prescription drug coverage) that the employer will provide?

A—No. The projection of benefit payments should include all types and levels of postemployment benefits provided under the substantive plan. The substantive plan includes the benefits as they are understood by the employer and employees. (See Question 4.211.) Therefore, the projection of benefits would include the effects of any changes that already have been announced to employees at the measurement date, regardless of whether those changes will not begin to affect benefit payments until a future period. Changes of benefit terms that are contemplated for the future should not be incorporated into the projection of benefit payments until those changes are part of the substantive plan.

- 4.216. Q—If postemployment healthcare benefits are limited by the amount of funding approved by the legislature on an annual basis, how would this affect the projection of benefit payments for purposes of applying Statement 75?

A—The necessity of annual authorization of funding as part of the legislative budget process should not limit the projection of benefit payments, as such. However, the funding decisions made by the legislature or other governing body over time do enter into the projection of benefit payments to the extent that those decisions play a role in establishing and continually modifying the pattern of sharing of benefit-related costs between the employer and inactive employees.

- 4.217. Q—A state statute provides that the administrator of the state’s retiree healthcare plan is required to make changes to the plan to maintain a specified minimum funded level. From time to time, in compliance with that statute, the OPEB plan administrator adopts changes to the OPEB plan’s benefit terms. At what point in time should anticipated changes to the OPEB

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plan's benefit terms be included in the projection of benefit payments for purposes of Statement 75?

A—Paragraph 73 of Statement 75 requires that projected benefit payments include all benefits in accordance with the benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. In addition, that paragraph requires that the projection include consideration of the established pattern of the sharing of benefit-related costs between the employer and inactive employees. To the extent that the effects of the anticipated benefit changes are determined to be part of an established pattern of the sharing of benefit-related costs with inactive employees, those effects should be considered in the projection of benefit payments beginning in the period in which that determination is made. Any portion of the expected effects of the anticipated benefit changes that is not determined to be part of the pattern of sharing of benefit-related costs with inactive employees is not part of the substantive plan until the benefit change has been adopted. Therefore, although the state statute requires a change in benefit terms in the future if certain conditions arise, those effects of anticipated changes should not be incorporated into the projection of benefit payments for purposes of Statement 75 until the OPEB plan's fiscal year-end in which the benefit change has been adopted, that is, the benefit change is part of the substantive plan.

- 4.218. Q—A local school district provides defined benefit postemployment healthcare. In 3 of the past 10 years, the district has offered voluntary early termination incentives that included additional postemployment healthcare benefits to employees that accepted the district's offer to take early retirement by the end of the school year. The incentive has been provided in the form of a reduction in inactive employees' share of insurance premiums. Because the termination benefits affect the district's existing net OPEB liability, the district includes the termination benefits in the measurement of its OPEB liability in accordance with the requirements of Statement 47, as amended, and Statement 75. Should such ad hoc increases in the district's net OPEB liability as a result of voluntary termination incentive programs be viewed as part of a "pattern of practice with regard to the sharing of benefit-related costs with inactive employees" as referred to in paragraph 73 of Statement 75?

A—No. Paragraph 73 of Statement 75 refers to a pattern of sharing of benefit-related costs with inactive employees related to the underlying objective of OPEB—providing compensation for services. In the circumstances cited in this question, the employer's history of providing additional benefits from time to time reflects a different objective—providing an incentive for early termination of services. Therefore, such actions should not be viewed as part of the pattern of sharing of benefit-related costs for purposes of financial reporting of OPEB.

Postemployment benefit changes

- 4.219. Q—A defined benefit OPEB plan's enabling statute provides for a postemployment benefit increase if the investment earnings rate for the plan's fiscal year exceeds the actuarially assumed rate. Should this postemployment benefit increase be treated as automatic?

A—Yes. Paragraph 74 of Statement 75 requires that the effects of any postemployment benefit changes that are embedded in the benefit terms and for which there is no discretion as to timing or amount be included in the projection of future benefit payments. In this example, although a certain economic condition is required to be met for the postemployment benefit increase to be effective, if that condition is met, there is no discretion regarding whether the increase will be granted.

- 4.220. Q—In the circumstance described in Question 4.219, can the long-term expected rate of return that is used to establish the discount rate be reduced by a factor that is anticipated to represent the assets that are expected to be used to pay the automatic postemployment

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benefit change instead of incorporating the anticipated effects of the postemployment benefit change into the projection of benefit payments?

A—No. Paragraph 74 of Statement 75 requires that the effects of automatic postemployment benefit changes be included in the projection of benefit payments. The long-term expected rate of return that is used as the basis for the discount rate should not be adjusted to approximate the effects of the postemployment benefit change on the measurement of the total OPEB liability.

- 4.221. Q—A defined benefit OPEB plan's enabling statute provides that the board of trustees can annually authorize a postemployment benefit increase not to exceed a specified percentage increase or the change in a specified price index, whichever is lower. The maximum allowable increase has always been authorized. Should the effects of this provision be included in the projection of future benefit payments?

A—This postemployment benefit change is not automatic because approval of the board of trustees is required to authorize the benefit increase. Therefore, the effects of the postemployment benefit change provision should be included in the projection of future benefit payments only if the provision is evaluated to be *substantively automatic*. Footnote 15 of Statement 75 identifies some of the factors that might be relevant in making this determination—the historical pattern of granting the changes, the consistency in the amounts of the changes or in the amounts of the changes relative to a defined cost-of-living or inflation index, and whether there is evidence to conclude that changes might not continue to be granted in the future despite what might otherwise be a pattern that would indicate such changes are substantively automatic.

- 4.222. Q—When should the effects of an ad hoc postemployment benefit change that is determined not to be substantively automatic be included in the projection of future benefit payments?

A—If an ad hoc postemployment benefit change is determined not to be substantively automatic, the effects of the postemployment benefit change should be included in the measurement of the total OPEB liability as of the first measurement date at which the ad hoc postemployment benefit change has been granted and the amount is known or reasonably estimable.

- 4.223. Q—A collective-bargaining agreement that includes a provision for a postemployment benefit change has been made prior to the measurement date of the collective net OPEB liability. However, the change does not go into effect until after the current measurement date. Should the change in projected benefit payments as a result of this agreement be included in the measurement of the total OPEB liability?

A—Yes. The actuarial present value of projected benefit payments should include benefits to be provided pursuant to a contractual agreement, including a collective-bargaining agreement, that is in effect at the measurement date. In other words, the issue is whether the *agreement* is in effect at that date, not whether the benefits included in the agreement will begin to accrue or begin to be paid by that date.

- 4.224. Q—A collective-bargaining agreement that includes a provision for a postemployment benefit change has been made *after* the employer's June 30, 20X7 measurement date. Should the change in projected benefits as a result of this agreement be included in the measurement of the total OPEB liability at June 30, 20X7?

A—No. Paragraph 73 of Statement 75 requires that projected benefit payments 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

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benefits that are in force at the measurement date.” Because the *agreement* was not in effect at June 30, 20X7, the effect of the change of benefit terms should not be included in the total OPEB liability measured as of that date. (See also Question 4.282 regarding note disclosures about changes subsequent to the measurement date.)

Administrative costs

- 4.225. Q—Paragraph 74 of Statement 75 specifies that “administrative costs associated with providing OPEB should be excluded from projected benefit payments” for purposes of determining the total OPEB liability. With regard to postemployment healthcare benefits, should amounts that are directly related to the payment of medical claims, such as third-party claims-administration fees, be classified as administrative costs?

A—No. Amounts that are directly related to the payment of medical claims should be classified as benefit payments. Certain other items should be classified as administrative costs and, therefore, excluded from the projection of benefit payments in accordance with paragraph 74 of Statement 75. Such items are costs that are related to the OPEB plan’s administrative operations and that are not reported by the OPEB plan as investment expense—for example, certain salaries and payroll taxes, trust custodial fees, and attorney and consultant fees. (See also Question 4.239 for a discussion of OPEB plan administrative expense in the projection of the OPEB plan’s fiduciary net position for purposes of determining the discount rate.)

Projecting postemployment healthcare benefits based on claims costs or age-adjusted premiums approximating claims costs

- 4.226. Q—An employer provides healthcare benefits to (a) active employees and (b) retirees (who are classified as inactive employees for purposes of Statement 75). The amounts to be paid by the employer, active employees, and inactive employees receiving benefits are stated in terms of the blended premium rates for all covered individuals. For purposes of calculating the total OPEB liability, should the projection of benefit payments be based on the difference, if any, between the blended premium rates for a period and the amounts required to be paid by the inactive employees for the period?

A—Generally, no. Except in the limited circumstances addressed in ASOP 6, the total OPEB liability should be measured based on the difference between (a) the claims costs, or age-adjusted premiums approximating claims costs, for the inactive employees in the group for the period and (b) the amounts required to be paid by the inactive employees for that period. (Examples of this approach are presented in Illustration B1 in nonauthoritative Appendix B of this Implementation Guide.)

- 4.227. Q—With regard to the scenario in Question 4.226, if the employer’s stated payment for the active-employee healthcare benefits is capped and the employees are required to pay the difference, if any, between the blended premium and the amount of the employer’s stated payment, would the active employees be subsidizing the inactive-employee benefits?

A—Only if the amounts expected to be paid by active employees exceed the expected claims costs, or age-adjusted premiums approximating claims costs, on an ongoing basis can it be concluded that the active employees are subsidizing the inactive-employee healthcare benefit. Otherwise, the amount of the benefit payments that is used as the basis for the projection of the total OPEB liability is determined in the manner discussed in Question 4.226. That is, generally, the first step is to determine the claims costs, or age-adjusted premiums approximating claims costs, for inactive employees for the period. The second step is to subtract the amounts paid by the inactive employees for the period from their claims costs, or age-adjusted premiums approximating claims costs. (Examples of this approach are presented in Illustration B1 in nonauthoritative Appendix B of this Implementation Guide.)

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- 4.228. Q—For purposes of Statement 75, is there an effect on the projection of benefit payments if the benefit payments are implicit (sometimes referred to as an “implicit rate subsidy”) rather than explicit?

A—Generally, no. Except in the limited circumstances addressed in ASOP 6, the difference between claims costs, or age-adjusted premiums approximating claims costs, for inactive employees and the amounts paid by those individuals should be the basis for the projection of benefit payments for OPEB. This is the case regardless of the manner in which the benefit is described or incurred.

Benefit caps

- 4.229. Q—What is the difference between a cap on benefit payments and a cap on employer contributions in an OPEB plan for which an employer makes contributions to a trust that meets the criteria in paragraph 4 of Statement 75?

A—A cap on benefit payments explicitly imposes an upper limit on the amount of per capita benefit payments in each period. For example, the contractual agreement between an employer and the employees’ union for retiree healthcare stipulates that the employer’s per capita benefit payments should not exceed \$4,000 per year per retiree. Such a benefit cap is part of the definition of the benefits to be provided to current active and inactive employees through the OPEB plan in accordance with the substantive plan and, thus, potentially should be considered in the computation of the actuarial present value of total projected benefit payments. (See also Questions 4.230 and 4.231.)

To illustrate the effect of including a benefit cap in the projection of benefit payments for purposes of Statement 75, assume that the employer in the example currently provides benefits equal to an average of \$3,000 per retiree per year and that its historical pattern of sharing the benefit-related costs with retirees has been to adjust the benefit terms to pay for 80 percent of the anticipated total per capita benefit payments for retirees for the year. In the absence of a benefit cap, that pattern of sharing of benefit-related costs would be assumed to continue as total per capita benefit payments for retirees are assumed to continue to increase. However, inclusion of the benefit cap described in the example would result in capping the benefit payments at \$4,000 per retiree per year in any year in which a higher amount otherwise would have been projected.

In contrast, a cap on the employer’s contributions imposes an upper limit on the amount that the employer will pay into the defined benefit OPEB plan in advance of the period in which benefit payments come due. For example, a state statute might limit an employer’s rate of contributions to a defined benefit retiree healthcare plan to not more than 6 percent of the payroll of active employees. Unlike a cap on benefit payments, such a cap on contributions is not part of the definition of benefits to be provided to retirees in accordance with the substantive plan. Accordingly, such a cap on employer contributions should not be considered in the projection of benefit payments until the cap results in a change in the substantive plan—for example, by modifying the pattern of sharing of benefit-related costs with inactive employees that should be considered part of the substantive plan in subsequent valuations.

- 4.230. Q—Under what conditions should a legal or contractual cap on benefit payments to be provided in the current year be taken into consideration in projecting the benefit payments to be provided in future periods?

A—A legal or contractual cap on benefit payments that is established to limit an employer’s obligation for OPEB should be factored into the projection of benefit payments if both of the following conditions apply:

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- a. The cap sets an upper limit on the benefit payments to be provided to inactive employees each period, as distinguished from a cap on the employer's contributions to a defined benefit OPEB plan. (See also Question 4.229.)
- b. The cap is assumed to be effective, taking into consideration all relevant facts and circumstances, including the employer's record of enforcing the cap in the past. (For example, has the employer ever previously increased the benefit cap when the original capped amount was reached?)

4.231. Q—If a legal or contractual cap on benefit payments meets the two conditions identified in the answer in Question 4.230, what is the assumed effect on benefits that are projected to be paid at or after the point that the benefit payments reach an effective benefit cap?

A—If a legal or contractual cap on benefit payments meets the two conditions identified in the answer in Question 4.230, the benefit payments for OPEB each period should be projected to increase based on continuation of the historical pattern of sharing of benefit-related costs between the employer and the inactive employees up to the point at which the benefit payments reach the capped amount. From that point forward, the benefit should be projected to not exceed the capped amount.

Discount rate

4.232. Q—Should the discount rate calculated in accordance with the requirements of Statement 75 for benefits provided through an OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of Statement 75 be the same discount rate that is used for purposes of determining a funding policy?

A—The requirements of Statement 75, including the requirement that the discount rate used for purposes of determining the total OPEB liability for OPEB plan financial reporting and employer financial reporting be developed using the same assumptions, establish standards within the context of accounting and financial reporting, not within the context of funding OPEB. Therefore, if the discount rate that is used to determine the funding policy is determined in a manner that differs from the requirements of Statement 75 and the rates are different, the rate that is used to determine a funding policy should not be used for financial reporting purposes.

4.233. Q—If the actuarial valuation date is earlier than a cost-sharing employer's measurement date and the long-term expected rate of return assumption remains the same at the measurement date as it was at the actuarial valuation date, does the discount rate have to be evaluated for significant changes between the actuarial valuation date and the measurement date?

A—Yes. A change in the discount rate can occur due to factors other than a change in the long-term expected rate of return. For example, a change in the municipal bond yield or index rate (if used in the determination of the discount rate) or a change in the projected fiduciary net position of the OPEB plan that affects the relative weighting of the long-term expected rate of return and the municipal bond yield or index rate can affect the discount rate. Therefore, these and other factors, if applicable, should be considered when evaluating whether changes have occurred that should be reflected in the total OPEB liability at the measurement date, either through update procedures or through a new actuarial valuation. (See Question 4.207 for a discussion of update procedures.)

4.234. Q—In a cost-sharing OPEB plan in which (a) multiple contribution rates are determined for each employer because different rates are determined for separate classes of employees, (b) each rate is the result of a separate actuarial valuation, and (c) there is separate tracking of the assets held for each employee class, should a separate discount rate be calculated

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for each employee class or should one discount rate be calculated for the benefit arrangement as a whole?

A—Only one discount rate is required. However, paragraph 26 of Statement 75 permits separate application of the measurement requirements of the Statement to different classes of employees, provided that the results of the measurements for each class are aggregated for reporting purposes.

Comparing projections of the OPEB plan's fiduciary net position to projected benefit payments

- 4.235. Q—Employers in a cost-sharing plan are contractually required to make contributions to the OPEB plan at an actuarially determined rate. The employers have consistently made their required contributions for the past 10 years, and there are no known events or conditions that indicate that the employers will not continue to make their required contributions in the future. In this circumstance, for purposes of determining the discount rate, how would the amount of projected employer contributions that should be included in the projection of the OPEB plan's fiduciary net position be determined?

A—In this circumstance, the required contribution rate of the employers would be used as the basis for the projection of future employer contributions. Future employer contributions based on the actuarially based funding method should be evaluated to determine the extent to which they are associated with the service costs of future employees. The portion of future contributions that is associated with the service costs of future employees would be excluded from the projection of the OPEB plan's fiduciary net position, which would be compared to projected future benefit payments for current active and inactive employees to determine whether and, if so, to what extent the municipal bond yield or index rate should be reflected in the discount rate.

- 4.236. Q—If the benefit payments in a period are projected to be partially covered by the OPEB plan's projected fiduciary net position, should the covered portion be discounted using the long-term expected rate of return on OPEB plan investments, with only the remainder discounted at the required municipal bond yield or index rate?

A—Paragraphs 80 and 83 of Statement 75 require that projected benefit payments for a period be compared to the OPEB plan's projected fiduciary net position in the period for purposes of determining whether the long-term expected rate of return or the municipal bond yield or index rate should be used to discount the benefit payments of the period when determining the discount rate. The Statement does not require that a specific approach be used to assign the total of the projected benefit payments in each period to the projected "funded" and "unfunded" categories. Therefore, the total of the benefit payments that are projected to occur in a period during which the OPEB plan's fiduciary net position is projected to not be sufficient to make those benefit payments may be divided into projected funded and unfunded portions or the entire total may be classified as unfunded.

- 4.237. Q—Paragraph 82 of Statement 75 indicates that if the results are sufficiently reliable, any approach to evaluating the sufficiency of the OPEB plan's projected fiduciary net position to make projected benefit payments can be used in place of the projections of cash flows that are described in paragraphs 80 and 81 of the Statement. Is a specific method contemplated?

A—No. The determination of whether the results of an alternative approach to making the evaluation required in paragraph 80 of Statement 75 are sufficiently reliable for this purpose is subject to professional judgment.

- 4.238. Q—Does the requirement in paragraph 80 of Statement 75 to exclude the portion of projected contributions intended to finance benefits of future employees from projected contributions for purposes of determining the discount rate apply to situations in which benefits are

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substantially financed as they come due (sometimes referred to as “pay-as-you-go” financing)?

A—Yes, unless the plan is closed to new entrants, a portion of projected contributions should be allocated to future employees, regardless of the manner in which the benefits are financed. (For an example, see Illustration B2 in nonauthoritative Appendix B of this Implementation Guide.)

- 4.239. Q—For purposes of projecting the OPEB plan’s fiduciary net position to determine the discount rate, should OPEB plan administrative expense be included as a reduction of the OPEB plan’s fiduciary net position?

A—Yes. For purposes of determining the discount rate, the projection of the OPEB plan’s fiduciary net position should include all projected additions to and deductions from the OPEB plan’s fiduciary net position, including deductions for administrative expense. (For an example, see Illustration B2 in nonauthoritative Appendix B of this Implementation Guide. For a discussion of the classification of certain items as benefit payments or as administrative costs, see Question 4.225.)

Calculating the discount rate

- 4.240. Q—As of what date should the long-term expected rate of return and the municipal bond yield or index rate that are used to establish the discount rate be determined—the valuation date or the measurement date?

A—The long-term expected rate of return on OPEB plan investments is an assumption, and assumptions generally are not required to be updated between actuarial valuation dates unless there is an indication that the assumption is no longer valid. Therefore, the expectation developed as of the actuarial valuation date can be used at the measurement date unless it is determined to no longer be appropriate. In contrast, the municipal bond yield or index rate is not an assumption and should be determined as of the measurement date. If the actuarial valuation to determine the total OPEB liability is performed earlier than the measurement date, consideration should be given to changes in the municipal bond yield or index rate, along with other factors that potentially affect the discount rate, such as the OPEB plan’s fiduciary net position, to evaluate whether those factors would result in changes that should be reflected in the total OPEB liability at the measurement date, either through update procedures or through a new actuarial valuation. (See Question 4.207 for a discussion of update procedures.)

Attribution of the actuarial present value of projected benefit payments to periods

- 4.241. Q—In what way are multiple exit ages considered in the attribution of the actuarial present value of projected benefit payments to periods for financial reporting purposes?

A—Generally, unless the alternative measurement method is used to measure the total OPEB liability, the end point of the attribution period would not be a single age or single date. Rather, assumptions are made as to when employees will exit from active service. Examples of events that might result in an employee’s exit from active service are the termination of employment, incurrence of a disability, retirement, and death. Assumptions about events that result in exit from active employment are expressed as the probability of the occurrence of the triggering event based on, for example, the employee’s age or number of years of service. Those probabilities are applied to all projected ages/years of service of an employee, resulting in multiple exit ages for each employee.

**Defined Benefit—Meets Paragraph 4 of Statement 75
Cost-Sharing Employers**

4.242. Q—If an employee that is provided with OPEB through a cost-sharing OPEB plan is inactive but is expected to return to work for an employer that provides benefits through the plan, should the attribution period for the employee extend over expected future years of service?

A—Yes, generally an inactive employee that is expected to return to service for an employer that provides benefits through the cost-sharing plan would be assumed to have exit ages that extend through future periods. Therefore, to meet the requirement in paragraph 85d of Statement 75, the attribution period generally should extend through all of the employee's assumed ages of exit from active service. (See also Question 4.244.)

4.243. Q—Benefit terms provide that an employee is eligible for OPEB only after completing 10 years of active service and that after meeting the service requirement, the employee is fully eligible for benefits. Should a portion of the actuarial present value of projected benefit payments be attributed to only the first 10 years of an employee's expected service life, or should the attribution period include all periods within an employee's projected service life?

A—The exchange of benefits for services generally is viewed as related to an employee's entire career. Therefore, the attribution period should include all periods of an employee's projected service for an employer that provides benefits through the OPEB plan, regardless of whether additional benefits are expected to be earned after eligibility requirements are fulfilled.

4.244. Q—If the OPEB plan terms specify that an employee and the employee's beneficiaries, spouse, and other dependents become ineligible for all benefits upon the employee attaining a specified age but there is an expectation that the employee will continue to be employed past that age, should the attribution period include employment periods in which the employee and the employee's beneficiaries, spouse, and other dependents will no longer be eligible for benefits?

A—No. For purposes of Statement 75, the employee's active service under the plan terms does not extend past the point at which the employee and the employee's beneficiaries, spouse, and other dependents become ineligible to receive benefits (including refunds of employee contributions). That is, at that point, the employee ceases to be a plan member. Therefore, the attribution period should not include employment periods after the employee and the employee's beneficiaries, spouse, and other dependents become ineligible for all benefits. Consequently, for purposes of paragraph 85d of Statement 75, the date at which the employee and the employee's beneficiaries, spouse, and other dependents become ineligible to receive all benefits under the plan terms should be the employee's last assumed date of exit from active service. For example, in an OPEB plan that provides only healthcare, if the plan terms provide that an employee and the employee's beneficiaries, spouse, and other dependents are eligible to receive postemployment healthcare benefits only until the employee is age 65 and there is no expected refund of employee contributions, the end of the attribution period is the date at which the employee will attain age 65, regardless of whether the employee is expected to remain employed past that date.

4.245. Q—If there is a DROP for pensions but no such program for OPEB, should the attribution period for determining the total OPEB liability end at the assumed date of entrance into the pension DROP?

A—No. An employee's date of exit from active service for purposes of attributing the present value of projected benefit payments for OPEB should be determined based on the expectation of the employee's active service for purposes of the OPEB plan. Therefore, an employee that is expected to participate in the pension DROP could be assumed to be "retired" for purposes of the pension attribution but active for purposes of the OPEB attribution.

Collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB

See also Question 4.492 for a discussion of the requirements in paragraph 86 of Statement 75 in circumstances in which the alternative measurement method is used to measure the total OPEB liability.

- 4.246. Q—For purposes of measuring collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB, over what period should changes in the collective net OPEB liability be determined?

A—The changes in the collective net OPEB liability to be included in collective OPEB expense in accordance with paragraph 86 of Statement 75 are those occurring since the last measurement date—that is, the measurement period. Changes in the collective net OPEB liability that occur after the measurement date are not incorporated into collective OPEB expense or collective deferred outflows of resources or deferred inflows of resources related to OPEB until the next measurement period. (See also Question 4.282 regarding note disclosures about changes subsequent to the measurement date.)

- 4.247. Q—Should the balances of collective deferred outflows of resources and collective deferred inflows of resources related to OPEB be adjusted for interest?

A—No. All changes, including interest on the total OPEB liability and changes in the OPEB plan’s fiduciary net position, are included in the collective net OPEB liability. Therefore, interest should not separately be calculated on the balances of collective deferred outflows of resources and deferred inflows of resources related to OPEB.

- 4.248. Q—For purposes of determining collective deferred outflows of resources and deferred inflows of resources related to OPEB, should balances of collective deferred outflows of resources and deferred inflows of resources arising from a single source—that is, from differences between expected and actual experience with regard to economic or demographic factors, changes of assumptions, or differences between projected and actual earnings on OPEB plan investments—in different periods be treated as separate amounts or net of each other?

A—Consistent with the requirements in paragraph 86a of Statement 75, collective balances of deferred outflows of resources and deferred inflows of resources arising from differences between expected and actual experience in different periods should not be treated net. Similarly, collective balances of deferred outflows of resources and deferred inflows of resources arising from changes of assumptions in different periods should not be treated net. In contrast, paragraph 86b of Statement 75 requires that deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual earnings on OPEB plan investments in different periods be netted and treated as collective deferred outflows of resources related to OPEB if the net balance is a debit and treated as collective deferred inflows of resources related to OPEB if the net balance is a credit.

- 4.249. Q—For purposes of determining collective OPEB expense, should the balances of amounts resulting from changes in the collective net OPEB liability from a single source—for example, differences between expected and actual experience with regard to economic or demographic factors—in different years be aggregated?

A—No. In order to determine collective OPEB expense, records of the closed-period “layers” arising in each year, as well as the period over which each of the layers is required to be included in collective OPEB expense, are needed.

**Defined Benefit—Meets Paragraph 4 of Statement 75
Cost-Sharing Employers**

- 4.250. Q—For the measurement period ended June 30, 20X7, can the portion of the change in the collective net OPEB liability attributable to service cost be calculated based on the results of the actuarial valuation used to determine the prior year’s collective net OPEB liability with a measurement date of June 30, 20X6?

A—Yes. Use of a service cost measure based on the results of the actuarial valuation that determined the beginning collective net OPEB liability for the reporting period is consistent with the requirement to calculate interest on the total OPEB liability over the period. Interest on service cost should be included in interest on the total OPEB liability. (See Question 4.251.)

- 4.251. Q—If the approach described in Question 4.250 is used to determine the service cost for the measurement period ended June 30, 20X7, should the amounts identified as interest on the total OPEB liability be calculated on the beginning total OPEB liability, adjusted for service cost and *actual* benefit payments (including refunds of employee contributions), or should *projected* benefit payments from the actuarial valuation that is used to determine the service cost be used for purposes of the adjustment?

A—Interest on the total OPEB liability should be determined based on the beginning total OPEB liability, adjusted for service cost and *actual* benefit payments (that is, the amount that is required by Statement 74 to be reported as benefit payments in the OPEB plan’s statement of changes in fiduciary net position). Because the actual amounts of benefit payments and contributions are components of the total change in the plan’s fiduciary net position, it would be consistent to use actual amounts to determine other components of the change in the collective net OPEB liability, including the changes in the total OPEB liability resulting from benefit payments and interest on the total OPEB liability.

- 4.252. Q—How should the effects of an ad hoc postemployment benefit change for inactive employees be classified for purposes of determining collective OPEB expense if the effects of the change were not included in the present value of projected benefit payments as of the prior measurement date because the postemployment benefit change was not determined to be substantively automatic?

A—The effects of such an ad hoc postemployment benefit change should be included in collective OPEB expense in the measurement period in which the change is included in the collective net OPEB liability, as required by paragraph 86 of Statement 75.

- 4.253. Q—The effects of a postemployment benefit increase that was determined to be substantively automatic were included in the present value of projected benefit payments in the total OPEB liability as of the prior measurement date. The postemployment benefit increase was not provided in the current measurement period. At the current measurement date, the postemployment benefit increase still is determined to be substantively automatic. In this circumstance, how should the effects on the total OPEB liability that result from not providing the postemployment benefit increase be classified for purposes of determining collective OPEB expense?

A—The effects on the total OPEB liability that result from not providing the postemployment benefit increase should be accounted for as a difference between expected and actual experience.

- 4.254. Q—Would the answer to Question 4.253 be different if, at the current measurement date, the postemployment benefit increase is no longer considered to be substantively automatic?

A—No. The effects on the total OPEB liability that result from the postemployment benefit increase not being provided in the current measurement period should be classified as a

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difference between expected and actual experience, even if the postemployment benefit increase is determined to no longer be substantively automatic at the current measurement date.

The reclassification of the postemployment benefit increase during the measurement period as ad hoc rather than as substantively automatic is a separate event, and the effects of that reclassification on the total OPEB liability should be accounted for as a change of benefit terms, which is required by paragraph 86 of Statement 75 to be included in collective OPEB expense in the measurement period in which the change is included in the collective net OPEB liability.

- 4.255. Q—If the terms of a defined benefit OPEB plan are amended and a change of assumption is made as a direct result of the amendment, should the effect of the change of assumption on the total OPEB liability be included with the effect of the change of benefit terms for purposes of determining collective OPEB expense?

A—Yes. Although, generally, the effect of a change of assumption on the total OPEB liability should be separated from the effect of a change of benefit terms, in circumstances in which the change of assumption is adopted as a direct result of the change of benefit terms, the effect of the change of assumption should be classified as a component of the change of benefit terms. For example, if the minimum eligibility age in a plan is modified, changes of assumptions about the rates at which active employees will become eligible to receive benefits that are made to adjust for the change of benefit terms would be directly related to the benefit change. Although mathematically separable, if the change of assumptions would not have occurred in the absence of the change of benefit terms, the change of assumptions is, in substance, a component of the change of benefit terms, and the effects of the change should be included in collective OPEB expense as a change of benefit terms. In contrast, if at the same actuarial valuation date, a change is made to mortality assumptions based on the results of a recent experience study and mortality rates are not associated with the eligibility age, the effect of the change of mortality assumption would not be directly related to the change of benefit terms and should be classified as a change of assumption.

- 4.256. Q—How should the effects of a change in the discount rate on the total OPEB liability be classified?

A—A change in the total OPEB liability arising from a change in the discount rate should be accounted for as a change of assumption or other input. A change in the discount rate can result from a change in the long-term expected rate of return on OPEB plan investments (an assumption), a change in the municipal bond yield or index rate (an other input), or a change in the relative weighting of the rates (the result of a change of assumption or other input that affects projected plan fiduciary net position or projected benefit payments).

- 4.257. Q—If an OPEB plan purchases an allocated insurance contract that meets the criteria in paragraph 78 of Statement 75, how should the effects on the components of the collective net OPEB liability be classified for purposes of determining collective OPEB expense?

A—The purchase of the allocated insurance contract results in a reduction of the OPEB plan's fiduciary net position for the amount paid for the contract and a reduction in the total OPEB liability due to benefit payments. If there is a difference between the amount recognized as a benefit payment by the OPEB plan and the amount of the actuarial present value of projected benefit payments that is removed from the total OPEB liability as a result of the purchase, that amount should be classified as a difference between expected and actual experience.

- 4.258. Q—Paragraph 86b of Statement 75 requires that changes in the collective net OPEB liability arising from differences between projected and actual earnings on OPEB plan investments

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be included in collective OPEB expense over a closed five-year period beginning in the current measurement period, with any remaining balance from the current period netted with the remaining balances that arose in prior periods. Can the amount of the collective net balance from prior periods that is included in collective OPEB expense in the current period be determined by multiplying the remaining net balance that arose in prior periods by 25 percent?

A—No. Determining the amount to include in OPEB expense by applying 25 percent to the remaining collective net balance is an example of an open-period method, and paragraph 86b of Statement 75 requires that these differences be included in collective OPEB expense using a closed-period method. For example, in 20X7, using a closed-period, straight-line method, the amount of the remaining collective net balance that arose in prior periods to include in collective OPEB expense in the current period would be 25 percent of the portion of the remaining balance that arose in 20X6, 33 percent of the portion of the remaining balance that arose in 20X5, 50 percent of the portion of the remaining balance that arose in 20X4, and 100 percent of the portion of the remaining balance that arose in 20X3. Alternatively, the amounts to include in OPEB expense in 20X7 could be determined as 20 percent of each of the differences that arose in 20X3–20X6.

- 4.259. Q—How should the projected earnings on OPEB plan investments be calculated for purposes of determining the difference between projected and actual earnings?

A—Projected earnings on OPEB plan investments should consider changes in invested amounts and should be calculated as the return that actual invested amounts would have earned at the assumed rate of return over the measurement period. For this purpose, the assumed rate of return should be net of investment expense, but not net of administrative expense, and should reflect the expectation of the rate as of the beginning of the measurement period.

- 4.260. Q—If the alternative measurement method is not used to determine the total OPEB liability, for purposes of determining collective OPEB expense, can a method be applied to differences between expected and actual experience, changes of assumptions or other inputs, or a difference between projected and actual earnings on OPEB plan investments that would result in all of the amount being included in the measurement period in which the change is reflected in the collective net OPEB liability or all of the amount being included in collective OPEB expense in the final year of the period for inclusion that is required in paragraph 86 of Statement 75?

A—No. In accordance with paragraph 86a of Statement 75, if the alternative measurement method is not used to measure the total OPEB liability, changes in the total OPEB liability arising from differences between expected and actual experience or changes of assumptions or other inputs are required to be included in collective OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the plan (active employees and inactive employees), determined at the beginning of the measurement period. In accordance with paragraph 86b, differences between projected and actual earnings on OPEB plan investments are required to be included in collective OPEB expense using a systematic and rational method over a closed five-year period. Including all of the change associated with these events in the collective OPEB expense of a single year is inconsistent with those provisions of Statement 75.

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Cost-Sharing Employers**

- 4.261. Q—Paragraphs 86a and 86b of Statement 75 require that certain changes in the collective net OPEB liability be included in collective OPEB expense over specified periods using a systematic and rational method. What are examples of systematic and rational methods?

A—The simplest systematic and rational method is the straight-line method. The level-percentage-of-payroll method is another example of a systematic and rational attribution method. However, any systematic and rational method can be used.

- 4.262. Q—The employees that are provided with benefits through a cost-sharing OPEB plan include a large number of inactive employees who are entitled to, but have not yet requested, a refund of their contributions to the plan and earnings on those contributions. The amount of the refunds will change only in accordance with actual earnings on plan investments and, as such, are not associated with certain of the changes in the net OPEB liability that are reported as deferred outflows of resources and deferred inflows of resources related to OPEB. Can those employees be excluded from the determination of the average of the expected remaining service lives of employees?

A—No. Statement 75 requires that the average of the expected service lives of employees include all active and inactive employees that are provided with benefits (including refunds of employee contributions) through the plan.

- 4.263. Q—If changes in the total OPEB liability arising from differences between expected and actual experience or a change of assumption or other input occur only in the portion of the total OPEB liability associated with active employees, can the changes be included in collective OPEB expense over the average of the expected remaining service lives of active employees?

A—No. Paragraph 86a of Statement 75 requires differences between expected and actual experience and changes of assumptions to be included in collective OPEB expense over the average of the expected remaining service lives of *all* employees—active employees and inactive employees—regardless of whether the change is directly associated with certain individual employees. (The preceding answer applies only if the alternative measurement method is not used to measure the total OPEB liability. See Question 4.492 if the alternative measurement method is used.)

- 4.264. Q—Over what period should a change in the total OPEB liability arising from differences between expected and actual experience or changes of assumptions or other inputs be included in collective OPEB expense if the average of the expected remaining service lives of employees is less than one year as of the beginning of the measurement period, for example, as might occur in a closed plan?

A—In this circumstance, changes in the total OPEB liability arising from differences between expected and actual experience or changes of assumptions should be included in collective OPEB expense over one period. This results in all changes in the total OPEB liability other than the effect of collective employer contributions being included in collective OPEB expense in full in the measurement period in which they are reflected in the collective net OPEB liability.

- 4.265. Q—In determining the average of the expected remaining service lives of employees for purposes of measuring collective OPEB expense, should the probabilities of different decrements, such as disability, death, retirement, or separation from service, be considered?

A—Yes. Collective OPEB expense and the total OPEB liability are related measures, and application of the requirements of Statement 75 for attribution of the present value of projected benefit payments to periods generally would result in consideration of the

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probability of various decrements for purposes of determining the total OPEB liability. (See Question 4.241.) Because probabilities of decrements are required to be considered relative to expected service lives when measuring the total OPEB liability, it would be inconsistent to omit consideration of those events when measuring the average of the expected remaining service lives for use in determining collective OPEB expense.

- 4.266. Q—Does the answer in Question 4.265 mean that the number of employees that should be included in the denominator of the calculation of the average of the expected remaining service lives of employees for purposes of measuring collective OPEB expense should incorporate weighting by probabilities of receiving benefit payments?

A—No. Each individual that is a plan member at the measurement date should be counted as one in the denominator for purposes of determining the average.

- 4.267. Q—Can the period over which deferred outflows of resources and deferred inflows of resources related to OPEB arising from changes in the total OPEB liability are included in collective expense be calculated as a weighted average of the expected remaining service lives of the employees provided with benefits through the plan?

A—No. Statement 75 requires that the period be equal to the average of the expected remaining service lives of employees that are provided with benefits through the plan. For this purpose, the average should incorporate an expected remaining service life for each active and inactive employee, and each employee's expected remaining service life should not be weighted by any factor. (The preceding answer applies only if the alternative measurement method is not used to measure the total OPEB liability. See Question 4.492 if the alternative measurement method is used.)

- 4.268. Q—If a retiree is deceased but the retiree's dependent is receiving OPEB payments through the OPEB plan, should the dependent be included in the count of the number of employees that is used to determine the average of the expected remaining service lives of employees?

A—Yes. Inactive employees include retirees or their beneficiaries currently receiving benefits. The dependent of a deceased retiree is a beneficiary if the dependent receives benefits through the OPEB plan and should be included in the count of employees for purposes of determining the average of the expected remaining service lives of employees. However, only one dependent of a deceased retiree should be included in the count of the number of employees for this purpose.

- 4.269. Q—What should be included in collective deferred outflows of resources for contributions made by cost-sharing employers subsequent to the measurement date?

A—Collective deferred outflows of resources should not include amounts related to contributions made subsequent to the measurement date. A contribution made after the measurement date should be reported individually by the cost-sharing employer that made the contribution as a deferred outflow of resources in accordance with paragraph 68 of Statement 75. (See also Question 4.196.)

Recognition and Measurement in Financial Statements Prepared Using the Economic Resources Measurement Focus and Accrual Basis of Accounting—Cost-Sharing Employers That Have a Special Funding Situation

See Questions 4.303–4.308 addressing paragraphs 109–114 of Statement 75.

***Recognition in Financial Statements Prepared Using the Current Financial Resources
Measurement Focus and Modified Accrual Basis of Accounting—All Cost-Sharing
Employers***

- 4.270. Q—If, at the end of the reporting period, benefit payments are due and payable and the OPEB plan’s fiduciary net position is sufficient for payment of those benefits, should any portion of a cost-sharing employer’s proportionate share of the collective net OPEB liability be recognized in financial statements prepared using the current financial resources measurement focus?

A—No. In circumstances in which benefit payments are due and payable and the OPEB plan’s fiduciary net position is sufficient for payment of those benefits, no portion of the employer’s proportionate share of the collective net OPEB liability should be recognized in financial statements prepared using the current financial resources measurement focus.

- 4.271. Q—If, at the end of the reporting period, benefit payments are due and payable and the OPEB plan’s fiduciary net position is not sufficient for payment of those benefits, should any portion of a cost-sharing employer’s proportionate share of the collective net OPEB liability be recognized in financial statements prepared using the current financial resources measurement focus?

A—Yes. In circumstances in which benefit payments are due and payable and the OPEB plan’s fiduciary net position is not sufficient for payment of those benefits, the employer should recognize an amount equal to its proportionate share of the amount of benefit payments due and payable that exceeds the OPEB plan’s fiduciary net position as an OPEB liability in financial statements prepared using the current financial resources measurement focus.

Notes to Financial Statements—All Cost-Sharing Employers

- 4.272. Q—If an employer reports OPEB liabilities that have different measurement dates, is the employer required to update the measures to the same measurement date for purposes of presenting the total OPEB-related measures required by paragraph 89 of Statement 75 or for disclosing additional information about the OPEB liabilities that is required by Statement 75?

A—No. Information reported in notes about OPEB liabilities focuses on conditions as of the measurement date. For purposes of presenting information to meet the requirement in paragraph 89 of Statement 75 for disclosure of the total amounts of OPEB-related measures if those amounts are not otherwise identifiable from information presented in the financial statements, the employer should disclose the total of the amounts reported in the financial statements for OPEB provided through each plan, regardless of differences in their measurement dates. As specified by Statement 75, the information that is required to be provided in notes should be disclosed for benefits provided through each defined benefit OPEB plan in which the employer participates. If different measurement dates are used for OPEB provided through different plans, the information in notes about each benefit arrangement should reflect its individual measurement date.

- 4.273. Q—A cost-sharing OPEB plan issues a stand-alone financial report in accordance with Statement 74, as amended, that includes certain information that also is required by Statement 75, as amended, to be reported by an employer that provides OPEB through the plan. For example, the plan discloses information about the assumptions and other inputs that are used in the measurement of the total OPEB liability for the same period that is used as the measurement period by the employer. Can the employer omit from its report the

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information included in the OPEB plan's stand-alone report if the employer's report refers to the OPEB plan's stand-alone report?

A—All information required by Statement 75, as amended, should be included in the cost-sharing employer's financial report. The only item for which Statement 75 permits reference to the OPEB plan's report in place of including the detail in the employer's report is the information required by paragraph 95 of Statement 75 about the elements of the OPEB plan's fiduciary net position if the OPEB plan's report is available on the Internet.

- 4.274. Q—A primary government and its discretely presented component unit provide OPEB through the same cost-sharing OPEB plan. If it is determined that some or all note disclosures related to the component unit are essential for fair presentation of the reporting entity's financial statements, should the reporting entity's notes to financial statements present aggregated information for the reporting entity as a whole or separate information for the primary government and for the component unit?

A—In accordance with paragraph 62 of Statement 14, notes to financial statements should distinguish between information pertaining to the primary government (including its blended component units) and that of its discretely presented component units.

OPEB plan description

- 4.275. Q—Should the information that is required by paragraph 91b of Statement 75 about benefit terms be current as of the actuarial valuation date that is used as the basis for the total OPEB liability, the measurement date of the collective net OPEB liability, or the employer's fiscal year-end?

A—The requirement in paragraph 91b of Statement 75 is intended to result in the disclosure of information about the benefit terms at the measurement date of the collective net OPEB liability. If a change occurs in the benefit terms between the measurement date and the employer's fiscal year-end such that the effect of the change on the employer's proportionate share of the collective net OPEB liability is expected to be significant, paragraph 96f of Statement 75 requires information about the change to be disclosed.

- 4.276. Q—Should all contributions made to the OPEB plan by a cost-sharing employer during the employer's fiscal year be included in the amount of contributions that paragraph 91c of Statement 75 requires to be disclosed?

A—No. For purposes of paragraph 91c of Statement 75, contributions should include only (a) the amount of actual contributions, which are cash contributions from the employer to the OPEB plan that would be recognized as additions from contributions in the OPEB plan's statement of changes in fiduciary net position during the period that coincides with the employer's fiscal year, and (b) the amount of contributions from the employer to the OPEB plan that would be recognized by the OPEB plan as a current receivable during the period that coincides with the employer's fiscal year. This would exclude, for example, payments made to satisfy employer payables to the OPEB plan that arose in an earlier fiscal year. (See also Question 4.277.)

- 4.277. Q—For purposes of providing information about contributions that is required by paragraph 91c of Statement 75, what should be considered a contribution recognized by the OPEB plan as a current receivable?

A—For purposes of paragraph 91c of Statement 75, current receivables are the portion of OPEB plan receivables that (a) would be recognized as additions from the employer's contributions during the employer's reporting period and (b) would be collectible within a year

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as of the end of the employer's reporting period. For example, a receivable recognized by the OPEB plan for an employer's contributions related to the last month of the employer's fiscal year that have not been paid at that date but that are expected to be paid in the following month would be a current receivable of the OPEB plan.

Information about the employer's proportionate share of the collective net OPEB liability

The OPEB plan's fiduciary net position

4.278. Q—If a cost-sharing employer provides OPEB through a defined benefit plan for which financial statements are not publicly available on the Internet, what information should be disclosed in the employer's financial statements regarding the OPEB plan's fiduciary net position?

A—The cost-sharing employer should apply paragraph 95 of Statement 75 regarding note disclosures about the OPEB plan's fiduciary net position. That paragraph requires that the employer disclose all information required by Statement 75 and other standards about the OPEB plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position. Therefore, the employer would have to include information in its financial statements to comply with all note disclosure requirements applicable to the OPEB plan. This information includes the information required by Statement 74, as well as information required by other Statements. For example, the employer would be required to present information to comply with disclosure requirements related to OPEB plan deposits and investments, including information required by Statements 3, 31, 40, and 72, as amended, as applicable.

Additional information

4.279. Q—If a cost-sharing employer uses different proportions to determine its share of different pieces of the collective net OPEB liability (for example, for different classes of employees), is the employer required to disclose its proportion of the net OPEB liability for each class?

A—No. Paragraph 96b of Statement 75 requires disclosure of only the employer's overall proportion of the collective net OPEB liability, with a discussion of the basis on which the proportion is determined.

4.280. Q—If a cost-sharing employer reports a proportionate share of a collective net OPEB liability that results from an actuarial valuation that has been updated to the measurement date, what information is the employer required to disclose regarding the update?

A—Information about the measure of the total OPEB liability (for example, the assumptions used in the measurement) should reflect amounts and circumstances as of the measurement date. However, if update procedures were used to develop the measure of the total OPEB liability, paragraph 96c of Statement 75 requires that the employer disclose that fact. No other specific information about the update process is required.

4.281. Q—If the proportion used to determine a cost-sharing employer's proportionate share of the collective net OPEB liability reported in the current period changed from the proportion used to determine the liability reported in the prior period, is the employer required to disclose the effect of the change in proportion on each of the measures reported in its financial statements—that is, its proportionate share of the collective net OPEB liability, deferred

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outflows of resources related to OPEB, deferred inflows of resources related to OPEB, and OPEB expense?

A—No. Although a change in the employer’s proportion affects the amount of the employer’s proportionate shares of the collective net OPEB liability, deferred outflows of resources related to OPEB, deferred inflows of resources related to OPEB, and OPEB expense, the cost-sharing employer is not required to identify the effect of a change in proportion on each of those amounts. Instead, the employer should disclose the change in its proportion as required by paragraph 96b of Statement 75 by providing, for example, its former proportion and its new proportion, and it should disclose the portion of its reported balance of deferred outflows of resources or deferred inflows of resources that is associated with changes in proportion, as required by paragraph 96h(4) of Statement 75.

- 4.282. Q—What information, if any, is required to be disclosed about a change in a relevant factor that occurs between the measurement date of the collective net OPEB liability and the employer’s current fiscal year-end?

A—For a change that is expected to have a significant effect on the employer’s proportionate share of the collective net OPEB liability, in its financial report for the current fiscal year, the employer should provide information required by paragraph 96f of Statement 75 about the nature of the change, as well as the amount of the expected impact of the change on the employer’s proportionate share of the collective net OPEB liability, if known. For example, if a change of benefit terms is made between the measurement date and the end of the employer’s current fiscal year and an estimate of the effect of the change of benefit terms on the employer’s proportionate share of the collective net OPEB liability has been made and is evaluated by the employer to be significant, the employer should include in note disclosures a brief description of the benefit change and the estimated amount of the expected resultant change in the employer’s proportionate share of the collective net OPEB liability. (See Questions 4.202 and 4.209 regarding the timing of the recognition of the effects of such changes.)

- 4.283. Q—For purposes of the disclosure of OPEB expense that is expected to be recognized as a result of amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB as required by paragraph 96i(1) of Statement 75, at what date should the proportion that is applied to calculate the amounts be determined?

A—The amounts of OPEB expense disclosed for each of the subsequent periods required by paragraph 96i(1) of Statement 75 should be determined using the employer’s proportion at the measurement date of the collective net OPEB liability on which the OPEB liability reported by the employer in the current period is based.

RSI—All Cost-Sharing Employers

- 4.284. Q—A cost-sharing plan is used to provide OPEB only to volunteer firemen. The volunteers are not paid a salary. Employer contributions are assessed as a dollar amount per active volunteer. How does this affect requirements for cost-sharing employer presentation of information in schedules of RSI about measures of the employer’s proportionate share of the collective net OPEB liability and employer contributions in relation to a measure of payroll?

A—Employer contributions to the OPEB plan are not based on a measure of pay; as a result, there is no covered payroll. In addition, because the volunteers are not paid a salary, there is no covered-employee payroll. Therefore, the requirements in paragraphs 97a and 97b of Statement 75, as amended, for ratios that present the employer’s proportionate share of the collective net OPEB liability and employer contributions, respectively, as a percentage of a

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measure of payroll would not be applicable for employers that provide benefits through this plan, and those ratios should not be presented in the RSI schedules.

- 4.285. Q—The measurement date of the collective net OPEB liability is December 31, 20X6, and is different from the employer’s fiscal year-end, which is June 30, 20X7. For purposes of presenting information about the employer’s payroll (covered payroll if contributions are based on a measure of pay or covered-employee payroll if contributions are not based on a measure of pay) in the schedules of RSI required by paragraph 97 of Statement 75, as amended, the measure of payroll should reflect what period?

A—In the employer’s schedule of RSI that presents the amounts associated with the employer’s proportionate share of the collective net OPEB liability and related ratios as required by paragraph 97a of Statement 75, as amended, the amount of payroll presented should be the relevant annual payroll (covered payroll or covered-employee payroll) during the measurement period that ends on the measurement date of the collective net OPEB liability—that is, the period from January 1, 20X6, to December 31, 20X6. If the employer presents the contribution-related schedule in accordance with paragraph 97b of Statement 75, as amended, the measure of payroll included in that schedule should be the relevant annual payroll during the employer’s fiscal year—that is, the period from July 1, 20X6, to June 30, 20X7.

- 4.286. Q—A primary government and its discretely presented component unit provide OPEB through the same cost-sharing OPEB plan. If it is determined that some or all RSI related to the component unit is essential for fair presentation of the reporting entity’s financial statements, should the reporting entity’s RSI present aggregated information for the reporting entity as a whole or separate information for the primary government and for the component unit?

A—In accordance with paragraph 62 of Statement 14, RSI should distinguish between information pertaining to the primary government (including its blended component units) and that of its discretely presented component units.

Paragraph 97b, as amended

- 4.287. Q—Should all contributions made to the OPEB plan by a cost-sharing employer during the employer’s fiscal year be included in the amount of contributions reported in the schedule of RSI that is required by paragraph 97b of Statement 75, as amended?

A—No. For purposes of paragraph 97b of Statement 75, contributions are amounts that are not associated with separately financed specific liabilities of the individual employer and include only the amounts that would be recognized as additions from the employer’s contributions in the OPEB plan’s statement of changes in fiduciary net position during the period that coincides with the employer’s fiscal year for (a) actual contributions, which are cash contributions from the employer to the OPEB plan, and (b) current receivables. This would include, for example, the amount of legally required employer contributions that are not associated with a specific liability of the individual employer to the OPEB plan and that would be recognized as a current receivable by the OPEB plan as of the end of the employer’s fiscal year. It would exclude, for example, employer payments made to satisfy OPEB plan receivables that arose in an earlier employer fiscal year. (See also Question 4.288 regarding current receivables.)

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- 4.288. Q—For purposes of reporting contributions in the schedule of RSI that is required by paragraph 97b of Statement 75, as amended, what should be considered a contribution recognized by the OPEB plan as a current receivable?

A—For purposes of paragraph 97b of Statement 75, current receivables are the portion of OPEB plan receivables that (a) would be recognized as additions from the employer's contributions during the employer's reporting period, (b) would be collectible within a year, and (c) is not associated with separately financed specific liabilities of the employer. For example, a receivable recognized by the OPEB plan for an employer's contributions related to the last month of the employer's fiscal year that have not been paid at that date but that are expected to be paid in the following month would be a current receivable.

- 4.289. Q—If the contribution requirements of a cost-sharing employer are determined using an actuarial value of assets that incorporates differences between projected and actual earnings on OPEB plan investments over a three-year period, can that method continue to be used to determine contribution requirements after implementation of Statement 75?

A—Yes. Statement 75 does not establish requirements for the specific methods and assumptions, if any, used for funding purposes. Therefore, an actuarial value of assets can continue to be used for funding purposes. However, for purposes of complying with Statement 75, all changes in the OPEB plan's fiduciary net position, including the full amount of the actual earnings on OPEB plan investments, should be included in the calculation of the collective net OPEB liability and changes in the collective net OPEB liability in the measurement period in which they occur.

- 4.290. Q—Should contributions recognized by an OPEB plan for amounts payable to the plan by a cost-sharing employer pursuant to an installment contract for the amount of the employer's unfunded past service liability when it entered the cost-sharing plan be included in the amount reported by the employer as contributions in relation to statutorily or contractually required contributions, as required by paragraph 97b of Statement 75?

A—No. The amount financed by the employer under the installment contract is an example of an individual employer's separately financed liability to the OPEB plan. The measure of the statutorily or contractually required contribution that is required by paragraph 97b(1) of Statement 75 excludes amounts, if any, to separately finance specific liabilities of the individual employer to the OPEB plan. Similarly, the amount of contributions presented in relation to the statutorily or contractually required contribution, as applicable, should exclude amounts recognized as additions to the OPEB plan for separately financed specific liabilities of the individual employer to the OPEB plan.

- 4.291. Q—If statutorily or contractually required contribution rates are established for the employer in a cost-sharing OPEB plan and a nonemployer contributing entity, should the schedule of RSI that presents contributions made as compared to statutorily or contractually required contributions (paragraph 97b of Statement 75, as amended) in the financial report of the employer include amounts for the nonemployer contributing entity?

A—No. The schedule should include information about contributions made by, and the statutorily or contractually required contributions of, only the cost-sharing employer.

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Special Funding Situations**

- 4.292. Q—May active employee contributions for OPEB be added to the RSI schedule that presents contributions made as compared to statutorily or contractually required contributions (paragraph 97b of Statement 75, as amended)?

A—No. Including active employee contributions for OPEB in the schedule could obscure information about employer contribution decisions. Instead, active employee contribution rates for OPEB (in dollars or as a percentage of covered payroll) should be disclosed in notes to financial statements as required by paragraph 91c of Statement 75.

- 4.293. Q—If a cost-sharing employer contributes according to a statutorily established rate and that statutorily established rate is actuarially determined, should the cost-sharing employer present the schedule required by paragraph 97b of Statement 75, as amended?

A—Yes. The schedule required by paragraph 97b of Statement 75, as amended, should be presented if the cost-sharing employer's contributions are established by statute or contract, regardless of the manner in which the statutorily or contractually required contribution is determined.

Special Funding Situations

Single or Agent Employers

Recognition and measurement in financial statements prepared using the economic resources measurement focus and accrual basis of accounting

Proportionate share of the collective net OPEB liability

See Questions 4.55–4.109 addressing paragraphs 27–42 of Statement 75 and Questions 4.309–4.318 addressing paragraphs 116–118 of Statement 75. For purposes of applying Questions 4.55–4.109 to benefits provided by a single or agent employer that has a special funding situation, the term net OPEB liability applies to the collective net OPEB liability.

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

See also Question 4.492 for a discussion of the requirements in paragraphs 102 and 103 of Statement 75, as amended, and paragraph 17 of Statement 85 in circumstances in which the alternative measurement method is used to measure the collective total OPEB liability.

- 4.294. Q—Should the balances of deferred outflows of resources and deferred inflows of resources arising from changes in proportion or contributions during the measurement period (as discussed in paragraphs 102 and 103 of Statement 75, as amended) be reported as separate amounts or net of each other?

A—Deferred outflows of resources and deferred inflows of resources arising from a change in proportion (as discussed in paragraph 102 of Statement 75, as amended) or from contributions during the measurement period (as discussed in paragraph 103 of Statement 75, as amended) in the same measurement period may be netted and reported, in a single year, as a deferred outflow of resources related to OPEB if the net balance is a debit or as a deferred inflow of resources related to OPEB if the net balance is a credit. However, the resultant deferred outflow of resources or deferred inflow of resources balance in one period should not be netted against deferral balances arising in other periods from changes in proportion and contributions.

Defined Benefit—Meets Paragraph 4 of Statement 75 Special Funding Situations

Proportionate share

See Questions 4.110–4.135 addressing paragraph 43 of Statement 75, excluding subparagraph (d). For purposes of applying those questions and answers to benefits provided by a single or agent employer that has a special funding situation, the term net OPEB liability applies to the collective net OPEB liability, the term OPEB expense applies to collective OPEB expense, and the term deferred outflows of resources and deferred inflows of resources related to OPEB applies to collective deferred outflows of resources and deferred inflows of resources related to OPEB.

Change in proportion

- 4.295. Q—If the proportion that is associated with a single or agent employer that has a special funding situation changes from the proportion used in the prior period, how should the net effect of that change be determined?

A—The net effect of the change in proportion should be determined in accordance with paragraph 102 of Statement 75. That paragraph requires that the effect be measured as of the beginning of the period. Therefore, if the alternative measurement method is not used to measure the total OPEB liability, the net effect is the debit (deferred outflow of resources) or credit (deferred inflow of resources) that is required to reflect the employer's new proportion in its proportionate shares of the collective net OPEB liability and collective deferred outflows of resources and deferred inflows of resources related to OPEB as of the beginning of the measurement period. (See Illustration B4-3 in nonauthoritative Appendix B of this Implementation Guide for an example of a similar calculation of the net effect of the change in proportion for a cost-sharing employer. See also Question 4.492 if the alternative measurement method is used.)

Contributions during the measurement period

- 4.296. Q—How should a single or agent employer that has a special funding situation account for its contributions to the OPEB plan during the measurement period?

A—A single or agent employer that has a special funding situation should apply the requirements in paragraphs 103 and 104 of Statement 75, as amended, to account for the effects of its own contributions to the OPEB plan (including amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation). If the alternative measurement method is not used to measure the total OPEB liability, paragraph 103 of Statement 75 requires that differences between (a) the employer's contributions other than those to separately finance specific liabilities of the individual employer to the OPEB plan and (b) its proportionate share of the total of such contributions made by the employer and nonemployer contributing entities be recognized in OPEB expense over a closed period equal to the average of the expected remaining service lives of all employees provided with OPEB through the plan beginning in the current measurement period. (See Question 4.492 if the alternative measurement method is used.)

Paragraph 104 of Statement 75 requires that the employer recognize OPEB expense for the difference between its contributions (including amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation) made during the measurement period to separately finance specific liabilities of the individual employer and the employer's proportionate share of those contributions. (See Questions 4.297–4.299 regarding accounting for contributions made subsequent to the measurement date.)

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Employer contributions subsequent to the measurement date

- 4.297. Q—What should be included in the amounts reported as deferred outflows of resources for a single or agent employer’s contributions made subsequent to the measurement date?

A—For purposes of paragraph 105 of Statement 75, the deferred outflow of resources reported by an employer should include only contributions made by the employer (excluding amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation) during its fiscal year that will be reflected in the collective net OPEB liability in the next measurement period—that is, the amount of contributions through the end of the employer’s fiscal year to be recognized by the OPEB plan on the accrual basis of accounting in the next measurement period. The deferred outflow of resources would not include the employer’s payments subsequent to the measurement date to satisfy a contribution receivable recognized by the plan prior to the end of the current measurement period.

- 4.298. Q—A government with a fiscal year-end of June 30, 20X7, makes a payment to a defined benefit OPEB plan on June 15, 20X7, equal to its legally required contributions for the period October 1, 20X6–September 30, 20X7. In the government’s June 30, 20X7 financial report, the government’s proportionate share of the collective net OPEB liability is measured as of September 30, 20X6. How should the payment to the OPEB plan that is made on June 15, 20X7, be reported in the government’s financial statements prepared using the economic resources measurement focus?

A—In the government’s financial statements prepared using the economic resources measurement focus, the portion of the payment to the OPEB plan that relates to the period October 1, 20X6–June 30, 20X7, is a contribution subsequent to the measurement date and before the government’s fiscal year-end and should be reported as a deferred outflow of resources related to OPEB in accordance with paragraph 105 of Statement 75.

The portion of the payment to the OPEB plan that relates to the period July 1, 20X7–September 30, 20X7, is not a contribution for the period ended June 30, 20X7, and, therefore, it should not be reported as a deferred outflow of resources resulting from contributions subsequent to the measurement date. As such, the portion of the payment to the OPEB plan that relates to the period July 1, 20X7–September 30, 20X7, should be reported as a prepaid amount as of June 30, 20X7.

- 4.299. Q—For its June 30, 20X7 fiscal year-end, a government measures its proportionate share of the collective net OPEB liability as of December 31, 20X6. At June 30, 20X7, legally required contributions for the period January 1, 20X7–June 30, 20X7, have not been made to the OPEB plan. How should those unpaid contributions be reported in the government’s financial statements prepared using the economic resources measurement focus?

A—For the unpaid contributions, the government should report a payable and a deferred outflow of resources related to OPEB resulting from contributions subsequent to the measurement date and before the government’s fiscal year-end.

Support of nonemployer contributing entities in a special funding situation

- 4.300. Q—For what measurement period should the revenue required by paragraph 106 of Statement 75 be recognized? For example, if an employer’s fiscal year-end is December 31 and the collective net OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB are determined as of June 30 each year, what

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should be the measurement period for the recognition of a revenue for the support provided by a nonemployer contributing entity?

A—The employer should use the same measurement period for purposes of applying paragraph 106 of Statement 75 as is used to determine collective OPEB expense. For example, the OPEB-related amounts reported in the employer's financial statements as of December 31, 20X7, are based on the collective net OPEB liability with a measurement date of June 30, 20X7. Therefore, the OPEB expense and the related revenue associated with the support provided by a nonemployer contributing entity in a special funding situation would be based upon changes in the collective net OPEB liability between July 1, 20X6, and June 30, 20X7 (the measurement period).

- 4.301. Q—If a nonemployer contributing entity in a special funding situation makes a contribution subsequent to the measurement date of the collective net OPEB liability, is there a collective deferred outflow of resources related to that contribution that should be allocated to the single or agent employer and nonemployer contributing entities based on their proportionate shares?

A—No. Measurement of collective amounts is limited to the measurement period. In a special funding situation, a contribution by a nonemployer contributing entity subsequent to the measurement date of the collective net OPEB liability is recognized as a deferred outflow of resources related to OPEB by only the entity that made the contribution.

Support of nonemployer contributing entities not in a special funding situation

- 4.302. Q—How should a single or agent employer classify revenue that is recognized in accordance with paragraph 107 of Statement 75 for the support provided by a nonemployer contributing entity that is not in a special funding situation?

A—The employer should classify this revenue in the same manner as it classifies grants from other entities.

Additional requirements

See Questions 4.141–4.169 addressing paragraphs 46–58 of Statement 75, as amended. For purposes of applying those questions and answers to benefits provided by a single or agent employer that has a special funding situation, the term net OPEB liability, unless otherwise indicated, applies to the proportionate share of the collective net OPEB liability of the employer.

Cost-Sharing Employers

Recognition and measurement in financial statements prepared using the economic resources measurement focus and accrual basis of accounting

- 4.303. Q—A state is the only entity that has a legal obligation to make contributions directly to a cost-sharing OPEB plan that is used to provide benefits to employees of local governments. Therefore, the state reports 100 percent of the net OPEB liability associated with benefits provided through the cost-sharing plan. In this circumstance, are the local governments required to recognize any OPEB-related amounts in their financial statements?

A—Yes. Although the local governments would not recognize any portion of the collective net OPEB liability or collective deferred outflows of resources and deferred inflows of resources related to OPEB because each employer's proportionate share determined under paragraph 59 of Statement 75 is zero percent, paragraphs 111–113 of Statement 75 require that a cost-sharing employer in a special funding situation recognize OPEB expense and a

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revenue equal to the portion of the nonemployer contributing entity's OPEB expense that is associated with the employer, reduced by the employer's proportionate share of contributions made by others to separately finance specific liabilities to the OPEB plan. (See Questions 4.304 and 4.305.) Even though the employer does not recognize a proportionate share of the collective net OPEB liability, paragraphs 90 and 97 of Statement 75, as amended, require that the employer present note disclosures and schedules of RSI that include the information that is detailed in paragraphs 91–98 of Statement 75, as amended, for each cost-sharing OPEB plan through which OPEB is provided to the employer's employees.

Proportionate share of the collective net OPEB liability

See Questions 4.172–4.186 addressing paragraphs 59–61 of Statement 75.

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

See Questions 4.187–4.198 addressing paragraphs 62–66 and 68 of Statement 75, as amended. See also Questions 4.304 and 4.305 addressing issues relevant to application of paragraphs 111 and 112 of Statement 75.

Support of nonemployer contributing entities in a special funding situation

4.304. Q—For purposes of determining the portion of the expense of a nonemployer contributing entity in a special funding situation that is associated with each of the employers in a cost-sharing plan, what basis should be used to determine the relevant employer proportion?

A—Statement 75 does not specify the basis to be used for this purpose. However, the resulting proportion should represent the relationship of the employer to the total of all employers that are provided support as a result of the special funding situation.

4.305. Q—For what measurement period should the OPEB expense and the revenue required by paragraphs 111–113 of Statement 75 be recognized? For example, if an employer's fiscal year-end is December 31 and the collective net OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB are determined as of June 30 each year, what should be the measurement period for the recognition of OPEB expense and a revenue for the support provided by a nonemployer contributing entity?

A—The employer should use the same measurement period for purposes of applying paragraphs 111–113 of Statement 75 as is used to determine collective OPEB expense. For example, the OPEB-related amounts reported in the employer's financial statements as of December 31, 20X7, are based on the collective net OPEB liability with a measurement date of June 30, 20X7. Therefore, the OPEB expense and the related revenue associated with the support provided by a nonemployer contributing entity in a special funding situation would be based upon changes in the collective net OPEB liability between July 1, 20X6, and June 30, 20X7 (the measurement period).

4.306. Q—If a nonemployer contributing entity in a special funding situation makes a contribution subsequent to the measurement date of the collective net OPEB liability, is there a collective deferred outflow of resources related to that contribution that should be allocated to all employers and nonemployer contributing entities based on their proportionate shares?

A—No. Measurement of collective amounts is limited to the measurement period. In a special funding situation, a contribution by a nonemployer contributing entity subsequent to the measurement date of the collective net OPEB liability is recognized as a deferred outflow of resources related to OPEB by only the entity that made the contribution.

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Support of nonemployer contributing entities not in a special funding situation

- 4.307. Q—As a nonemployer contributing entity, a state that is not in a special funding situation makes a direct contribution to a cost-sharing OPEB plan to improve the overall funded status of the plan. In the measurement period in which the contribution is reflected in the collective net OPEB liability, does each employer that provides OPEB through the plan have to recognize revenue for a portion of the state’s contribution to the plan?

A—Yes. Paragraph 114 of Statement 75 requires that each employer in a cost-sharing OPEB plan recognize revenue for contributions to the OPEB plan from the nonemployer contributing entity that is not in a special funding situation. The amount of revenue recognized should include contributions from the nonemployer contributing entity to separately finance liabilities of the individual employer, as well as the amount of the change in the collective net OPEB liability that (a) arises from the nonemployer contributing entity’s contributions to the OPEB plan for purposes other than separate financing of employers’ specific liabilities to the OPEB plan and (b) is associated with the employer.

- 4.308. Q—How should a cost-sharing employer classify revenue that is recognized in accordance with paragraph 114 of Statement 75 for the support provided by a nonemployer contributing entity that is not in a special funding situation?

A—The employer should classify this revenue in the same manner as it classifies grants from other entities.

Additional requirements

See Questions 4.270–4.293 addressing paragraphs 88–98 of Statement 75, as amended.

Governmental Nonemployer Contributing Entities

Recognition and measurement in financial statements prepared using the economic resources measurement focus and accrual basis of accounting

Proportionate share of the collective net OPEB liability

- 4.309. Q—If the total OPEB liability is less than the OPEB plan’s fiduciary net position, should a governmental nonemployer contributing entity’s proportionate share of the collective net balance be displayed in the entity’s statement of net position as a negative liability or as an asset?

A—A net OPEB liability that is negative is an asset. Therefore, the entity should display its proportionate share of the collective balance as an asset in its statement of net position.

- 4.310. Q—Historically, a governmental nonemployer contributing entity has contributed 100 percent of its statutorily required contributions, which are actuarially determined. Is the government required to recognize a portion of the collective net OPEB liability even though it has contributed an amount equal to its statutorily required contributions in the past?

A—Yes. Statement 75 requires that a governmental nonemployer contributing entity recognize its proportionate share of the collective net OPEB liability determined in accordance with the provisions in paragraphs 116–118 of Statement 75, regardless of whether it has made its statutorily required contributions in the past.

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Measurement date

- 4.311. Q—If a governmental nonemployer contributing entity’s fiscal year-end is the same as the fiscal year-end of the OPEB plan to which it contributes, can the entity report its proportionate share of the collective net OPEB liability as of a measurement date that is one year earlier than the “as of” date of the (collective) net OPEB liability reported by the plan at the same fiscal year-end?

A—Yes. To avoid a circumstance in which the nonemployer contributing entity’s financial reports potentially would be delayed awaiting information that also is included in the OPEB plan’s financial report, Statement 75 permits the measurement date of the collective net OPEB liability used by a governmental nonemployer contributing entity to determine its recognized OPEB liability to be as of a date no earlier than the end of its prior fiscal year provided that the actuarial valuation used to determine the total OPEB liability meets the timing requirements in paragraph 28 or paragraph 71 of Statement 75, as applicable, and that the measurement meets the requirement in paragraph 29 or paragraph 72 of Statement 75, as applicable, that the plan, the employer(s), and nonemployer contributing entities use the same assumptions when measuring similar or related information. (See Questions 4.64–4.66 and 4.204–4.206.) Cost-sharing OPEB plans are required by Statement 74 to report information about the (collective) net OPEB liability as of the plan’s fiscal year-end. Therefore, for example, in financial statements as of June 30, 20X7, a cost-sharing OPEB plan is required to report a (collective) net OPEB liability measured as of June 30, 20X7, whereas a governmental nonemployer contributing entity that has a special funding situation for benefits provided through the plan can report a proportionate share of the collective net OPEB liability with a measurement date of June 30, 20X6, if the requirements in paragraphs 28 and 29 or paragraphs 71 and 72 of Statement 75, as applicable, are met.

- 4.312. Q—If a governmental nonemployer contributing entity participates in more than one defined benefit OPEB plan (as an employer or as a nonemployer contributing entity in a special funding situation), is the government required to use the same measurement date for each (collective) net OPEB liability and (collective) total OPEB liability?

A—No. Paragraphs 24 and 143 of Statement 75 specify that the requirements of that Statement related to liabilities to employees for OPEB, which include the provisions of the Statement for the selection of the measurement date of the (collective) net OPEB liability or (collective) total OPEB liability, should be applied separately to the OPEB provided through each defined benefit OPEB plan. Therefore, provided that the measurement date for each (collective) net OPEB liability or (collective) total OPEB liability meets the requirements of Statement 75, the related OPEB liabilities presented in the government’s financial report can have different measurement dates. For example, in financial statements for its fiscal year ended June 30, 20X7, the governmental nonemployer contributing entity can report a proportionate share of the collective net OPEB liability with a measurement date of June 30, 20X7, for OPEB provided through single-employer OPEB Plan A and a proportionate share of the collective net OPEB liability with a measurement date of March 31, 20X7, for OPEB provided through cost-sharing OPEB Plan B. (See Question 4.328 regarding note disclosure requirements if different measurement dates are used.)

Determining a governmental nonemployer contributing entity’s proportion

- 4.313. Q—Can the basis on which a governmental nonemployer contributing entity’s proportion is determined be changed? For example, if in its prior fiscal year, an entity’s proportion was determined based on contributions during the measurement period, can the entity’s

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proportion be determined in the subsequent period using an average of contributions over the past five measurement periods?

A—Yes. The entity's proportion is an assumption and, like other assumptions, is subject to change as, for example, new events occur, more experience is acquired, or additional information is obtained. A change in the basis for the entity's proportion might affect the applicability of certain requirements of Statement 75, including those in paragraphs 121–123, as amended, which address changes in the nonemployer contributing entity's proportion and contributions made as compared to the entity's proportionate share of total employer and nonemployer contributing entity contributions. For example, a change from a proportion based on contributions made during the measurement period to a proportion based on an average of contributions in past measurement periods might result in differences in each future measurement period between the entity's contributions and its proportionate share of total employer and nonemployer entity contributions, for which paragraphs 123 and 124 of Statement 75, as amended, establish requirements. (See Question 4.336 for a discussion of note disclosures regarding changes in proportion.)

- 4.314. Q—A cost-sharing plan that is used to provide benefits to employees of several governmental employers also is used to provide benefits to certain nongovernmental employers. When a governmental nonemployer contributing entity determines its proportion for purposes of reporting its proportionate share of the collective net OPEB liability and related measures under Statement 75, should the proportion represent the relationship of the governmental nonemployer contributing entity to all employers that provide benefits through the plan and nonemployer contributing entities or the relationship of the governmental nonemployer contributing entity to only the governmental employers and nonemployer contributing entities?

A—The governmental nonemployer contributing entity's proportion should be representative of its relationship to *all* employers that provide benefits through the OPEB plan and *all* nonemployer contributing entities, regardless of whether those employers and nonemployer contributing entities are governmental or nongovernmental for financial reporting purposes.

- 4.315. Q—With regard to the requirement in paragraph 118 of Statement 75 related to the timing of the establishment of the governmental nonemployer contributing entity's proportion, what is an example of an actuarially determined proportion?

A—An example of an actuarially determined proportion for purposes of paragraph 118 of Statement 75 is a proportion based on a projection of the future actuarially determined contribution amounts of each of the contributing entities if contribution requirements are based on those amounts.

- 4.316. Q—Are the employers whose employees are provided with OPEB through a defined benefit plan with a special funding situation and the governmental nonemployer contributing entity that makes contributions to the plan required to use the same basis to establish their proportions under Statement 75?

A—No. An employer or governmental nonemployer contributing entity's selection of a basis for the establishment of its proportion under Statement 75 is independent of the selection of a basis by other employers whose employees are provided with OPEB through the cost-sharing plan or nonemployer contributing entities in a special funding situation for that OPEB. For example, the governmental nonemployer contributing entity can determine its proportion based on contributions during the measurement period, while an employer uses the average of contributions over the past five measurement periods as the basis for its proportion.

- 4.317. Q—A governmental nonemployer contributing entity in a special funding situation has an expectation that its future contribution requirements will diminish relative to the contribution

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requirements of the other contributing entities and ultimately will be zero—for example, legislation has been passed that includes a phase-out of the nonemployer entity's contributions over a defined period of time, with 100 percent of the contribution requirement eliminated at the end of the phase-out period. For purposes of paragraphs 116–118 of Statement 75, can the entity assume that its proportion is zero percent because in the long term it expects its required contributions to reduce to zero?

A—No. Even though the governmental nonemployer contributing entity expects that its share of required contributions ultimately will reduce to zero, it would not be appropriate to use zero percent as its share in the current period because it expects to be required to make contributions in some future periods. It should use an approach for determining its basis that is consistent with the manner in which contributions are assessed, and if it chooses to use a forward-looking basis as is encouraged in paragraph 116a of Statement 75, that basis should consider both short-term and long-term contribution requirements. For example, the governmental nonemployer contributing entity could determine its proportion by comparing the present value of its expected future contributions to the present value of the expected future contributions of all contributing entities.

- 4.318. Q—If a governmental nonemployer contributing entity is in a special funding situation for benefits provided through an OPEB plan in which some or all of the employers' required contributions to the plan are reimbursed to the employers through federal grants, should amounts to be reimbursed to the employers be counted as contributions from the employers for purposes of determining the nonemployer contributing entity's proportion?

A—Yes. The amount of required contributions that will be reimbursed to the employers should be considered employer contributions when determining each entity's proportion.

Expense and deferred outflows of resources and deferred inflows of resources

See also Question 4.492 for a discussion of the requirements in paragraphs 121 and 122 of Statement 75, as amended, and paragraph 17 of Statement 85 in circumstances in which the alternative measurement method is used to measure the total OPEB liability.

- 4.319. Q—Should a governmental nonemployer contributing entity's balances of deferred outflows of resources and deferred inflows of resources arising from changes in proportion or contributions during the measurement period (as discussed in paragraphs 121–123 of Statement 75, as amended) be reported as separate amounts or net?

A—Deferred outflows of resources and deferred inflows of resources arising from a change in proportion (as discussed in paragraph 121 of Statement 75, as amended) or from contributions during the measurement period (as discussed in paragraphs 122 and 123 of Statement 75, as amended) in the same measurement period may be netted and reported, in a single year, as a deferred outflow of resources related to OPEB if the net balance is a debit or as a deferred inflow of resources related to OPEB if the net balance is a credit. However, the resultant deferred outflow of resources or deferred inflow of resources balance in one period should not be netted against deferral balances arising in other periods from changes in proportion and contributions.

Proportionate share

- 4.320. Q—If a governmental nonemployer contributing entity uses different proportions to determine its share of different pieces of the collective net OPEB liability (for example, for different classes of employees), can it determine its total proportionate share of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB using a single (overall) proportion applied to the collective measures or, for

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each collective measure, is it required to continue to attribute the piece associated with each class of employees using the relevant proportion?

A—Either approach is permitted. Paragraph 120 of Statement 75 requires that the entity's proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB be determined using the entity's proportion of the collective net OPEB liability, which is a single proportion that is calculated as the entity's proportionate share of the collective net OPEB liability divided by the collective net OPEB liability. However, paragraph 26 of Statement 75 broadly establishes the permissibility of applying the measurement requirements of the Statement to individual classes or groups if "separate actuarial valuations are performed for different classes or groups of employees because different contribution rates apply for each class or group depending on the applicable benefit structures, benefit formulas, or other factors. . . ." Regardless of the approach that is used, the governmental nonemployer contributing entity should recognize and report only the aggregated amount of its proportionate share of each measure.

Change in proportion

4.321. Q—If a governmental nonemployer contributing entity's proportion changes from the proportion used in the prior period, how should the net effect of that change be determined?

A—The net effect of the change in proportion should be determined in accordance with paragraph 121 of Statement 75. That paragraph requires that the effect be measured as of the beginning of the period. Therefore, if the alternative measurement method is not used to measure the total OPEB liability, the net effect is the debit (deferred outflow of resources) or credit (deferred inflow of resources) that is required to reflect the governmental nonemployer contributing entity's new proportion in its proportionate shares of the collective net OPEB liability and collective deferred outflows of resources and deferred inflows of resources related to OPEB as of the beginning of the measurement period. (See Illustration B4-3 in nonauthoritative Appendix B of this Implementation Guide for an example of a similar calculation of the net effect of the change in proportion for a cost-sharing employer. See also Question 4.492 if the alternative measurement method is used.)

Contributions during the measurement period

4.322. Q—How should a governmental nonemployer contributing entity in a special funding situation account for its contributions to the OPEB plan during the measurement period?

A—A governmental nonemployer contributing entity in a special funding situation should apply the requirements in paragraphs 122 and 123 of Statement 75, as amended, to account for the effects of its own contributions to the OPEB plan. If the alternative measurement method is not used to measure the total OPEB liability, paragraph 122 of Statement 75 requires that differences between (a) the governmental nonemployer contributing entity's contributions other than those to separately finance specific liabilities of the individual entity to the OPEB plan and (b) its proportionate share of the total of all such contributions made by all employers and nonemployer contributing entities be recognized in OPEB expense over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the plan beginning in the current measurement period. (See Question 4.492 if the alternative measurement method is used.)

Paragraph 123 of Statement 75 requires that the governmental nonemployer contributing entity recognize OPEB expense for the difference between its contributions made during the measurement period to separately finance specific liabilities of the individual governmental nonemployer contributing entity and the governmental nonemployer contributing entity's

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proportionate share of those contributions. (See Questions 4.323–4.325 regarding accounting for contributions made subsequent to the measurement date.)

Governmental nonemployer contributing entity contributions subsequent to the measurement date

- 4.323. Q—What should be included in the amounts reported as deferred outflows of resources for a governmental nonemployer contributing entity's contributions made subsequent to the measurement date?

A—For purposes of paragraph 125 of Statement 75, the deferred outflow of resources reported by a nonemployer contributing entity should include contributions made during its fiscal year that will be reflected in the net OPEB liability in the next measurement period—that is, the amount of contributions through the end of the nonemployer contributing entity's fiscal year to be recognized by the OPEB plan on the accrual basis of accounting in the next measurement period. The deferred outflow of resources would not include the nonemployer contributing entity's payments subsequent to the measurement date to satisfy a contribution receivable recognized by the plan prior to the end of the current measurement period.

- 4.324. Q—A government with a fiscal year-end of June 30, 20X7, makes a payment to a defined benefit OPEB plan on June 15, 20X7, equal to its legally required contributions for the period October 1, 20X6–September 30, 20X7. In the government's June 30, 20X7 financial report, the government's proportionate share of the collective net OPEB liability is measured as of September 30, 20X6. How should the payment to the OPEB plan that is made on June 15, 20X7, be reported in the government's financial statements prepared using the economic resources measurement focus?

A—In the government's financial statements prepared using the economic resources measurement focus, the portion of the payment to the OPEB plan that relates to the period October 1, 20X6–June 30, 20X7, is a contribution subsequent to the measurement date and before the government's fiscal year-end and should be reported as a deferred outflow of resources related to OPEB in accordance with paragraph 125 of Statement 75.

The portion of the payment to the OPEB plan that relates to the period July 1, 20X7–September 30, 20X7, is not a contribution for the period ended June 30, 20X7, and, therefore, it should not be reported as a deferred outflow of resources resulting from contributions subsequent to the measurement date. As such, the portion of the payment to the OPEB plan that relates to the period July 1, 20X7–September 30, 20X7, should be reported as a prepaid amount as of June 30, 20X7.

- 4.325. Q—For its June 30, 20X7 fiscal year-end, a government measures its proportionate share of the collective net OPEB liability as of December 31, 20X6. At June 30, 20X7, legally required contributions for the period January 1, 20X7–June 30, 20X7, have not been made to the OPEB plan. How should those unpaid contributions be reported in the government's financial statements prepared using the economic resources measurement focus?

A—For the unpaid contributions, the government should report a payable and a deferred outflow of resources related to OPEB resulting from contributions subsequent to the measurement date and before the government's fiscal year-end.

Recognition in financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting

- 4.326. Q—If, at the end of the reporting period, benefit payments are due and payable and the OPEB plan's fiduciary net position is sufficient for payment of those benefits, should any portion of a governmental nonemployer contributing entity's proportionate share of the

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collective net OPEB liability be recognized in financial statements prepared using the current financial resources measurement focus?

A—No. In circumstances in which benefit payments are due and payable and the OPEB plan's fiduciary net position is sufficient for payment of those benefits, no portion of the entity's proportionate share of the collective net OPEB liability should be recognized in financial statements prepared using the current financial resources measurement focus.

- 4.327. Q—If, at the end of the reporting period, benefit payments are due and payable and the OPEB plan's fiduciary net position is not sufficient for payment of those benefits, should any portion of a governmental nonemployer contributing entity's proportionate share of the collective net OPEB liability be recognized in financial statements prepared using the current financial resources measurement focus?

A—Yes. In circumstances in which benefit payments are due and payable and the OPEB plan's fiduciary net position is not sufficient for payment of those benefits, the governmental nonemployer contributing entity should recognize an amount equal to its proportionate share of the amount of benefit payments due and payable that exceeds the OPEB plan's fiduciary net position as an OPEB liability in financial statements prepared using the current financial resources measurement focus.

Notes to financial statements and RSI

Governmental nonemployer contributing entities that recognize a substantial proportion of the collective net OPEB liability

Notes to financial statements

- 4.328. Q—If a governmental nonemployer contributing entity employer reports OPEB liabilities that have different measurement dates, is the entity required to update the measures to the same measurement date for purposes of disclosing the OPEB-related measures required by paragraphs 128–133 of Statement 75?

A—No. Information reported in notes about OPEB liabilities focuses on conditions as of the measurement date. As specified by paragraph 127 of Statement 75, the information that is required by paragraphs 128–133 of that Statement should be disclosed for benefits provided through each defined benefit OPEB plan for which the governmental nonemployer contributing entity recognizes a substantial proportion of the collective net OPEB liability. If different measurement dates are used for OPEB provided through different plans, the information in notes for each benefit arrangement should reflect its individual measurement date.

- 4.329. Q—An OPEB plan issues a stand-alone financial report in accordance with Statement 74, as amended, that includes certain information that also is required by Statement 75 to be reported by a governmental nonemployer contributing entity that reports a substantial proportion of the collective net OPEB liability associated with OPEB provided through the plan. For example, the plan discloses information about the assumptions and other inputs that are used in the measurement of the total OPEB liability for the same period that is used as the measurement period by the nonemployer entity. Can the governmental nonemployer contributing entity omit from its report the information included in the OPEB plan's stand-alone report if the entity's report refers to the OPEB plan's stand-alone report?

A—All information required by Statement 75 should be included in the governmental nonemployer contributing entity's financial report. The only item for which Statement 75 permits reference to the OPEB plan's report in place of including the detail in the entity's

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report is the information required by paragraph 132 of Statement 75 about the elements of the OPEB plan's fiduciary net position if the OPEB plan's report is available on the Internet.

OPEB plan description

- 4.330. Q—Should the information that is required by paragraph 128b of Statement 75 about benefit terms be current as of the actuarial valuation date that is used as the basis for the total OPEB liability, the measurement date of the collective net OPEB liability, or the governmental nonemployer contributing entity's fiscal year-end?

A—The requirement in paragraph 128b of Statement 75 is intended to result in the disclosure of information about the benefit terms at the measurement date of the collective net OPEB liability. If a change occurs in the benefit terms between the measurement date and the governmental nonemployer contributing entity's fiscal year-end such that the effect of the change on the governmental nonemployer contributing entity's proportionate share of the collective net OPEB liability is expected to be significant, paragraph 133e of Statement 75 requires information about the change to be disclosed.

- 4.331. Q—Should all contributions made to the OPEB plan by a governmental nonemployer contributing entity during the entity's fiscal year be included in the amount of contributions that paragraph 128c of Statement 75 requires to be disclosed?

A—No. For purposes of paragraph 128c of Statement 75, contributions should include only (a) the amount of actual contributions, which are cash contributions from the nonemployer contributing entity to the OPEB plan that would be recognized as additions from contributions in the OPEB plan's statement of changes in fiduciary net position during the period that coincides with the nonemployer contributing entity's fiscal year, and (b) the amount of contributions from the nonemployer contributing entity to the OPEB plan that would be recognized by the OPEB plan as a current receivable during the period that coincides with the nonemployer contributing entity's fiscal year. This would exclude, for example, payments made to satisfy payables to the OPEB plan that arose in an earlier fiscal year. (See also Question 4.332.)

- 4.332. Q—For purposes of providing information about contributions that is required by paragraph 128c of Statement 75, what should be considered a contribution recognized by the OPEB plan as a current receivable?

A—For purposes of paragraph 128c of Statement 75, current receivables are the portion of OPEB plan receivables that (a) would be recognized as additions from the nonemployer contributing entity's contributions during the nonemployer contributing entity's reporting period and (b) would be collectible within a year as of the end of the nonemployer contributing entity's reporting period. For example, a receivable recognized by the OPEB plan for a nonemployer contributing entity's contributions related to the last month of the nonemployer contributing entity's fiscal year that have not been paid at that date but that are expected to be paid in the following month would be a current receivable of the OPEB plan.

Information about the governmental nonemployer contributing entity's proportionate share of the collective net OPEB liability

The OPEB plan's fiduciary net position

- 4.333. Q—If a governmental nonemployer contributing entity has a special funding situation for OPEB provided through a defined benefit plan for which financial statements are not publicly

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available on the Internet, what information should be disclosed in the nonemployer contributing entity's financial statements regarding the OPEB plan's fiduciary net position?

A—The governmental nonemployer contributing entity should apply paragraph 132 of Statement 75 regarding note disclosures about the OPEB plan's fiduciary net position. That paragraph requires that the entity disclose all information required by Statement 75 and other standards about the OPEB plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position. Therefore, the entity would have to include information in its financial statements to comply with all note disclosure requirements applicable to the OPEB plan. This information includes the information required by Statement 74, as well as information required by other Statements. For example, the nonemployer contributing entity would be required to present information to comply with disclosure requirements related to OPEB plan deposits and investments, including information required by Statements 3, 31, 40, and 72, as amended, as applicable.

Additional information

- 4.334. Q—If a governmental nonemployer contributing entity that reports a substantial proportion of the collective net OPEB liability uses different proportions to determine its share of different pieces of the collective net OPEB liability (for example, for different classes of employees), is the nonemployer contributing entity required to disclose its proportion of the net OPEB liability for each class?

A—No. Paragraph 133a of Statement 75 requires disclosure of only the governmental nonemployer contributing entity's overall proportion of the collective net OPEB liability, with a discussion of the basis on which the proportion is determined.

- 4.335. Q—If a governmental nonemployer contributing entity reports a substantial proportion of a collective net OPEB liability that results from an actuarial valuation that has been updated to the measurement date, what information is the entity required to disclose regarding the update?

A—Information about the measure of the total OPEB liability (for example, the assumptions used in the measurement) should reflect amounts and circumstances as of the measurement date. However, if update procedures were used to develop the measure of the total OPEB liability, paragraph 133b of Statement 75 requires that the governmental nonemployer contributing entity disclose that fact. No other specific information about the update process is required.

- 4.336. Q—If the proportion used to determine a governmental nonemployer contributing entity's proportionate share of the collective net OPEB liability reported in the current period changed from the proportion used to determine the liability reported in the prior period, is the entity required to disclose the effect of the change in proportion on each of the measures reported in its financial statements—that is, its proportionate share of the collective net OPEB liability, deferred outflows of resources related to OPEB, deferred inflows of resources related to OPEB, and OPEB expense?

A—No. Although a change in the entity's proportion affects the amount of the nonemployer contributing entity's proportionate shares of the collective net OPEB liability, deferred outflows of resources related to OPEB, deferred inflows of resources related to OPEB, and OPEB expense, the nonemployer contributing entity is not required to identify the effect of a change in proportion on each of those amounts. Instead, the nonemployer contributing entity should disclose the change in its proportion as required by paragraph 133a of Statement 75 by providing, for example, its former proportion and its new proportion, and it should disclose the portion of its reported balance of deferred outflows of resources or deferred inflows of

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resources that is associated with changes in proportion, as required by paragraph 133g(4) of Statement 75.

- 4.337. Q—What information, if any, is required to be disclosed about a change in a relevant factor that occurs between the measurement date of the collective net OPEB liability and the governmental nonemployer contributing entity's current fiscal year-end?

A—For a change that is expected to have a significant effect on the governmental nonemployer contributing entity's proportionate share of the collective net OPEB liability, in its financial report for the current fiscal year, the nonemployer contributing entity should provide information required by paragraph 133e of Statement 75 about the nature of the change, as well as the amount of the expected impact of the change on the nonemployer contributing entity's proportionate share of the collective net OPEB liability, if known. For example, if a change of benefit terms is made between the measurement date and the end of the nonemployer contributing entity's current fiscal year and an estimate of the effect of the change of benefit terms on the nonemployer contributing entity's proportionate share of the collective net OPEB liability has been made and is evaluated by the entity to be significant, the nonemployer contributing entity should include in note disclosures a brief description of the benefit change and the estimated amount of the expected resultant change in the nonemployer contributing entity's proportionate share of the collective net OPEB liability. (See Questions 4.60 and 4.69 [single or agent] or Questions 4.202 and 4.209 [cost-sharing], as applicable, regarding the timing of the inclusion of the effects of such changes in the collective net OPEB liability.)

- 4.338. Q—For purposes of the disclosure of OPEB expense that is expected to be recognized as a result of amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB as required by paragraph 133h(1) of Statement 75, at what date should the proportion that is applied to calculate the amounts be determined?

A—The amounts of expense disclosed for each of the subsequent periods required by paragraph 133h(1) of Statement 75 should be determined using the governmental nonemployer contributing entity's proportion at the measurement date of the collective net OPEB liability on which the OPEB liability reported by the nonemployer contributing entity in the current period is based.

RSI

Paragraph 134b

- 4.339. Q—Should all contributions made to the OPEB plan by a governmental nonemployer contributing entity during the entity's fiscal year be included in the amount of contributions reported in the schedule of RSI that is required by paragraph 134b of Statement 75, as amended?

A—No. For purposes of paragraph 134b of Statement 75, contributions are amounts that are not associated with separately financed specific liabilities of the individual nonemployer contributing entity and include only the amounts that would be recognized as additions from the nonemployer contributing entity's contributions in the OPEB plan's statement of changes in fiduciary net position during the period that coincides with the nonemployer contributing entity's fiscal year for (a) actual contributions, which are cash contributions from the nonemployer contributing entity to the OPEB plan, and (b) current receivables. This would include, for example, the amount of the entity's legally required contributions that are not associated with a specific liability of the individual entity to the OPEB plan and that would be recognized as a current receivable by the OPEB plan as of the end of the entity's fiscal year. It would exclude, for example, the entity's payments made to satisfy OPEB plan receivables

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that arose in an earlier fiscal year of the entity. (See also Question 4.340 regarding current receivables.)

- 4.340. Q—For purposes of reporting contributions in the schedule of RSI that is required by paragraph 134b of Statement 75, what should be considered a contribution recognized by the OPEB plan as a current receivable?

A—For purposes of paragraph 134b of Statement 75, current receivables are the portion of OPEB plan receivables that (a) would be recognized as additions from the entity's contributions during the nonemployer contributing entity's reporting period, (b) would be collectible within a year, and (c) is not associated with separately financed specific liabilities of the nonemployer contributing entity. For example, a receivable recognized by the OPEB plan for an entity's contributions related to the last month of the entity's fiscal year that have not been paid at that date but that are expected to be paid in the following month would be a current receivable.

- 4.341. Q—If the contribution requirements of a governmental nonemployer contributing entity are determined using an actuarial value of assets that incorporates differences between projected and actual earnings on OPEB plan investments over a three-year period, can that method continue to be used to determine contribution requirements after implementation of Statement 75?

A—Yes. Statement 75 does not establish requirements for the specific methods and assumptions, if any, used for funding purposes. Therefore, an actuarial value of assets can continue to be used for funding purposes. However, for purposes of complying with Statement 75, all changes in the OPEB plan's fiduciary net position, including the full amount of the actual earnings on OPEB plan investments, should be included in the calculation of the collective net OPEB liability and changes in the collective net OPEB liability in the measurement period in which they occur.

- 4.342. Q—Should amounts recognized by an OPEB plan for contributions from a governmental nonemployer contributing entity pursuant to a separately financed liability of the nonemployer contributing entity be included in the amount reported by the nonemployer contributing entity as contributions in relation to statutorily or contractually required contributions, as required by paragraph 134b of Statement 75?

A—No. The measure of the statutorily or contractually required contribution that is required by paragraph 134b(1) of Statement 75 excludes amounts, if any, to separately finance specific liabilities of the individual entity to the OPEB plan. Similarly, the amount of contributions presented in relation to the statutorily or contractually required contribution, as applicable, should exclude amounts recognized as additions to the OPEB plan for separately financed specific liabilities of the individual entity to the OPEB plan.

- 4.343. Q—If statutorily or contractually required contribution rates are established for employers in a cost-sharing OPEB plan and a governmental nonemployer contributing entity in a special funding situation, should the schedule of RSI that presents contributions made as compared to statutorily or contractually required contributions (paragraph 134b of Statement 75) in the financial report of the governmental nonemployer contributing entity include amounts for the employers?

A—No. The schedule should include information about contributions made by, and the statutorily or contractually required contributions of, only the governmental nonemployer contributing entity.

- 4.344. Q—If a governmental nonemployer contributing entity contributes according to a statutorily established rate and that statutorily established rate is actuarially determined, should the governmental nonemployer contributing entity present the schedule required by paragraph 134b of Statement 75?

A—Yes. The schedule required by paragraph 134b of Statement 75 should be presented if the governmental nonemployer contributing entity's contributions are established by statute or contract, regardless of the manner in which the statutorily or contractually required contribution is determined.

Circumstances in Which a Nonemployer Entity's Legal Obligation for Contributions Directly to an OPEB Plan Does Not Meet the Definition of a Special Funding Situation

Employers

See Questions 4.48–4.52, as well as Questions 4.53–4.169 (single and agent employers) or Questions 4.170–4.293 (cost-sharing employers), as applicable.

Governmental Nonemployer Contributing Entities

- 4.345. Q—A governmental nonemployer contributing entity is legally required to make contributions directly to a single-employer defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of Statement 75, but the circumstance does not have the characteristics of a special funding situation. Should the governmental nonemployer contributing entity report a proportionate share of the (collective) net OPEB liability for benefits provided through the OPEB plan?

A—No. Because this circumstance is not a special funding situation, the employer, not the nonemployer contributing entity, should report the OPEB liability for benefits provided through the OPEB plan. The nonemployer contributing entity should apply the requirements in paragraph 139 of Statement 75, which specify that the governmental nonemployer contributing entity should classify those amounts in the same manner as it classifies similar grants to other entities, for example, as aid to local governments.

Payables to a defined benefit OPEB plan—all employers

- 4.346. Q—In a cost-sharing plan, employers' contractually required contributions are based on an actuarially determined contribution rate, but they have the option to pay the required amount in installments over a 10-year period. How should this arrangement be reported by the employers?

A—Each employer should recognize a contribution equal to its contractually required actuarially determined contributions for its fiscal year. At the end of the fiscal year, the unpaid portion of the amount should be reported as a payable in accordance with the requirements in paragraphs 140 and 141 of Statement 75. Each employer also should disclose information required by paragraph 142 of Statement 75 about the significant terms and amount of payables outstanding at the end of its reporting period, as well as an explanation that the payables are a result of electing the option to pay the required contributions in installments.

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OPEB provided through OPEB plans that are not administered through trusts that meet the criteria in paragraph 4 of Statement 75

4.347. Q—How should an employer that provides OPEB through a plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75 and that identifies a portion of the fund balance of one of its governmental funds as held for OPEB purposes report those resources?

A—The employer should report the portion of the governmental fund balance identified for OPEB as restricted, committed, or assigned, as appropriate, to OPEB.

Liabilities to employees for OPEB

Reporting by Primary Governments and Component Units

4.348. Q—OPEB is provided to the employees of a state government and several governments that are component units of the state through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75. In their stand-alone financial reports, should each of the component units report in accordance with paragraphs 144–171 of Statement 75, as amended?

A—No. Paragraph 143 of Statement 75 requires that component units in this circumstance apply the requirements in paragraphs 172–192 of Statement 75, as amended, for their own stand-alone financial reports. (Paragraphs 9, 10, and 17 of Statement 85 also may be applicable.) Only in the financial report of the reporting entity (that is, the financial report that includes both the state and its component units) would note disclosures and RSI be presented in accordance with the requirements in paragraphs 162–171 of Statement 75.

4.349. Q—In the circumstances described in Question 4.348, if the component units do not issue stand-alone financial reports, is a portion of the total OPEB liability required to be allocated to the component units for purposes of the reporting entity's financial report?

A—Yes. The notion of the reporting entity described in Statement 14, as amended, is one in which the financial data of the component units are included with the financial data of the primary government. Regardless of whether the financial data (in this case, the proportionate share of the collective total OPEB liability and related measures) are issued in stand-alone financial reports of the component units, the reporting entity's financial report should include those data as if they had been. Paragraph 143 of Statement 75 requires that in stand-alone financial statements, the component units account for and report their participation in the OPEB plan in accordance with paragraphs 172–192 of Statement 75, as amended. (Paragraphs 9, 10, and 17 of Statement 85 also may be applicable.) Therefore, the financial report of the reporting entity should include the primary government's and the component units' proportionate shares of the collective total OPEB liability and related measures.

4.350. Q—For purposes of applying the requirements in paragraph 143 of Statement 75 regarding the reporting of information about OPEB in the stand-alone reports of a primary government and its component units if those governments provide benefits through the same OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75, does it matter whether the component unit is discretely presented or blended by the primary government?

A—No. For purposes of paragraph 143 of Statement 75, in stand-alone financial reports, the primary government and its component units each should account for and report its participation in the OPEB plan in accordance with paragraphs 172–192 of Statement 75, as

Defined Benefit—Does Not Meet Paragraph 4 of Statement 75 Employers

amended, regardless of whether the component units are discretely presented or blended by the primary government. (Paragraphs 9, 10, and 17 of Statement 85 also may be applicable.)

Use of Disaggregated Measures

See Question 4.429 (primary governments and component units in stand-alone reports for OPEB provided through the same OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75) and Question 4.462 (governmental nonemployer contributing entities in a special funding situation for OPEB provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75).

Amounts Included in Benefit Payments

4.351. Q—A government provides postemployment healthcare benefits through an OPEB plan that is administered through a trust; however, the trust does not meet the criteria in paragraph 4 of Statement 75. The government remits amounts to the trust administrator to provide for claims costs reimbursements to inactive employees. The amounts remitted are sufficient to cover the claims costs expected to be incurred each period and to maintain a reserve for higher-than-expected claims costs. Do the government's remittances to the trust constitute benefit payments for financial accounting purposes?

A—No. The remittance of assets to a trust that is used to administer postemployment benefits but does not meet the criteria in paragraph 4 of Statement 75 should not be accounted for as a benefit payment. In this circumstance, a benefit payment would be reported only for the reimbursement of covered claims costs from the trust to an inactive employee.

4.352. Q—In a risk-retention plan, what amounts should be considered benefit payments for postemployment benefits for financial reporting purposes?

A—In a risk-retention plan, benefit payments for postemployment benefits are the amounts of claims costs paid for inactive employees, net of amounts required to be paid by inactive employees for those benefits. (See also Question 4.373.)

Employers

Recognition and Measurement in Financial Statements Prepared Using the Economic Resources Measurement Focus and Accrual Basis of Accounting—Employers That Do Not Have a Special Funding Situation

Total OPEB liability

4.353. Q—What guidance does Statement 75 provide regarding recognizing a portion of the total OPEB liability for benefits provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75 in fund financial statements if a portion of the total OPEB liability will be paid from an enterprise, internal service, or fiduciary fund?

A—Except for blended component units, which are discussed in Questions 4.349 and 4.350, Statement 75 does not establish specific requirements for allocation of the total OPEB liability or other OPEB-related measures to individual funds. However, for proprietary and fiduciary funds, consideration should be given to paragraph 42 of NCGA Statement 1, as amended, which requires that long-term liabilities that are “directly related to and expected to be paid from” those funds be reported in the statement of net position or statement of fiduciary net position, respectively.

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Measurement date

- 4.354. Q—If an employer participates in more than one defined benefit OPEB plan, is the employer required to use the same measurement date for each (collective) net OPEB liability and (collective) total OPEB liability?

A—No. Paragraphs 24 and 143 of Statement 75 specify that the requirements of that Statement related to liabilities to employees for OPEB, which include the provisions of the Statement for the selection of the measurement date of the (collective) net OPEB liability or (collective) total OPEB liability, should be applied separately to the OPEB provided through each defined benefit OPEB plan. Therefore, provided that the measurement date for each (collective) net OPEB liability or (collective) total OPEB liability meets the requirements of Statement 75, the related OPEB liabilities presented in an employer's financial report can have different measurement dates. For example, in financial statements for its fiscal year ended June 30, 20X7, an employer can report a total OPEB liability with a measurement date of June 30, 20X7, for OPEB provided through OPEB Plan A and a proportionate share of the collective net OPEB liability with a measurement date of March 31, 20X7, for OPEB provided through cost-sharing OPEB Plan B. (See Question 4.411 regarding note disclosure requirements if different measurement dates are used.)

Timing and frequency of actuarial valuations

- 4.355. Q—Is the actuarial valuation date required to have the same relationship to the measurement date in each reporting period (or, for employers that have biennial actuarial valuations, to the measurement date in every other reporting period)?

A—No. Unlike the measurement date of the total OPEB liability, which is required to maintain the same relationship with the employer's fiscal year-end from period to period (for example, in every year, the employer uses a measurement date of June 30 of the prior fiscal year), the date of the actuarial valuation that is used to determine the employer's total OPEB liability at the measurement date can vary from period to period (or every 2 periods if biennial valuations are used) provided that it is within 30 months and 1 day of the employer's fiscal year-end.

- 4.356. Q—What is the earliest date of an actuarial valuation that can be used as the basis for determining the total OPEB liability reported by an employer at its June 30, 20X7 fiscal year-end?

A—Paragraph 147 of Statement 75 permits use of an actuarial valuation as of a date 30 months and 1 day earlier than the employer's most recent fiscal year-end as the basis for the total OPEB liability. Therefore, in its June 30, 20X7 financial statements, the employer can use the results of an actuarial valuation as of December 31, 20X4, or later.

- 4.357. Q—The measurement date for the total OPEB liability of an employer is June 30. Actuarial valuations of the total OPEB liability are obtained annually as of December 31, and the results from the mid-year actuarial valuation are updated to June 30. Are there specific procedures that are required for an update for financial reporting purposes?

A—No. Statement 75 does not establish specific procedures for this purpose. Therefore, professional judgment should be applied to determine the extent of procedures necessary to faithfully represent the total OPEB liability as of the measurement date. In all circumstances, the total OPEB liability should include all significant effects of transactions and other events between the actuarial valuation date and the measurement date. In some circumstances, for example, if there are few differences between expected and actual experience, no changes in benefit terms, and no circumstances suggesting that a significant change of assumption is needed, it might be reasonable to roll forward the results of the mid-year actuarial valuation

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to the measurement date with few adjustments. However, in other circumstances, more significant adjustments might be necessary to update the results of the mid-year actuarial valuation to the measurement date. (See Question 4.358 for examples of events that might have a significant effect on the total OPEB liability.) The Statement also requires that in evaluating the extent of procedures necessary to update the measure to the measurement date, among the factors that should be considered is whether a new actuarial valuation is needed for this purpose. (See Question 4.415 regarding note disclosures when update procedures are used.)

- 4.358. Q—What are some examples of transactions or other events that can occur between the actuarial valuation date and the measurement date that might have a significant effect on the total OPEB liability?

A—A change in the total OPEB liability can arise from a single factor or a combination of factors. Some examples of circumstances that might have a significant effect on the total OPEB liability for benefits provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75 include a change of benefit terms, a change in the size or composition of the covered group, and a change in the municipal bond yield.

- 4.359. Q—If a change occurs in a factor relevant to measurement of the total OPEB liability between the measurement date of the total OPEB liability and the employer's current fiscal year-end, should the total OPEB liability that is reported by the employer in its current fiscal year be updated to include the effects of the change?

A—No. The employer should report the total OPEB liability determined as of the measurement date. The effects on the total OPEB liability of a change that occurs subsequent to the measurement date of the total OPEB liability reported in the current fiscal year should be reflected in the total OPEB liability as of the next measurement date—that is, in the employer's next fiscal year. (See Question 4.416 regarding note disclosures related to changes subsequent to the measurement date.)

- 4.360. Q—If actuarial valuations are performed biennially, does Statement 75 require an update to the total OPEB liability in the intervening year for purposes of financial reporting by an employer that provides benefits through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75?

A—Yes. The total OPEB liability reported in such an employer's financial statements should be a new measure each year, based either on a new actuarial valuation as of the measurement date or on an actuarial valuation performed as of a date no earlier than 30 months and 1 day prior to the end of the employer's fiscal year that is updated to the measurement date. If update procedures are used and significant changes occur in, for example, benefits, the covered population, or other factors affecting the valuation results between the actuarial valuation date and the measurement date of the total OPEB liability, professional judgment should be used to determine the extent of the procedures needed to roll forward the measurement of the total OPEB liability, and consideration should be given to whether a new actuarial valuation is needed. (See also Question 4.357.)

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Projection of benefit payments

The substantive plan and historical pattern of sharing of benefit-related costs between the employer and inactive employees

4.361. Q—What is meant by the term *substantive plan* in paragraph 149 of Statement 75?

A—The term *substantive plan* is used to describe the terms of the OPEB plan as they are understood by the employer and employees. As noted in paragraph 149 of Statement 75, the substantive plan may differ from the benefit terms that are described in a written document. (See Question 4.362.)

4.362. Q—How does the substantive plan for financial reporting purposes relate to the written plan?

A—If a comprehensive plan document exists, that document may provide the best evidence of what the substantive plan is. However, in some cases, there may not be a comprehensive plan document that fully and accurately reflects the understanding of benefit terms by the parties. For example, a plan document may state generally that the employer will provide postemployment healthcare benefits but not specify the types or levels of benefits, the eligibility requirements, or the periods over which the benefits will be provided—or the employer may have a long-established practice of providing benefits in addition to what is stated in an original plan document. Accordingly, other information should be considered when determining the basis for the projection of benefit payments for financial reporting purposes. This includes other communications between the employer and the employees and the historical pattern of practice with regard to the sharing of benefit-related costs with inactive employees.

4.363. Q—Should OPEB be excluded from the determination of the actuarial present value of total projected benefit payments for purposes of applying Statement 75 for any of the following reasons: (a) the benefits are not vested, (b) the plan documents include a provision that specifies that the employer can unilaterally decide to amend or discontinue the benefits, (c) the benefits are collectively bargained, or (d) the benefits are substantially financed as they come due (sometimes referred to as “pay-as-you-go” financing)?

A—No. The projection of benefit payments should include all benefits provided for under the substantive plan, including changes that already have been announced to the employees at the measurement date, regardless of whether those changes will not begin to affect benefit payments until a future period. The projection should include both vested and nonvested employees that are provided with benefits through the plan, considering relevant demographic assumptions with regard to all such employees, and the requirements of Statement 75 related to the projection of benefit payments apply without regard for the timing or method of an employer’s financing of the benefits.

4.364. Q—Should the projection of benefit payments include the portion of the total benefit-related costs that is expected to be paid by inactive employees as a condition of receiving OPEB—for example, the benefit terms require that inactive employees pay a portion of the insurance premiums associated with their postemployment healthcare benefit and the inactive employees are not reimbursed by the employer or a nonemployer contributing entity for those amounts?

A—Generally, no. The projection of benefit payments should exclude amounts that are expected to be paid by inactive employees through the sharing of benefit-related costs to the extent that those amounts are consistent with an established pattern of practice or other provisions of the substantive plan for OPEB. (See also Question 4.374.)

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- 4.365. Q—In determining the actuarial present value of total projected benefit payments, may the projection include the effects of contemplated future changes in the types or level of postemployment benefits (for example, dental benefits or prescription drug coverage) that the employer will provide?

A—No. The projection of benefit payments should include all types and levels of postemployment benefits provided under the substantive plan. The substantive plan includes the benefits as they are understood by the employer and employees. (See Question 4.361.) Therefore, the projection of benefits would include the effects of any changes that already have been announced to employees at the measurement date, regardless of whether those changes will not begin to affect benefit payments until a future period. Changes of benefit terms that are contemplated for the future should not be incorporated into the projection of benefit payments until those changes are part of the substantive plan.

- 4.366. Q—If postemployment healthcare benefits are limited by the amount of funding approved by the legislature on an annual basis, how would this affect the projection of benefit payments for purposes of applying Statement 75?

A—The necessity of annual authorization of funding as part of the legislative budget process should not limit the projection of benefit payments, as such. However, the funding decisions made by the legislature or other governing body over time do enter into the projection of benefit payments to the extent that those decisions play a role in establishing and continually modifying the pattern of sharing of benefit-related costs between the employer and inactive employees.

- 4.367. Q—A state statute provides that if certain specified conditions arise, the administrator of the state's retiree healthcare plan is required to make changes to the plan. From time to time, in compliance with that statute, the OPEB plan administrator adopts changes to the OPEB plan's benefit terms. At what point in time should anticipated changes to the OPEB plan's benefit terms be included in the projection of benefit payments for purposes of Statement 75?

A—Paragraph 149 of Statement 75 requires that projected benefit payments include all benefits in accordance with the benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. In addition, that paragraph requires that the projection include consideration of the established pattern of the sharing of benefit-related costs between the employer and inactive employees. To the extent that the effects of the anticipated benefit changes are determined to be part of an established pattern of the sharing of benefit-related costs with inactive employees, those effects should be considered in the projection of benefit payments beginning in the period in which that determination is made. Any portion of the expected effects of the anticipated benefit changes that is not determined to be part of the pattern of sharing of benefit-related costs with inactive employees is not part of the substantive plan until the benefit change has been adopted. Therefore, although the state statute requires a change in benefit terms in the future if certain conditions arise, those effects of anticipated changes should not be incorporated into the projection of benefit payments for purposes of Statement 75 until the OPEB plan's fiscal year-end in which the benefit change has been adopted, that is, the benefit change is part of the substantive plan.

- 4.368. Q—A local school district provides defined benefit postemployment healthcare. In 3 of the past 10 years, the district has offered voluntary early termination incentives that included additional postemployment healthcare benefits to employees that accepted the district's offer to take early retirement by the end of the school year. The incentive has been provided in the form of a reduction in inactive employees' share of insurance premiums. Because the termination benefits affect the district's existing total OPEB liability, the district includes the termination benefits in the measurement of its OPEB liability in accordance with the

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requirements of Statement 47, as amended, and Statement 75. Should such ad hoc increases in the district's total OPEB liability as a result of voluntary termination incentive programs be viewed as part of a "pattern of practice with regard to the sharing of benefit-related costs with inactive employees" as referred to in paragraph 149 of Statement 75?

A—No. Paragraph 149 of Statement 75 refers to a pattern of sharing of benefit-related costs with inactive employees related to the underlying objective of OPEB—providing compensation for services. In the circumstances cited in this question, the employer's history of providing additional benefits from time to time reflects a different objective—providing an incentive for early termination of services. Therefore, such actions should not be viewed as part of the pattern of sharing of benefit-related costs for purposes of financial reporting of OPEB.

Postemployment benefit changes

- 4.369. Q—A defined benefit OPEB plan's enabling statute provides that the plan's administrative board can annually authorize a postemployment benefit increase not to exceed a specified percentage increase or the change in a specified price index, whichever is lower. The maximum allowable increase has always been authorized. Should the effects of this provision be included in the projection of future benefit payments?

A—This postemployment benefit change is not automatic because approval of the plan's administrative board is required to authorize the benefit increase. Therefore, the effects of the postemployment benefit change provision should be included in the projection of future benefit payments only if the provision is evaluated to be *substantively automatic*. Footnote 23 of Statement 75 identifies some of the factors that might be relevant in making this determination—the historical pattern of granting the changes, the consistency in the amounts of the changes or in the amounts of the changes relative to a defined cost-of-living or inflation index, and whether there is evidence to conclude that changes might not continue to be granted in the future despite what might otherwise be a pattern that would indicate such changes are substantively automatic.

- 4.370. Q—When should the effects of an ad hoc postemployment benefit change that is determined not to be substantively automatic be included in the projection of future benefit payments?

A—If an ad hoc postemployment benefit change is determined not to be substantively automatic, the effects of the postemployment benefit change should be included in the projection of benefit payments for measurement of the total OPEB liability as of the first measurement date at which the ad hoc postemployment benefit change has been granted and the amount is known or reasonably estimable.

- 4.371. Q—A collective-bargaining agreement that includes a provision for a postemployment benefit change has been made prior to the measurement date of the total OPEB liability. However, the change does not go into effect until after the current measurement date. Should the change in projected benefit payments as a result of this agreement be included in the measurement of the total OPEB liability?

A—Yes. The actuarial present value of projected benefit payments should include benefits to be provided pursuant to a contractual agreement, including a collective-bargaining agreement, that is in effect at the measurement date. In other words, the issue is whether the *agreement* is in effect at that date, not whether the benefits included in the agreement will begin to accrue or begin to be paid by that date.

- 4.372. Q—A collective-bargaining agreement that includes a provision for a postemployment benefit change has been made *after* the employer's June 30, 20X7 measurement date. Should the

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change in projected benefits as a result of that agreement be included in the measurement of the total OPEB liability at June 30, 20X7?

A—No. Paragraph 149 of Statement 75 requires that projected benefit payments 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.” Because the *agreement* was not in effect at June 30, 20X7, the effect of the change of benefit terms should not be included in the total OPEB liability measured as of that date. (See also Question 4.416 regarding note disclosures related to changes subsequent to the measurement date.)

Administrative costs

4.373. Q—Paragraph 150 of Statement 75 specifies that “administrative costs associated with providing OPEB should be excluded from projected benefit payments” for purposes of determining the total OPEB liability. With regard to postemployment healthcare benefits, should amounts that are directly related to the payment of medical claims, such as third-party claims-administration fees, be classified as administrative costs?

A—No. Amounts that are directly related to the payment of medical claims should be classified as benefit payments. Certain other items should be classified as administrative costs and, therefore, excluded from the projection of benefit payments in accordance with paragraph 150 of Statement 75. Such items are costs that are related to the OPEB plan’s administrative operations and that are not reported as investment expense—for example, certain salaries and payroll taxes, and attorney and consultant fees.

Projecting postemployment healthcare benefits based on claims costs or age-adjusted premiums approximating claims costs

4.374. Q—An employer provides healthcare benefits to (a) active employees and (b) retirees (who are classified as inactive employees for purposes of Statement 75). The amounts to be paid by the employer, active employees, and inactive employees receiving benefits are stated in terms of the blended premium rates for all covered individuals. For purposes of calculating the total OPEB liability, should the projection of benefit payments be based on the difference, if any, between the blended premium rates for a period and the amounts required to be paid by the inactive employees for the period?

A—Generally, no. Except in the limited circumstances addressed in ASOP 6, the total OPEB liability should be measured based on the difference between (a) the claims costs, or age-adjusted premiums approximating claims costs, for the inactive employees in the group for the period and (b) the amounts required to be paid by the inactive employees for that period. (Examples of this approach are presented in Illustration B1 in nonauthoritative Appendix B of this Implementation Guide.)

4.375. Q—With regard to the scenario in Question 4.374, if the employer’s stated payment for the active-employee healthcare benefits is capped and the employees are required to pay the difference, if any, between the blended premium and the amount of the employer’s stated payment, would the active employees be subsidizing the inactive-employee benefits?

A—Only if the amounts expected to be paid by active employees exceed the expected claims costs, or age-adjusted premiums approximating claims costs, on an ongoing basis can it be concluded that the active employees are subsidizing the inactive-employee healthcare benefit. Otherwise, the amount of the benefit payments that is used as the basis for the projection of the total OPEB liability is determined in the manner discussed in Question 4.374. That is, generally, the first step is to determine the claims costs, or age-adjusted premiums approximating claims costs, for inactive employees for the period. The second step is to

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subtract the amounts paid by the inactive employees for the period from their claims costs, or age-adjusted premiums approximating claims costs. (Examples of this approach are presented in Illustration B1 in nonauthoritative Appendix B of this Implementation Guide.)

- 4.376. Q—For purposes of Statement 75, is there an effect on the projection of benefit payments if the benefit payments are implicit (sometimes referred to as an “implicit rate subsidy”) rather than explicit?

A—Generally, no. Except in the limited circumstances addressed in ASOP 6, the difference between claims costs, or age-adjusted premiums approximating claims costs, for inactive employees and the amounts paid by those individuals should be the basis for the projection of benefit payments for OPEB. This is the case regardless of the manner in which the benefit is described or incurred.

Benefit caps

- 4.377. Q—Under what conditions should a legal or contractual cap on benefit payments to be provided in the current year be taken into consideration in projecting the benefit payments to be provided in future periods?

A—A legal or contractual cap on benefit payments that is established to limit an employer’s obligation for OPEB should be factored into the projection of benefit payments if both of the following conditions apply:

- a. The cap sets an upper limit on the benefit payments to be provided to inactive employees each period.
- b. The cap is assumed to be effective, taking into consideration all relevant facts and circumstances, including the employer’s record of enforcing the cap in the past. (For example, has the employer ever previously increased the benefit cap when the original capped amount was reached?)

- 4.378. Q—If a legal or contractual cap on benefit payments meets the two conditions identified in the answer in Question 4.377, what is the assumed effect on benefits that are projected to be paid at or after the point that the benefit payments reach an effective benefit cap?

A—If a legal or contractual cap on benefit payments meets the two conditions identified in the answer in Question 4.377, the benefit payments for OPEB each period should be projected to increase based on continuation of the historical pattern of sharing of benefit-related costs between the employer and the inactive employees up to the point at which the benefit payments reach the capped amount. From that point forward, the benefit should be projected to not exceed the capped amount.

Discount rate

- 4.379. Q—As of what date should the municipal bond yield or index rate that is used as the discount rate be determined—the valuation date or the measurement date?

A—The municipal bond yield or index rate should be determined as of the measurement date. If the actuarial valuation to determine the total OPEB liability is performed earlier than the measurement date, consideration should be given to changes in the municipal bond yield or index rate to evaluate whether those changes should be reflected in the total OPEB liability at the measurement date, either through update procedures or through a new actuarial valuation. (See Question 4.357 for a discussion of update procedures.)

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Attribution of the actuarial present value of projected benefit payments to periods

4.380. Q—In what way are multiple exit ages considered in the attribution of the actuarial present value of projected benefit payments to periods for financial reporting purposes?

A—Generally, unless the alternative measurement method is used to measure the total OPEB liability, the end point of the attribution period would not be a single age or single date. Rather, assumptions are made as to when employees will exit from active service. Examples of events that might result in an employee's exit from active service are the termination of employment, incurrance of a disability, retirement, and death. Assumptions about events that result in exit from active employment are expressed as the probability of the occurrence of the triggering event based on, for example, the employee's age or number of years of service. Those probabilities are applied to all projected ages/years of service of an employee, resulting in multiple exit ages for each employee.

4.381. Q—If an employee that is provided with OPEB is inactive but is expected to return to work for the employer, should the attribution period for the employee extend over expected future years of service?

A—Yes, generally an inactive employee that is expected to return to service for the employer would be assumed to have exit ages that extend through future periods. Therefore, to meet the requirement in paragraph 156d of Statement 75, the attribution period generally should extend through all of the employee's assumed ages of exit from active service. (See also Question 4.383.)

4.382. Q—Benefit terms provide that an employee is eligible for OPEB only after completing 10 years of active service and that after meeting the service requirement, the employee is fully eligible for benefits. Should a portion of the actuarial present value of projected benefit payments be attributed to only the first 10 years of an employee's expected service life, or should the attribution period include all periods within an employee's projected service life?

A—The exchange of benefits for services generally is viewed as related to an employee's entire career. Therefore, the attribution period should include all periods of an employee's projected service for an employer that provides benefits through the OPEB plan, regardless of whether additional benefits are expected to be earned after eligibility requirements are fulfilled.

4.383. Q—If the OPEB plan terms specify that an employee and the employee's beneficiaries, spouse, and other dependents become ineligible for all benefits upon the employee attaining a specified age but there is an expectation that the employee will continue to be employed past that age, should the attribution period include employment periods in which the employee and the employee's beneficiaries, spouse, and other dependents will no longer be eligible for benefits?

A—No. For purposes of Statement 75, the employee's active service under the plan terms does not extend past the point at which the employee and the employee's beneficiaries, spouse, and other dependents become ineligible to receive all benefits. That is, at that point, the employee ceases to be a plan member. Therefore, the attribution period should not include employment periods after the employee and the employee's beneficiaries, spouse, and other dependents become ineligible for all benefits. Consequently, for purposes of paragraph 156d of Statement 75, the date at which the employee and the employee's beneficiaries, spouse, and other dependents become ineligible to receive all benefits under the plan terms should be the employee's last assumed date of exit from active service. For example, in an OPEB plan that provides only healthcare, if the plan terms provide that an employee and the employee's beneficiaries, spouse, and other dependents are eligible to receive postemployment healthcare benefits only until the employee is age 65, the end of

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the attribution period is the date at which the employee will attain age 65, regardless of whether the employee is expected to remain employed past that date.

- 4.384. Q—If there is a DROP for pensions but no such program for OPEB, should the attribution period for determining the total OPEB liability end at the assumed date of entrance into the pension DROP?

A—No. An employee's date of exit from active service for purposes of attributing the present value of projected benefit payments for OPEB should be determined based on the expectation of the employee's active service for purposes of the OPEB plan. Therefore, an employee that is expected to participate in the pension DROP could be assumed to be "retired" for purposes of the pension attribution but active for purposes of the OPEB attribution.

OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB, and support of nonemployer contributing entities

Changes in the total OPEB liability

See also Question 4.492 for a discussion of the requirements in paragraph 157 of Statement 75 in circumstances in which the alternative measurement method is used to measure the total OPEB liability.

- 4.385. Q—At its December 31, 20X7 fiscal year-end, an employer recognizes a total OPEB liability with a measurement date of June 30, 20X7. For purposes of reporting OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB, over what period should changes in the total OPEB liability be determined?

A—The changes in the total OPEB liability to be recognized in accordance with paragraph 157 of Statement 75 are those occurring since the last measurement date—that is, the measurement period. In this circumstance, the measurement period includes all changes after June 30, 20X6 (the prior-year measurement date) and through June 30, 20X7 (the current-year measurement date). With the exception of amounts paid by the employer for OPEB as the benefits come due subsequent to the measurement date of the total OPEB liability and before the end of the reporting period (excluding amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation) and amounts incurred by the employer for OPEB administrative expense subsequent to the measurement date of the total OPEB liability and before the end of the reporting period, which are required by paragraph 159 of Statement 75 to be reported as deferred outflows of resources related to OPEB at the end of the reporting period, changes in the total OPEB liability that occur after the measurement date are not accounted for until the next fiscal year. (See also Question 4.416 regarding note disclosures about changes subsequent to the measurement date.)

- 4.386. Q—Should the balances of deferred outflows of resources and deferred inflows of resources related to OPEB be adjusted for interest?

A—No. All changes, including interest on the total OPEB liability, are included in the total OPEB liability. Therefore, interest should not be separately calculated on the balances of deferred outflows of resources and deferred inflows of resources related to OPEB.

- 4.387. Q—Should balances of deferred outflows of resources and deferred inflows of resources arising from a single source—that is, from differences between expected and actual

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experience with regard to economic or demographic factors or changes of assumptions—in different periods be reported as separate amounts or net of each other?

A—Consistent with the requirements in paragraph 157a of Statement 75, balances of deferred outflows of resources and deferred inflows of resources arising from differences between expected and actual experience in different periods should not be reported net. Similarly, balances of deferred outflows of resources and deferred inflows of resources arising from changes of assumptions in different periods should not be reported net.

- 4.388. Q—For purposes of determining OPEB expense, should the balances of deferred outflows of resources or deferred inflows of resources arising from a single source—for example, differences between expected and actual experience with regard to economic or demographic factors—in different periods be aggregated?

A—No. For purposes of determining OPEB expense, records of the closed-period “layers” arising in each year, as well as the period over which each of the layers is required to be recognized in OPEB expense, are needed. However, for presentation in notes to financial statements, the layers of deferred outflows of resources should be aggregated to present balances of deferred outflows of resources by source, and the layers of deferred inflows of resources should be aggregated to present balances of deferred inflows of resources by source.

- 4.389. Q—For the measurement period ended June 30, 20X7, can the portion of the change in the total OPEB liability attributable to service cost be calculated based on the results of the actuarial valuation used to determine the prior year’s total OPEB liability with a measurement date of June 30, 20X6?

A—Yes. Use of a service cost measure based on the results of the actuarial valuation that determined the beginning total OPEB liability for the reporting period is consistent with the requirement to calculate interest on the total OPEB liability over the period. Interest on service cost should be included in the amount reported as interest on the total OPEB liability. (See Question 4.390.)

- 4.390. Q—If the approach described in Question 4.389 is used to determine the service cost for the measurement period ended June 30, 20X7, should the amounts identified as interest on the total OPEB liability be calculated on the beginning total OPEB liability, adjusted for service cost and *actual* benefit payments, or should *projected* benefit payments from the actuarial valuation that is used to determine the service cost be used for purposes of the adjustment?

A—Interest on the total OPEB liability should be determined based on the beginning total OPEB liability, adjusted for service cost and *actual* benefit payments.

- 4.391. Q—How should the effects of an ad hoc postemployment benefit change for inactive employees be classified for purposes of determining OPEB expense if the effects of the change were not included in the present value of projected benefit payments as of the prior measurement date because the postemployment benefit change was not determined to be substantively automatic?

A—The effects of such an ad hoc postemployment benefit change should be recognized in OPEB expense for the reporting period in which the change in the total OPEB liability is recognized, as required by paragraph 157 of Statement 75.

- 4.392. Q—The effects of a postemployment benefit increase that was determined to be substantively automatic were included in the present value of projected benefit payments in the total OPEB liability as of the prior measurement date. The postemployment benefit

**Defined Benefit—Does Not Meet Paragraph 4 of Statement 75
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increase was not provided in the current measurement period. At the current measurement date, the postemployment benefit increase still is determined to be substantively automatic. In this circumstance, how should the effects on the total OPEB liability that result from not providing the postemployment benefit increase be classified for purposes of determining OPEB expense?

A—The effects on the total OPEB liability that result from not providing the postemployment benefit increase should be accounted for as a difference between expected and actual experience.

- 4.393. Q—Would the answer to Question 4.392 be different if, at the current measurement date, the postemployment benefit increase is no longer considered to be substantively automatic?

A—No. The effects on the total OPEB liability that result from the postemployment benefit increase not being provided in the current measurement period should be classified as a difference between expected and actual experience, even if the postemployment benefit increase is determined to no longer be substantively automatic at the current measurement date.

The reclassification of the postemployment benefit increase during the measurement period as ad hoc rather than as substantively automatic is a separate event, and the effects of that reclassification on the total OPEB liability should be accounted for as a change of benefit terms, which is required by paragraph 157 of Statement 75 to be recognized in OPEB expense in the reporting period in which the total OPEB liability recognized by the employer reflects the change.

- 4.394. Q—If the terms of a defined benefit OPEB plan are amended and a change of assumption is made as a direct result of the amendment, should the effect of the change of assumption on the total OPEB liability be included with the effect of the change of benefit terms for purposes of determining OPEB expense?

A—Yes. Although, generally, the effect of a change of assumption on the total OPEB liability should be separated from the effect of a change of benefit terms, in circumstances in which the change of assumption is adopted as a direct result of the change of benefit terms, the effect of the change of assumption should be classified as a component of the change of benefit terms. For example, if the minimum eligibility age in a plan is modified, changes of assumptions about the rates at which active employees will become eligible to receive benefits that are made to adjust for the change of benefit terms would be directly related to the benefit change. Although mathematically separable, if the change of assumptions would not have occurred in the absence of the change of benefit terms, the change of assumptions is, in substance, a component of the change of benefit terms, and the effects of the change should be included in the effects of a change of benefit terms.

In contrast, if at the same actuarial valuation date, a change is made to mortality assumptions based on the results of a recent experience study and mortality rates are not associated with the eligibility age, the effect of the change of mortality assumption would not be directly related to the change of benefit terms and should be classified as a change of assumption.

- 4.395. Q—How should the effects on the total OPEB liability of a change in the municipal bond yield or index rate that is used as the discount rate be classified?

A—The municipal bond yield or index rate is an *other input*, as the term is used in paragraph 157a of Statement 75. Therefore, a change in the total OPEB liability arising from a change in the discount rate should be accounted for as a change of an other input.

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- 4.396. Q—If an employer purchases an allocated insurance contract that meets the criteria in paragraph 154 of Statement 75, how should the effects on the total OPEB liability be classified for purposes of expense recognition?

A—The purchase of the allocated insurance contract results in a reduction in the total OPEB liability due to benefit payments. If there is a difference between the amount for the contract and the amount of the actuarial present value of projected benefit payments that is removed from the total OPEB liability as a result of the purchase, that amount should be classified as a difference between expected and actual experience.

- 4.397. Q—An employer provides healthcare benefits to (a) active employees and (b) retirees (who are classified as inactive employees for purposes of Statement 75). The amounts to be paid by the employer, active employees, and inactive employees receiving benefits are stated in terms of the blended premium rates for all covered individuals. What amount of the total current-period (blended) premiums for active employees and inactive employees should be classified as benefit payments for postemployment healthcare?

A—Of the total current blended premiums, the amount that should be classified as benefit payments for postemployment healthcare generally should be the difference between (a) the total claims costs, or age-adjusted premiums approximating claims costs, for the inactive employees in the group for the measurement period and (b) the amounts required to be paid by the inactive employees for that period. If the total of the blended premiums for the employer's active employees and inactive employees differs from the total of the claims costs, or age-adjusted premiums approximating claims costs, for the employer's active employees and inactive employees, any portion of the difference that is not specifically identifiable with payments for active employees or payments for inactive employees should be allocated between the employer's payments for active-employee healthcare and the employer's benefit payments for postemployment healthcare. Statement 75 does not establish a requirement for a specific allocation approach for those amounts. Therefore, an accounting policy should be adopted related to the allocation, and that policy should be applied in a consistent manner from period to period.

- 4.398. Q—If the alternative measurement method is not used to determine the total OPEB liability, can an employer apply a method for recognition of OPEB expense for differences between expected and actual experience or changes of assumptions or other inputs that would result in all of the amount being recognized in the year in which the change is reflected in the total OPEB liability or all of the amount being recognized in the final year of the recognition period required in paragraph 157a of Statement 75?

A—No. In accordance with paragraph 157a of Statement 75, if the alternative measurement method is not used to measure the total OPEB liability, changes in the total OPEB liability arising from differences between expected and actual experience or changes of assumptions or other inputs are required to be recognized using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the plan (active employees and inactive employees), determined at the beginning of the measurement period. Recognizing all of the change associated with these events in the OPEB expense of a single year is inconsistent with that provision of Statement 75.

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- 4.399. Q—Paragraph 157a of Statement 75 requires that certain changes in the total OPEB liability be recognized in OPEB expense over specified periods using a systematic and rational method. What are examples of systematic and rational methods?

A—The simplest systematic and rational method is the straight-line method. The level-percentage-of-payroll method is another example of a systematic and rational attribution method. However, any systematic and rational method can be used.

- 4.400. Q—If changes in the total OPEB liability arising from differences between expected and actual experience or a change of assumption or other input occur only in the portion of the total OPEB liability associated with active employees, can the changes be recognized in OPEB expense over the average of the expected remaining service lives of active employees?

A—No. Paragraph 157a of Statement 75 requires differences between expected and actual experience and changes of assumptions to be recognized in OPEB expense over the average of the expected remaining service lives of *all* employees—active employees and inactive employees—regardless of whether the change is directly associated with certain individual employees. (The preceding answer applies only if the alternative measurement method is not used to measure the total OPEB liability. See Question 4.492 if the alternative measurement method is used.)

- 4.401. Q—Over what period should a change in the total OPEB liability arising from differences between expected and actual experience or changes of assumptions or other inputs be recognized in OPEB expense if the average of the expected remaining service lives of employees is less than one year as of the beginning of the measurement period, for example, as might occur in a closed plan?

A—In this circumstance, changes in the total OPEB liability arising from differences between expected and actual experience or changes of assumptions should be recognized in OPEB expense over one period. This results in all changes in the total OPEB liability being recognized in OPEB expense in full in the reporting period in which they are reflected in the total OPEB liability reported by the employer.

- 4.402. Q—In determining the average of the expected remaining service lives of employees for purposes of measuring OPEB expense, should the probabilities of different decrements, such as disability, death, retirement, or separation from service, be considered?

A—Yes. OPEB expense and the total OPEB liability are related measures, and application of the requirements of Statement 75 for attribution of the present value of projected benefit payments to periods generally would result in consideration of the probability of various decrements for purposes of determining the total OPEB liability. (See Question 4.380.) Because probabilities of decrements are required to be considered relative to expected service lives when measuring the total OPEB liability, it would be inconsistent to omit consideration of those events when measuring the average of the expected remaining service lives for use in determining OPEB expense.

- 4.403. Q—Does the answer in Question 4.402 mean that the number of employees that should be included in the denominator of the calculation of the average of the expected remaining service lives of employees for purposes of measuring OPEB expense should incorporate weighting by probabilities of receiving benefit payments?

A—No. Each individual that is a plan member at the measurement date should be counted as one in the denominator for purposes of determining the average.

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- 4.404. Q—Can the period over which deferred outflows of resources and deferred inflows of resources related to OPEB arising from changes in the total OPEB liability are recognized in expense be calculated as a weighted average of the expected remaining service lives of the employees provided with benefits through the plan?

A—No. Statement 75 requires that the period be equal to the average of the expected remaining service lives of employees that are provided with benefits through the plan. For this purpose, the average should incorporate an expected remaining service life for each active and inactive employee, and each employee's expected remaining service life should not be weighted by any factor. (The preceding answer applies only if the alternative measurement method is not used to measure the total OPEB liability. See Question 4.492 if the alternative measurement method is used.)

- 4.405. Q—If a retiree is deceased but the retiree's dependent is receiving OPEB payments through the OPEB plan, should the dependent be included in the count of the number of employees that is used to determine the average of the expected remaining service lives of employees?

A—Yes. Inactive employees include retirees or their beneficiaries currently receiving benefits. The dependent of a deceased retiree is a beneficiary if the dependent receives benefits through the OPEB plan and should be included in the count of employees for purposes of determining the average of the expected remaining service lives of employees. However, only one dependent of a deceased retiree should be included in the count of the number of employees for this purpose.

- 4.406. Q—Paragraph 157b of Statement 75 requires that an employer not recognize OPEB expense for amounts paid by the employer for OPEB as the benefits come due during the measurement period. How should an employer account for those amounts?

A—Amounts paid by an employer for OPEB as the benefits come due during the measurement period should be accounted for by the employer as a reduction of the total OPEB liability. (See Questions 4.408 and 4.409 regarding accounting for an employer's amounts for OPEB subsequent to the measurement date.)

- 4.407. Q—How should an employer classify revenue that is recognized in accordance with paragraph 157c of Statement 75 for the support provided by a nonemployer contributing entity that is not in a special funding situation?

A—The employer should classify this revenue in the same manner as it classifies grants from other entities.

Employer amounts subsequent to the measurement date

- 4.408. Q—What should be included in the amounts reported as deferred outflows of resources for an employer's amounts for OPEB subsequent to the measurement date?

A—For purposes of paragraph 159 of Statement 75, the deferred outflow of resources reported by an employer should include amounts for two types of transactions that occur before the end of the reporting period but after the measurement date of the total OPEB liability that is reported in the current period: (a) amounts paid by the employer for OPEB as the benefits come due (excluding amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation)—those amounts will be reflected in the total OPEB liability in the next measurement period—and (b) amounts incurred by the employer for OPEB administrative expenses.

- 4.409. Q—In 20X7, an employer reports a deferred outflow of resources related to OPEB for amounts paid by the employer for OPEB as the benefits come due subsequent to the

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measurement date and before the end of the reporting period. How should the amounts be accounted for in the subsequent reporting period (20X8)?

A—In 20X8, the amount of benefit payments that was reported as a deferred outflow of resources related to OPEB in 20X7 is a component of the change in the total OPEB liability that is reported by the employer. Accordingly, in 20X8, the amount should be accounted for by the employer as a reduction of deferred outflows of resources related to OPEB and as part of the change in the total OPEB liability.

Recognition and Measurement in Financial Statements Prepared Using the Economic Resources Measurement Focus and Accrual Basis of Accounting—Employers That Have a Special Funding Situation

See Questions 4.449–4.455 addressing paragraphs 193–201 of Statement 75.

Recognition in Financial Statements Prepared Using the Current Financial Resources Measurement Focus and Modified Accrual Basis of Accounting—All Employers

4.410. Q—If, at the end of the reporting period, benefit payments are due and payable for OPEB provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75, should any portion of an employer’s total OPEB liability be recognized in financial statements prepared using the current financial resources measurement focus?

A—Yes. In circumstances in which benefit payments are due and payable for OPEB provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75, the employer should recognize an amount equal to the amount of benefit payments due and payable as an OPEB liability in financial statements prepared using the current financial resources measurement focus.

Notes to Financial Statements—All Employers

4.411. Q—If an employer reports OPEB liabilities that have different measurement dates, is the employer required to update the measures to the same measurement date for purposes of presenting the total OPEB-related measures required by paragraph 162 of Statement 75 or for disclosing additional information about the OPEB liabilities that is required by Statement 75?

A—No. Information reported in notes about OPEB liabilities focuses on conditions as of the measurement date. For purposes of presenting information to meet the requirement in paragraph 162 of Statement 75 for disclosure of the total amounts of OPEB-related measures if those amounts are not otherwise identifiable from information presented in the financial statements, the employer should disclose the total of the amounts reported in the financial statements for OPEB provided through each plan, regardless of differences in their measurement dates. As specified by Statement 75, the information that is required to be provided in notes should be disclosed for benefits provided through each defined benefit OPEB plan in which the employer participates. If different measurement dates are used for OPEB provided through different plans, the information in notes about each benefit arrangement should reflect its individual measurement date.

4.412. Q—The employees of a primary government and its component units are provided with OPEB through an OPEB plan for which paragraph 143 of Statement 75 requires the reporting entity to apply the requirements in paragraphs 162–169 of Statement 75 for note disclosures. Can the reporting entity meet the requirement in paragraph 164 of Statement 75 for separate identification in note disclosures of OPEB-related amounts associated with the primary

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government and those associated with its discretely presented component units by disclosing OPEB-related amounts for discretely presented component units in the aggregate?

A—Yes. The requirement in paragraph 164 of Statement 75 is intended to result in information about the primary government (including its blended component units), on the one hand, and the discretely presented component units in the aggregate, on the other hand.

OPEB plan description

- 4.413. Q—Should the information that is required by paragraphs 165b and 165c of Statement 75 about benefit terms and the number of employees that are covered by the benefit terms, respectively, be current as of the actuarial valuation date that is used as the basis for the total OPEB liability, the measurement date of the total OPEB liability, or the employer's fiscal year-end?

A—The requirements in paragraphs 165b and 165c of Statement 75 are intended to result in the disclosure of information about the benefit terms at the measurement date of the total OPEB liability. If a change occurs in the benefit terms or the number of employees that are covered by the benefit terms between the measurement date and the employer's fiscal year-end such that the effect of the change on the total OPEB liability is expected to be significant, paragraph 169f of Statement 75 requires information about the change to be disclosed.

- 4.414. Q—In the disclosure required by paragraph 165c of Statement 75, should spouses or other dependents be included in the count of employees covered by the benefit terms?

A—An employee, their spouse, and their other dependents are considered to be one unit. Therefore, a spouse or other dependent should be included in the count of employees covered by the benefit terms only if the employee is not already included.

Information about the total OPEB liability

- 4.415. Q—If an employer reports a total OPEB liability that is based on the results from an actuarial valuation that has been updated to the measurement date, what information is the employer required to disclose regarding the update?

A—Information about the measure of the total OPEB liability (for example, the assumptions used in the measurement) should reflect amounts and circumstances as of the measurement date. However, if update procedures were used to develop the measure of the total OPEB liability, paragraph 169a of Statement 75 requires that the employer disclose that fact. No other specific information about the update process is required.

- 4.416. Q—What information, if any, is required to be disclosed about a change in a relevant factor that occurs between the measurement date of the total OPEB liability and the employer's current fiscal year-end?

A—For a change that is expected to have a significant effect on the total OPEB liability, in its financial report for the current fiscal year, the employer should provide information required by paragraph 169f of Statement 75 about the nature of the change, as well as the amount of the expected impact of the change on the total OPEB liability, if known. For example, if a change of benefit terms is made between the measurement date and the end of the employer's current fiscal year and an estimate of the effect of the change of benefit terms on the total OPEB liability has been made and is evaluated by the employer to be significant, the employer should include in note disclosures a brief description of the benefit change and

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the estimated amount of the expected resultant change in the total OPEB liability. (See Question 4.359 regarding the timing of the recognition of the effects of such changes.)

RSI—All Employers

- 4.417. Q—A plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75 is used to provide OPEB only to volunteer firemen. The volunteers are not paid a salary. How does this affect the requirement for an employer's presentation of information in the schedule of RSI required by paragraph 170b of Statement 75?

A—Because the volunteers are not paid a salary, there is no covered-employee payroll. Therefore, the requirements in paragraph 170b of Statement 75 for ratios that present the total OPEB liability as a percentage of a measure of covered-employee payroll would not be applicable for the employer that provides benefits through this plan, and that ratio should not be presented in the RSI schedule.

- 4.418. Q—The measurement date of an employer's total OPEB liability is December 31, 20X6, and is different from its fiscal year-end, which is June 30, 20X7. For purposes of presenting information about the employer's covered-employee payroll in the schedule of RSI required by paragraph 170b of Statement 75, the measure of payroll should reflect what period?

A—In the employer's schedule of RSI that is required by paragraph 170b of Statement 75, the amount of payroll presented should be the annual covered-employee payroll during the measurement period that ends on the measurement date of the total OPEB liability—that is, the period from January 1, 20X6, to December 31, 20X6.

Accounting and Financial Reporting for OPEB in Stand-Alone Financial Statements of Primary Governments and Component Units That Provide OPEB through the Same Defined Benefit OPEB Plan

Recognition and Measurement in Financial Statements Prepared Using the Economic Resources Measurement Focus and Accrual Basis of Accounting

- 4.419. Q—A state (as a nonemployer contributing entity) is the only entity that has a legal obligation to make benefit payments as OPEB comes due for benefits provided to employees of a local government (primary government and its component units) through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75. Therefore, the state reports 100 percent of the collective total OPEB liability associated with benefits provided through the OPEB plan. In this circumstance, are the primary government and its component units required to recognize any OPEB-related amounts in their financial statements?

A—Yes. Although the primary government and its component units would not recognize any portion of the collective total OPEB liability or collective deferred outflows of resources and deferred inflows of resources related to OPEB because the employer's proportionate share determined under paragraph 172 of Statement 75 is zero percent, paragraphs 177 and 182 of Statement 75 require that each government recognize OPEB expense equal to the portion of the nonemployer contributing entity's total proportionate share of collective OPEB expense that is associated with it, and a revenue equal to the portion of expense reported by the nonemployer contributing entity in accordance with paragraphs 207 and 210 of Statement 75 that is associated with it. Even though the government does not recognize a proportionate share of the collective total OPEB liability, paragraphs 186 and 191 of Statement 75 require that the governments present note disclosures and schedules of RSI that include the information that is detailed in paragraphs 187–192 of Statement 75, as amended, for the OPEB plan through which OPEB is provided to the employer's employees.

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Proportionate share of the collective total OPEB liability

See Questions 4.353 and 4.355–4.384 addressing paragraphs 146–156 of Statement 75. For purposes of applying those questions and answers to OPEB in stand-alone financial statements of primary governments and component units that provide OPEB through the same defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75, the term total OPEB liability applies to the collective total OPEB liability.

Measurement date

4.420. Q—If a government participates in more than one defined benefit OPEB plan, is the government required to use the same measurement date for each (collective) net OPEB liability and (collective) total OPEB liability?

A—No. Paragraphs 24 and 143 of Statement 75 specify that the requirements of that Statement related to liabilities to employees for OPEB, which include the provisions of the Statement for the selection of the measurement date of the (collective) net OPEB liability or (collective) total OPEB liability, should be applied separately to the OPEB provided through each defined benefit OPEB plan. Therefore, provided that the measurement date for each (collective) net OPEB liability or (collective) total OPEB liability meets the requirements of Statement 75, the related OPEB liabilities presented in the government's financial report can have different measurement dates. For example, in financial statements for its fiscal year ended June 30, 20X7, the government can report a proportionate share of the collective total OPEB liability with a measurement date of June 30, 20X7, for OPEB provided through OPEB Plan A and a proportionate share of the collective net OPEB liability with a measurement date of March 31, 20X7, for OPEB provided through cost-sharing OPEB Plan B. (See Question 4.441 regarding note disclosure requirements if different measurement dates are used.)

Determining a government's proportion

4.421. Q—Can the basis on which a government's proportion is determined be changed? For example, if in its prior fiscal year, a government's proportion was determined based on amounts paid for OPEB as the benefits came due during the measurement period, can the government's proportion be determined in the subsequent period using an average of such payments over the past five measurement periods?

A—Yes. The government's proportion is an assumption and, like other assumptions, is subject to change as, for example, new events occur, more experience is acquired, or additional information is obtained. A change in the basis for the government's proportion might affect the applicability of certain requirements of Statement 75, including those in paragraphs 178 and 179 of Statement 75, as amended, which address changes in the government's proportion and amounts that are paid for OPEB as the benefits come due as compared to the government's proportionate share of the total of such payments from all entities that make benefit payments. For example, a change from a proportion based on amounts paid for OPEB as the benefits come due during the measurement period to a proportion based on an average of such payments in past measurement periods might result in differences in each future measurement period between amounts that are paid for OPEB as the benefits come due and the government's proportionate share of the total of such payments from all entities that make benefit payments, for which paragraph 179 of Statement 75, as amended, establishes requirements. (See Question 4.445 for a discussion of note disclosures regarding changes in proportion.)

4.422. Q—A plan is used to provide benefits to the employees of a primary government, a governmental component unit, and a nongovernmental component unit. When the primary government or the governmental component unit determines its proportion for purposes of

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reporting its proportionate share of the collective total OPEB liability and related measures under Statement 75, should the proportion represent the relationship of the primary government or governmental component unit to all three entities or the relationship of the primary government or governmental component unit to only the other governmental entity?

A—The primary government's or governmental component unit's proportion should be representative of its relationship to *all* entities that provide benefits through the OPEB plan, regardless of whether those entities are governmental or nongovernmental for financial reporting purposes.

- 4.423. Q—As a nonemployer contributing entity, a state is legally required to make benefit payments for OPEB as the benefits come due in an OPEB plan that is used to provide OPEB to employees of a primary government and its component units, but the circumstances do not meet the criteria for a special funding situation. Do the amounts paid by the state for OPEB as the benefits come due affect the determination of the primary government's or component unit's proportion for purposes of applying paragraph 172 of Statement 75? If so, how?

A—Yes. Paragraph 172 of Statement 75 requires that the government's proportion consider the amounts paid for OPEB by nonemployer contributing entities that provide support for the government but that are not in a special funding situation. That is, for purposes of determining each government's portion, the amounts paid for OPEB by the nonemployer contributing entity for that government are treated as if they were made by that government.

- 4.424. Q—With regard to the requirement in paragraph 174 of Statement 75 related to the timing of the establishment of the government's proportion, what is an example of an actuarially determined proportion?

A—An example of an actuarially determined proportion for purposes of paragraph 174 of Statement 75 is a proportion based on a projection of the future benefit payments expected to be paid by each of the governments as benefits come due, if the governments' financing responsibilities are based on those amounts.

- 4.425. Q—Are a primary government and its component units whose employees are provided with OPEB through the same OPEB plan required to use the same basis to establish their proportions under paragraphs 172 and 173 of Statement 75?

A—No. A government's selection of a basis for the establishment of its proportion under paragraphs 172 and 173 of Statement 75 is independent of the selection of a basis by other governments whose employees are provided with OPEB through the plan. For example, one government can determine its proportion based on amounts paid for OPEB as benefits come due during the measurement period, while another government uses the average of amounts paid for OPEB as benefits came due over the past five measurement periods as the basis for its proportion.

- 4.426. Q—For OPEB provided to the employees of a primary government and its component units through the same OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75, a government has an expectation that its future financing responsibility will diminish relative to the financing responsibility of the other governments and ultimately will be zero—for example, the employer begins providing OPEB to new hires through a defined contribution plan, rather than through the defined benefit plan, so that its future financing responsibility for benefit payments through the defined benefit OPEB plan will diminish relative to that of others over time because other governments have not made such a change. For purposes of paragraphs 172–174 of Statement 75, can the government

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that made the change assume that its proportion is zero percent because in the long term it expects its required benefit payments to reduce to zero?

A—No. Even though the governmental nonemployer contributing entity expects that its share of the financing responsibility ultimately will reduce to zero, it would not be appropriate to use zero percent as its share in the current period because it expects to be required to make benefit payments in some future periods. It should use an approach for determining its basis that is consistent with the manner in which the amounts that are paid as benefits come due are determined, and if it chooses to use a forward-looking basis as is encouraged in paragraph 172a of Statement 75, that basis should consider both short-term and long-term financing responsibilities. For example, the governmental nonemployer contributing entity could determine its proportion by comparing the present value of its expected future benefit payments to the present value of the expected future benefit payments of the employer and the nonemployer contributing entity.

- 4.427. Q—If a government that provides OPEB through an OPEB plan in which some or all of the benefit payments made by governments as benefits come due are reimbursed to the governments through federal grants, should amounts to be reimbursed to the governments be counted as amounts paid by the governments as benefits come due for purposes of determining the governments' proportions?

A—Yes. The amount of required benefit payments that will be reimbursed to the governments should be considered amounts paid by the government as benefits come due when determining each government's proportion.

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

See also Question 4.492 for a discussion of the requirements in paragraphs 178 and 179 of Statement 75, as amended, and paragraph 17 of Statement 85 in circumstances in which the alternative measurement method is used to measure the collective total OPEB liability.

- 4.428. Q—Should the balances of deferred outflows of resources and deferred inflows of resources arising from changes in proportion or amounts paid for OPEB as benefits come due during the measurement period (as discussed in paragraphs 178 and 179 of Statement 75, as amended) be reported as separate amounts or net?

A—Deferred outflows of resources and deferred inflows of resources arising in the same measurement period from a change in proportion (as discussed in paragraph 178 of Statement 75, as amended) or from amounts paid for OPEB as benefits come due during the measurement period (as discussed in paragraph 179 of Statement 75, as amended) may be netted and reported, in a single year, as a deferred outflow of resources related to OPEB if the net balance is a debit or as a deferred inflow of resources related to OPEB if the net balance is a credit. However, the resultant deferred outflow of resources or deferred inflow of resources balance in one period should not be netted against deferral balances arising in other periods from changes in proportion and amounts for OPEB during those periods.

Proportionate share

See also Questions 4.385–4.406 addressing paragraph 157 of Statement 75, excluding subparagraph (c). For purposes of applying those questions and answers to OPEB in stand-alone financial statements of primary governments and component units that provide OPEB through the same defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75, the term total OPEB liability applies to the collective total OPEB liability, the term OPEB expense applies to collective OPEB expense, and the term deferred outflows of resources and deferred

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inflows of resources related to OPEB *applies to collective deferred outflows of resources and deferred inflows of resources related to OPEB.*

- 4.429. Q—If OPEB is provided to the employees of a primary government and its component units through the same OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75 and a government uses different proportions to determine its share of different pieces of the collective total OPEB liability (for example, for different classes of employees), can it determine its total proportionate share of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB using a single (overall) proportion applied to the collective measures or, for each collective measure, is it required to continue to attribute the piece associated with each class of employees using the relevant proportion?

A—Either approach is permitted. Paragraph 176 of Statement 75 requires that the entity's proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB be determined using the government's proportion of the collective total OPEB liability, which is a single proportion that is calculated as the government's proportionate share of the collective total OPEB liability divided by the collective total OPEB liability. However, paragraph 144 of Statement 75 broadly establishes the permissibility of applying the measurement requirements of the Statement to differently defined benefit payments for individual classes or groups that are provided with benefits through the same OPEB plan. Regardless of the approach that is used, the government should recognize and report only the aggregated amount of its proportionate share of each measure.

- 4.430. Q—For what measurement period should the expense required by paragraph 177 of Statement 75 be recognized? For example, if a government's fiscal year-end is December 31 and the collective total OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB are determined as of June 30 each year, what should be the measurement period for the recognition of OPEB expense related to the special funding situation?

A—The government should use the same measurement period for purposes of applying paragraph 177 of Statement 75 as is used to determine collective OPEB expense. For example, the OPEB-related amounts reported in the government's financial statements as of December 31, 20X7, are based on the collective total OPEB liability with a measurement date of June 30, 20X7. Therefore, the OPEB expense associated with the special funding situation would be based upon changes in the collective total OPEB liability between July 1, 20X6, and June 30, 20X7 (the measurement period).

Change in proportion

- 4.431. Q—If OPEB is provided to the employees of a primary government and its component units through the same OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75 and a government's proportion changes from the proportion used in the prior period, how should the net effect of that change be determined?

A—The net effect of the change in proportion should be determined in accordance with paragraph 178 of Statement 75. That paragraph requires that the effect be measured as of the beginning of the period. Therefore, if the alternative measurement method is not used to measure the total OPEB liability, the net effect is the debit (deferred outflow of resources) or credit (deferred inflow of resources) that is required to reflect the governmental nonemployer contributing entity's new proportion in its proportionate shares of the collective total OPEB liability and collective deferred outflows of resources and deferred inflows of resources related to OPEB as of the beginning of the measurement period. (See Illustration B4-3 in nonauthoritative Appendix B of this Implementation Guide for an example of a similar

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calculation of the net effect of the change in proportion for a cost-sharing employer. See also Question 4.492 if the alternative measurement method is used.)

- 4.432. Q—Should the length of the period over which the net effect of a change in a government’s proportion is recognized in the government’s OPEB expense be the average of the expected remaining service lives of the government’s own employees or the average of the expected remaining service lives of *all* employees that are provided with OPEB through the plan?

A—Paragraph 178 of Statement 75 requires that the government recognize the net effect of a change in its proportion over a period equal to the average of the expected remaining service lives of *all* employees that are provided with OPEB through the plan. This is the same period that is used for the determination of collective OPEB expense for the effects of changes of assumptions on the collective total OPEB liability during the measurement period for which the government is recognizing its change in proportion. (The preceding answer applies only if the alternative measurement method is not used to measure the total OPEB liability. See Question 4.492 if the alternative measurement method is used.)

Amounts for OPEB during the measurement period

- 4.433. Q—If OPEB is provided to the employees of a primary government and its component units through the same OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75, how should a government account for amounts that it pays for OPEB as the benefits come due during the measurement period?

A—In this circumstance, the government should apply the requirements in paragraph 179 of Statement 75, as amended, to account for the effects of its own payments for OPEB as the benefits come due during the measurement period (including amounts associated with the government from nonemployer contributing entities that are not in a special funding situation). If the alternative measurement method is not used to measure the collective total OPEB liability, paragraph 179 of Statement 75 requires that differences between (a) the benefit payments from the government and (b) its proportionate share of the total of all such payments made by all governments, including nonemployer contributing entities, be recognized in OPEB expense over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the plan beginning in the current measurement period. (See Question 4.492 if the alternative measurement method is used.)

Paragraph 180 of Statement 75 requires that the government recognize expense for costs it incurred related to administration of OPEB during the measurement period, as well as costs that are associated with the government that are incurred by a nonemployer contributing entity related to OPEB plan administration during the measurement period. (See Question 4.434 regarding accounting for a government’s amounts for OPEB subsequent to the measurement date.)

Amounts for OPEB subsequent to the measurement date

- 4.434. Q—What should be included in the amounts reported as deferred outflows of resources for a government’s amounts for OPEB subsequent to the measurement date if OPEB is provided to the employees of a primary government and its component units through the same OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75?

A—For purposes of paragraph 181 of Statement 75, the deferred outflow of resources reported by a government should include amounts for two types of transactions that occur before the end of the reporting period but after the measurement date of the collective total

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OPEB liability in the current period: (a) amounts paid by the government for OPEB as the benefits come due (excluding amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation)—those amounts will be reflected in the collective total OPEB liability in the next measurement period—and (b) amounts incurred by the government for OPEB administrative expenses.

Support of nonemployer contributing entities in a special funding situation

- 4.435. Q—For purposes of determining the portion of the expense of a nonemployer contributing entity in a special funding situation that is associated with a primary government and its component units that provide OPEB through the same OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75, what basis should be used to determine the relevant primary government and component unit proportions?

A—Statement 75 does not specify the basis to be used for this purpose. However, the resulting proportion should represent the relationship of each individual government (primary government and its component units) to the total of all governments that are provided support as a result of the special funding situation.

- 4.436. Q—For what measurement period should the revenue required by paragraph 182 of Statement 75 be recognized? For example, if a government's fiscal year-end is December 31 and the collective total OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB are determined as of June 30 each year, what should be the measurement period for the recognition of a revenue for the support provided by a nonemployer contributing entity?

A—The government should use the same measurement period for purposes of applying paragraph 182 of Statement 75 as is used to determine collective OPEB expense. For example, the OPEB-related amounts reported in the government's financial statements as of December 31, 20X7, are based on the collective total OPEB liability with a measurement date of June 30, 20X7. Therefore, the OPEB expense and the related revenue associated with the support provided by a nonemployer contributing entity in a special funding situation would be based upon changes in the collective total OPEB liability between July 1, 20X6, and June 30, 20X7 (the measurement period).

- 4.437. Q—If a nonemployer contributing entity in a special funding situation for OPEB provided to the employees of a primary government and its component units through the same OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75 makes benefit payments for OPEB as the benefits come due subsequent to the measurement date of the collective total OPEB liability, is there a collective deferred outflow of resources related to those benefit payments that should be allocated to the governments and nonemployer contributing entities based on their proportionate shares?

A—No. Measurement of collective amounts is limited to the measurement period. In a special funding situation, a benefit payment from a nonemployer contributing entity subsequent to the measurement date of the collective total OPEB liability is recognized as a deferred outflow of resources related to OPEB by only the entity that made the benefit payment.

Support of nonemployer contributing entities not in a special funding situation

- 4.438. Q—As a nonemployer contributing entity, a state that is not in a special funding situation makes benefit payments as OPEB comes due. In the measurement period in which the benefit payment is reflected in the collective total OPEB liability, does each government that

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provides OPEB through the plan have to recognize revenue for a portion of the amount of the state's benefit payments?

A—Yes. Paragraph 183 of Statement 75 requires that each government that provides OPEB through the plan recognize revenue for benefit payments made as OPEB comes due by the nonemployer contributing entity that is not in a special funding situation. The amount of revenue recognized should be equal to the portion of the change in the collective total OPEB liability arising from those payments that is associated with the government during the measurement period.

- 4.439. Q—How should a government classify revenue that is recognized in accordance with paragraph 183 of Statement 75 for the support provided by a nonemployer contributing entity that is not in a special funding situation for OPEB provided to the employees of a primary government and its component units through the same OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75?

A—The government should classify this revenue in the same manner as it classifies grants from other entities.

Recognition in Financial Statements Prepared Using the Current Financial Resources Measurement Focus and Modified Accrual Basis of Accounting

- 4.440. Q—If, at the end of the reporting period, benefit payments are due and payable for OPEB provided to the employees of a primary government and its component units through the same OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75, should any portion of a government's proportionate share of the collective total OPEB liability be recognized in financial statements prepared using the current financial resources measurement focus?

A—Yes. In circumstances in which benefit payments are due and payable for OPEB provided to the employees of a primary government and its component units through the same OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75, a government should recognize an amount equal to its proportionate share of the amount of benefit payments due and payable as an OPEB liability in financial statements prepared using the current financial resources measurement focus.

Notes to Financial Statements

- 4.441. Q—If a government reports OPEB liabilities that have different measurement dates, is the government required to update the measures to the same measurement date for purposes of presenting the total OPEB-related measures required by paragraph 185 of Statement 75 or for disclosing additional information about the OPEB liabilities that is required by Statement 75?

A—No. Information reported in notes about OPEB liabilities focuses on conditions as of the measurement date. For purposes of presenting information to meet the requirement in paragraph 185 of Statement 75 for disclosure of the total amounts of OPEB-related measures if those amounts are not otherwise identifiable from information presented in the financial statements, the employer should disclose the total of the amounts reported in the financial statements for OPEB provided through each plan, regardless of differences in their measurement dates. As specified by Statement 75, the information that is required to be provided in notes should be disclosed for benefits provided through each defined benefit OPEB plan in which the government participates. If different measurement dates are used for OPEB provided through different plans, the information in notes about each benefit arrangement should reflect its individual measurement date.

Defined Benefit—Does Not Meet Paragraph 4 of Statement 75 Stand-Alone Statements

OPEB plan description

- 4.442. Q—Should the information that is required by paragraph 187b of Statement 75 about benefit terms be current as of the actuarial valuation date that is used as the basis for the collective total OPEB liability, the measurement date of the collective total OPEB liability, or the government’s fiscal year-end?

A—The requirement in paragraph 187b of Statement 75 is intended to result in the disclosure of information about the benefit terms at the measurement date of the collective total OPEB liability. If a change occurs in the benefit terms between the measurement date and the government’s fiscal year-end such that the effect of the change on the government’s proportionate share of the collective total OPEB liability is expected to be significant, paragraph 190f of Statement 75 requires information about the change to be disclosed.

Additional information

- 4.443. Q—If a government uses different proportions to determine its share of different pieces of the collective total OPEB liability (for example, for different classes of employees), is the government required to disclose its proportion of the total OPEB liability for each class?

A—No. Paragraph 190b of Statement 75 requires disclosure of only the government’s overall proportion of the collective total OPEB liability, with a discussion of the basis on which the proportion is determined.

- 4.444. Q—For OPEB provided to the employees of a primary government and its component units through the same OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75, if a government reports a proportion of a collective total OPEB liability that results from an actuarial valuation that has been updated to the measurement date, what information is the government required to disclose regarding the update?

A—Information about the measure of the collective total OPEB liability (for example, the assumptions used in the measurement) should reflect amounts and circumstances as of the measurement date. However, if update procedures were used to develop the measure of the total OPEB liability, paragraph 190c of Statement 75 requires that the government disclose that fact. No other specific information about the update process is required.

- 4.445. Q—If the proportion used to determine a government’s proportionate share of the collective total OPEB liability reported in the current period changed from the proportion used to determine the liability reported in the prior period, is the government required to disclose the effect of the change in proportion on each of the measures reported in its financial statements—that is, its proportionate share of the collective total OPEB liability, deferred outflows of resources related to OPEB, deferred inflows of resources related to OPEB, and OPEB expense?

A—No. Although a change in the government’s proportion affects the amount of its proportionate shares of the collective total OPEB liability, deferred outflows of resources related to OPEB, deferred inflows of resources related to OPEB, and OPEB expense, the government is not required to identify the effect of a change in proportion on each of those amounts. Instead, the government should disclose the change in its proportion as required by paragraph 190b of Statement 75 by providing, for example, its former proportion and its new proportion, and it should disclose the portion of its reported balance of deferred outflows of resources or deferred inflows of resources that is associated with changes in proportion, as required by paragraph 190h(3) of Statement 75.

Defined Benefit—Does Not Meet Paragraph 4 of Statement 75 Special Funding Situations

- 4.446. Q—What information, if any, is required to be disclosed about a change in a relevant factor that occurs between the measurement date of the collective total OPEB liability and the government’s current fiscal year-end?

A—For a change that is expected to have a significant effect on the government’s proportionate share of the collective total OPEB liability, in its financial report for the current fiscal year, the government should provide information required by paragraph 190f of Statement 75 about the nature of the change, as well as the amount of the expected impact of the change on the government’s proportionate share of the collective total OPEB liability, if known. For example, if a change of benefit terms is made between the measurement date and the end of the government’s current fiscal year and an estimate of the effect of the change of benefit terms on the government’s proportionate share of the collective total OPEB liability has been made and is evaluated by the entity to be significant, the government should include in note disclosures a brief description of the benefit change and the estimated amount of the expected resultant change in the government’s proportionate share of the collective total OPEB liability. (See Question 4.359 regarding the timing of the inclusion of the effects of such changes in the collective total OPEB liability.)

- 4.447. Q—For purposes of the disclosure of OPEB expense that is expected to be recognized as a result of amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB as required by paragraph 190i(1) of Statement 75, at what date should the proportion that is applied to calculate the amounts be determined?

A—The amounts of expense disclosed for each of the subsequent periods required by paragraph 190i(1) of Statement 75 should be determined using the government’s proportion at the measurement date of the collective total OPEB liability on which the OPEB liability reported by the government in the current period is based.

RSI

- 4.448. Q—The measurement date of a government’s collective total OPEB liability is December 31, 20X6, and is different from its fiscal year-end, which is June 30, 20X7. For purposes of presenting information about the government’s covered-employee payroll in the schedules of RSI required by paragraphs 191a and 191b of Statement 75, the measure of payroll should reflect what period?

A—In the government’s schedules of RSI that are required by paragraphs 191a and 191b of Statement 75, the amount of payroll presented should be the annual covered-employee payroll during the measurement period that ends on the measurement date of the collective total OPEB liability—that is, the period from January 1, 20X6, to December 31, 20X6.

Special Funding Situations

Employers

Recognition and measurement in financial statements prepared using the economic resources measurement focus and accrual basis of accounting

Proportionate share of the collective total OPEB liability

See Questions 4.353–4.384 addressing paragraphs 146–156 of Statement 75 and Questions 4.456–4.460 addressing paragraphs 203–205 of Statement 75. For purposes of applying Questions 4.353 and 4.355–4.384 to benefits provided by a single or agent employer that has a special funding situation, the term total OPEB liability applies to the collective total OPEB liability.

Defined Benefit—Does Not Meet Paragraph 4 of Statement 75 Special Funding Situations

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

See also Question 4.492 for a discussion of the requirements in paragraphs 196 and 197 of Statement 75, as amended, and paragraph 17 of Statement 85 in circumstances in which the alternative measurement method is used to measure the collective total OPEB liability.

- 4.449. Q—Should the balances of deferred outflows of resources and deferred inflows of resources arising from changes in proportion or amounts paid for OPEB as benefits come due during the measurement period (as discussed in paragraphs 196 and 197 of Statement 75, as amended) be reported as separate amounts or net of each other?

A—Deferred outflows of resources and deferred inflows of resources arising in the same measurement period from a change in proportion (as discussed in paragraph 196 of Statement 75, as amended) or from amounts paid for OPEB as benefits come due during the measurement period (as discussed in paragraph 197 of Statement 75, as amended) may be netted and reported, in a single year, as a deferred outflow of resources related to OPEB if the net balance is a debit or as a deferred inflow of resources related to OPEB if the net balance is a credit. However, the resultant deferred outflow of resources or deferred inflow of resources balance in one period should not be netted against deferral balances arising in other periods from changes in proportion and amounts for OPEB during those periods.

Proportionate share

See Questions 4.385–4.406 addressing paragraph 157 of Statement 75, excluding subparagraph (c). For purposes of applying those questions and answers to benefits provided by a single or agent employer that has a special funding situation, the term total OPEB liability applies to the collective total OPEB liability, the term OPEB expense applies to collective OPEB expense, and the term deferred outflows of resources and deferred inflows of resources related to OPEB applies to collective deferred outflows of resources and deferred inflows of resources related to OPEB.

Change in proportion

- 4.450. Q—If the proportion that is associated with an employer that has a special funding situation for OPEB provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75 changes from the proportion used in the prior period, how should the net effect of that change be determined?

A—The net effect of the change in proportion should be determined in accordance with paragraph 196 of Statement 75. That paragraph requires that the effect be measured as of the beginning of the period. Therefore, if the alternative measurement method is not used to measure the total OPEB liability, the net effect is the debit (deferred outflow of resources) or credit (deferred inflow of resources) that is required to reflect the employer's new proportion in its proportionate shares of the collective total OPEB liability and collective deferred outflows of resources and deferred inflows of resources related to OPEB as of the beginning of the measurement period. (See Illustration B4-3 in nonauthoritative Appendix B of this Implementation Guide for an example of a similar calculation of the net effect of the change in proportion for a cost-sharing employer. See also Question 4.492 if the alternative measurement method is used.)

Amounts for OPEB during the measurement period

- 4.451. Q—How should an employer that has a special funding situation for OPEB provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4

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of Statement 75 account for amounts that it pays for OPEB as the benefits come due during the measurement period?

A—An employer that has a special funding situation for OPEB provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75 should apply the requirements in paragraph 197 of Statement 75, as amended, to account for the effects of its own payments for OPEB as the benefits come due during the measurement period (including amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation). If the alternative measurement method is not used to measure the collective total OPEB liability, paragraph 197 of Statement 75 requires that the difference between (a) the total of such payments from the employer and (b) the employer's proportionate share of the total of such payments from the employer and nonemployer contributing entities be recognized in OPEB expense over a closed period equal to the average of the expected remaining service lives of all employees provided with OPEB through the plan beginning in the current measurement period. (See Question 4.492 if the alternative measurement method is used.)

Paragraph 198 of Statement 75 requires that the employer recognize OPEB expense for the costs related to OPEB plan administration (including those incurred by the employer and those incurred by nonemployer contributing entities) during the measurement period. (See Question 4.452 regarding accounting for amounts for OPEB subsequent to the measurement date.)

Amounts for OPEB subsequent to the measurement date

4.452. Q—What should be included in the amounts reported as deferred outflows of resources for an employer's amounts for OPEB subsequent to the measurement date?

A—For purposes of paragraph 199 of Statement 75, the deferred outflow of resources reported by an employer should include amounts for two types of transactions that occur before the end of the reporting period but after the measurement date of the collective total OPEB liability in the current period: (a) amounts paid by the employer for OPEB as the benefits come due (excluding amounts associated with the employer from nonemployer contributing entities)—those amounts will be reflected in the collective total OPEB liability in the next measurement period—and (b) amounts incurred by the employer for OPEB administrative expenses.

Support of nonemployer contributing entities in a special funding situation

4.453. Q—For what measurement period should the revenue required by paragraph 200 of Statement 75 be recognized? For example, if an employer's fiscal year-end is December 31 and the collective total OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB are determined as of June 30 each year, what should be the measurement period for the recognition of a revenue for the support provided by a nonemployer contributing entity?

A—The employer should use the same measurement period for purposes of applying paragraph 200 of Statement 75 as is used to determine collective OPEB expense. For example, the OPEB-related amounts reported in the employer's financial statements as of December 31, 20X7, are based on the collective total OPEB liability with a measurement date of June 30, 20X7. Therefore, the OPEB expense and the related revenue associated with the support provided by a nonemployer contributing entity in a special funding situation would be based upon changes in the collective total OPEB liability between July 1, 20X6, and June 30, 20X7 (the measurement period).

Defined Benefit—Does Not Meet Paragraph 4 of Statement 75 Special Funding Situations

- 4.454. Q—If a nonemployer contributing entity in a special funding situation for OPEB provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75 makes benefit payments for OPEB as the benefits come due subsequent to the measurement date of the collective total OPEB liability, is there a collective deferred outflow of resources related to those benefit payments that should be allocated to the employer and nonemployer contributing entities based on their proportionate shares?

A—No. Measurement of collective amounts is limited to the measurement period. In a special funding situation, a benefit payment from a nonemployer contributing entity subsequent to the measurement date of the collective total OPEB liability is recognized as a deferred outflow of resources related to OPEB by only the entity that made the benefit payment.

Support of nonemployer contributing entities not in a special funding situation

- 4.455. Q—How should an employer classify revenue that is recognized in accordance with paragraph 201 of Statement 75 for the support provided by a nonemployer contributing entity that is not in a special funding situation?

A—The employer should classify this revenue in the same manner as it classifies grants from other entities.

Additional requirements

See Questions 4.410–4.418 addressing paragraphs 161–171 of Statement 75, as amended. For purposes of applying those questions and answers to benefits provided by a single or agent employer that has a special funding situation, the term total OPEB liability applies to the employer’s proportionate share of the collective total OPEB liability.

Governmental Nonemployer Contributing Entities

Recognition and measurement in financial statements prepared using the economic resources measurement focus and accrual basis of accounting

Proportionate share of the collective total OPEB liability

See also Questions 4.353 and 4.355–4.384 addressing paragraphs 146–156 of Statement 75. For purposes of applying those questions and answers to a governmental nonemployer contributing entity in a special funding situation, the term total OPEB liability applies to the collective total OPEB liability.

Measurement date

- 4.456. Q—If a governmental nonemployer contributing entity participates in more than one defined benefit OPEB plan (as an employer or as a nonemployer contributing entity in a special funding situation), is the government required to use the same measurement date for each (collective) net OPEB liability and (collective) total OPEB liability?

A—No. Paragraphs 24 and 143 of Statement 75 specify that the requirements of that Statement related to liabilities to employees for OPEB, which include the provisions of the Statement for the selection of the measurement date of the (collective) net OPEB liability or (collective) total OPEB liability, should be applied separately to the OPEB provided through each defined benefit OPEB plan. Therefore, provided that the measurement date for each (collective) net OPEB liability or (collective) total OPEB liability meets the requirements of Statement 75, the related OPEB liabilities presented in the government’s financial report can have different measurement dates. For example, in financial statements for its fiscal year ended June 30, 20X7, the governmental nonemployer contributing entity can report a

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Special Funding Situations**

proportionate share of the collective total OPEB liability with a measurement date of June 30, 20X7, for OPEB provided through OPEB Plan A and a proportionate share of the collective net OPEB liability with a measurement date of March 31, 20X7, for OPEB provided through cost-sharing OPEB Plan B. (See Question 4.467 regarding note disclosure requirements if different measurement dates are used.)

Determining a governmental nonemployer contributing entity's proportion

- 4.457. Q—Can the basis on which a governmental nonemployer contributing entity's proportion is determined be changed? For example, if in its prior fiscal year, a governmental nonemployer contributing entity's proportion was determined based on amounts paid for OPEB as the benefits came due during the measurement period, can the governmental nonemployer contributing entity's proportion be determined in the subsequent period using an average of such payments over the past five measurement periods?

A—Yes. The governmental nonemployer contributing entity's proportion is an assumption and, like other assumptions, is subject to change as, for example, new events occur, more experience is acquired, or additional information is obtained. A change in the basis for the governmental nonemployer contributing entity's proportion might affect the applicability of certain requirements of Statement 75, including those in paragraphs 208 and 209 of Statement 75, as amended, which address changes in the entity's proportion and amounts that are paid for OPEB as the benefits come due as compared to the entity's proportionate share of the total of such payments from all entities that make benefit payments. For example, a change from a proportion based on amounts paid for OPEB as the benefits come due during the measurement period to a proportion based on an average of such payments in past measurement periods might result in differences in each future measurement period between amounts that are paid for OPEB as the benefits come due and the governmental nonemployer contributing entity's proportionate share of the total of such payments from all entities that make benefit payments, for which paragraph 209 of Statement 75, as amended, establishes requirements. (See Question 4.471 for a discussion of note disclosures regarding changes in proportion.)

- 4.458. Q—With regard to the requirement in paragraph 205 of Statement 75 related to the timing of the establishment of the governmental nonemployer contributing entity's proportion, what is an example of an actuarially determined proportion?

A—An example of an actuarially determined proportion for purposes of paragraph 205 of Statement 75 is a proportion based on a projection of the future benefit payments expected to be paid by each of the contributing entities as benefits come due, if the entities' financing responsibilities are based on those amounts.

- 4.459. Q—A governmental nonemployer contributing entity in a special funding situation for OPEB provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75 has an expectation that its future financing responsibility will diminish relative to the financing responsibility of the employer and ultimately will be zero—for example, legislation has been passed that includes a phase-out of the nonemployer entity's financing responsibility over a defined period of time, with 100 percent of its responsibility eliminated at the end of the phase-out period. For purposes of paragraphs 203–205 of Statement 75, can the entity assume that its proportion is zero percent because in the long term it expects its required benefit payments to reduce to zero?

A—No. Even though the governmental nonemployer contributing entity expects that its share of the financing responsibility ultimately will reduce to zero, it would not be appropriate to use zero percent as its share in the current period because it expects to be required to make benefit payments in some future periods. It should use an approach for determining its basis that is consistent with the manner in which the amounts that are paid as benefits come due

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are determined, and if it chooses to use a forward-looking basis as is encouraged in paragraph 203a of Statement 75, that basis should consider both short-term and long-term financing responsibilities. For example, the governmental nonemployer contributing entity could determine its proportion by comparing the present value of its expected future benefit payments to the present value of the expected future benefit payments of the employer and the nonemployer contributing entity.

- 4.460. Q—If a governmental nonemployer contributing entity is in a special funding situation for benefits provided through an OPEB plan in which some or all of the benefit payments made by employers as benefits come due are reimbursed to the employers through federal grants, should amounts to be reimbursed to the employers be counted as amounts paid by the employers as benefits come due for purposes of determining the nonemployer contributing entity's proportion?

A—Yes. The amount of required benefit payments that will be reimbursed to the employers should be considered amounts paid by the employer as benefits come due when determining each entity's proportion.

Expense and deferred outflows of resources and deferred inflows of resources

See also Question 4.492 for a discussion of the requirements in paragraphs 208 and 209 of Statement 75, as amended, and paragraph 17 of Statement 85 in circumstances in which the alternative measurement method is used to measure the collective total OPEB liability.

- 4.461. Q—Should the balances of deferred outflows of resources and deferred inflows of resources arising from changes in proportion or amounts paid for OPEB as benefits come due during the measurement period (as discussed in paragraphs 208 and 209 of Statement 75, as amended) be reported as separate amounts or net?

A—Deferred outflows of resources and deferred inflows of resources arising in the same measurement period from a change in proportion (as discussed in paragraph 208 of Statement 75, as amended) or from amounts paid for OPEB as benefits come due during the measurement period (as discussed in paragraph 209 of Statement 75, as amended) may be netted and reported, in a single year, as a deferred outflow of resources related to OPEB if the net balance is a debit or as a deferred inflow of resources related to OPEB if the net balance is a credit. However, the resultant deferred outflow of resources or deferred inflow of resources balance in one period should not be netted against deferral balances arising in other periods from changes in proportion and amounts for OPEB during those periods.

Proportionate share

See also Questions 4.385–4.406 addressing paragraph 157 of Statement 75, excluding subparagraph (c). For purposes of applying those questions and answers to a governmental nonemployer contributing entity in a special funding situation, the term total OPEB liability applies to the collective total OPEB liability, the term OPEB expense applies to collective OPEB expense, and the term deferred outflows of resources and deferred inflows of resources related to OPEB applies to collective deferred outflows of resources and deferred inflows of resources related to OPEB.

- 4.462. Q—If a governmental nonemployer contributing entity uses different proportions to determine its share of different pieces of the collective total OPEB liability (for example, for different classes of employees), can it determine its total proportionate share of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB using a single (overall) proportion applied to the collective measures or, for

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each collective measure, is it required to continue to attribute the piece associated with each class of employees using the relevant proportion?

A—Either approach is permitted. Paragraph 207 of Statement 75 requires that the entity's proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB be determined using the entity's proportion of the collective total OPEB liability, which is a single proportion that is calculated as the entity's proportionate share of the collective total OPEB liability divided by the collective total OPEB liability. However, paragraph 144 of Statement 75 broadly establishes the permissibility of applying the measurement requirements of the Statement to differently defined benefit payments for individual classes or groups that are provided with benefits through the same OPEB plan. Regardless of the approach that is used, the governmental nonemployer contributing entity should recognize and report only the aggregated amount of its proportionate share of each measure.

Change in proportion

4.463. Q—If a governmental nonemployer contributing entity's proportion changes from the proportion used in the prior period, how should the net effect of that change be determined?

A—The net effect of the change in proportion should be determined in accordance with paragraph 208 of Statement 75. That paragraph requires that the effect be measured as of the beginning of the period. Therefore, if the alternative measurement method is not used to measure the total OPEB liability, the net effect is the debit (deferred outflow of resources) or credit (deferred inflow of resources) that is required to reflect the governmental nonemployer contributing entity's new proportion in its proportionate shares of the collective total OPEB liability and collective deferred outflows of resources and deferred inflows of resources related to OPEB as of the beginning of the measurement period. (See Illustration B4-3 in nonauthoritative Appendix B of this Implementation Guide for an example of a similar calculation of the net effect of the change in proportion for a cost-sharing employer. See also Question 4.492 addressing circumstances in which the alternative measurement method is used.)

Amounts for OPEB during the measurement period

4.464. Q—How should a governmental nonemployer contributing entity in a special funding situation for OPEB account for amounts that it pays for OPEB as the benefits come due during the measurement period?

A—A governmental nonemployer contributing entity in a special funding situation for OPEB should apply the requirements in paragraph 209 of Statement 75, as amended, to account for the effects of its own payments for OPEB as the benefits come due during the measurement period. If the alternative measurement method is not used to measure the collective total OPEB liability, paragraph 209 of Statement 75 requires that differences between (a) the benefit payments from the governmental nonemployer contributing entity and (b) its proportionate share of the total of all such payments made by all employers and nonemployer contributing entities be recognized in OPEB expense over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the plan beginning in the current measurement period. (See Question 4.492 if the alternative measurement method is used.)

Paragraph 210 of Statement 75 requires that the governmental nonemployer contributing entity recognize expense for costs incurred by the governmental nonemployer contributing entity related to OPEB plan administration during the measurement period. (See Question 4.465 regarding accounting for a governmental nonemployer contributing entity's amounts for OPEB subsequent to the measurement date.)

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Amounts for OPEB subsequent to the measurement date

4.465. Q—What should be included in the amounts reported as deferred outflows of resources for a governmental nonemployer contributing entity's amounts for OPEB subsequent to the measurement date?

A—For purposes of paragraph 211 of Statement 75, the deferred outflow of resources reported by a nonemployer contributing entity should include amounts for two types of transactions that occur before the end of the reporting period but after the measurement date of the collective total OPEB liability in the current period: (a) amounts paid by the governmental nonemployer contributing entity for OPEB as the benefits come due—those amounts will be reflected in the collective total OPEB liability in the next measurement period—and (b) amounts incurred by the governmental nonemployer contributing entity for OPEB administrative expenses.

Recognition in financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting

4.466. Q—If, at the end of the reporting period, benefit payments are due and payable for OPEB provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75, should any portion of a governmental nonemployer contributing entity's proportionate share of the collective total OPEB liability be recognized in financial statements prepared using the current financial resources measurement focus?

A—Yes. In circumstances in which benefit payments are due and payable for OPEB provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75, the governmental nonemployer contributing entity should recognize an amount equal to its proportionate share of the amount of benefit payments due and payable as an OPEB liability in financial statements prepared using the current financial resources measurement focus.

Notes to financial statements and RSI

Governmental nonemployer contributing entities that recognize a substantial proportion of the collective total OPEB liability

Notes to financial statements

4.467. Q—If a governmental nonemployer contributing entity reports OPEB liabilities that have different measurement dates, is the entity required to update the measures to the same measurement date for purposes of disclosing the OPEB-related measures required by paragraphs 214–217 of Statement 75?

A—No. Information reported in notes about OPEB liabilities focuses on conditions as of the measurement date. As specified by Statement 75, the information that is required by paragraphs 214–217 of that Statement should be disclosed for benefits provided through each defined benefit OPEB plan for which the governmental nonemployer contributing entity recognizes a substantial proportion of the collective total OPEB liability. If different measurement dates are used for OPEB provided through different plans, the information in notes for each benefit arrangement should reflect its individual measurement date.

OPEB plan description

4.468. Q—Should the information that is required by paragraph 214b of Statement 75 about benefit terms be current as of the actuarial valuation date that is used as the basis for the collective

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total OPEB liability, the measurement date of the collective total OPEB liability, or the governmental nonemployer contributing entity's fiscal year-end?

A—The requirement in paragraph 214b of Statement 75 is intended to result in the disclosure of information about the benefit terms at the measurement date of the collective total OPEB liability. If a change occurs in the benefit terms between the measurement date and the governmental nonemployer contributing entity's fiscal year-end such that the effect of the change on the governmental nonemployer contributing entity's proportionate share of the collective total OPEB liability is expected to be significant, paragraph 217e of Statement 75 requires information about the change to be disclosed.

Additional information

- 4.469. Q—If a governmental nonemployer contributing entity that reports a substantial proportion of the collective total OPEB liability for OPEB provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75 uses different proportions to determine its share of different pieces of the collective total OPEB liability (for example, for different classes of employees), is the nonemployer contributing entity required to disclose its proportion of the collective total OPEB liability for each class?

A—No. Paragraph 217a of Statement 75 requires disclosure of only the governmental nonemployer contributing entity's overall proportion of the collective total OPEB liability, with a discussion of the basis on which the proportion is determined.

- 4.470. Q—For OPEB provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75, if a governmental nonemployer contributing entity reports a substantial proportion of a collective total OPEB liability that results from an actuarial valuation that has been updated to the measurement date, what information is the entity required to disclose regarding the update?

A—Information about the measure of the collective total OPEB liability (for example, the assumptions used in the measurement) should reflect amounts and circumstances as of the measurement date. However, if update procedures were used to develop the measure of the collective total OPEB liability, paragraph 217b of Statement 75 requires that the governmental nonemployer contributing entity disclose that fact. No other specific information about the update process is required.

- 4.471. Q—If the proportion used to determine a governmental nonemployer contributing entity's proportionate share of the collective total OPEB liability reported in the current period changed from the proportion used to determine the liability reported in the prior period, is the entity required to disclose the effect of the change in proportion on each of the measures reported in its financial statements—that is, its proportionate share of the collective total OPEB liability, deferred outflows of resources related to OPEB, deferred inflows of resources related to OPEB, and OPEB expense?

A—No. Although a change in the entity's proportion affects the amount of the nonemployer contributing entity's proportionate shares of the collective total OPEB liability, deferred outflows of resources related to OPEB, deferred inflows of resources related to OPEB, and OPEB expense, the nonemployer contributing entity is not required to identify the effect of a change in proportion on each of those amounts. Instead, the nonemployer contributing entity should disclose the change in its proportion as required by paragraph 217a of Statement 75 by providing, for example, its former proportion and its new proportion, and it should disclose the portion of its reported balance of deferred outflows of resources or deferred inflows of resources that is associated with changes in proportion, as required by paragraph 217g(3) of Statement 75.

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Special Funding Situations**

- 4.472. Q—What information, if any, is required to be disclosed about a change in a relevant factor that occurs between the measurement date of the collective total OPEB liability and the governmental nonemployer contributing entity's current fiscal year-end?

A—For a change that is expected to have a significant effect on the governmental nonemployer contributing entity's proportionate share of the collective total OPEB liability, in its financial report for the current fiscal year, the nonemployer contributing entity should provide information required by paragraph 217e of Statement 75 about the nature of the change, as well as the amount of the expected impact of the change on the nonemployer contributing entity's proportionate share of the collective total OPEB liability, if known. For example, if a change of benefit terms is made between the measurement date and the end of the nonemployer contributing entity's current fiscal year and an estimate of the effect of the change of benefit terms on the nonemployer contributing entity's proportionate share of the collective total OPEB liability has been made and is evaluated by the entity to be significant, the nonemployer contributing entity should include in note disclosures a brief description of the benefit change and the estimated amount of the expected resultant change in the nonemployer contributing entity's proportionate share of the collective total OPEB liability. (See Question 4.359 regarding the timing of the inclusion of the effects of such changes in the collective total OPEB liability.)

- 4.473. Q—For purposes of the disclosure of OPEB expense that is expected to be recognized as a result of amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB as required by paragraph 217h(1) of Statement 75, at what date should the proportion that is applied to calculate the amounts be determined?

A—The amounts of expense disclosed for each of the subsequent periods required by paragraph 217h(1) of Statement 75 should be determined using the governmental nonemployer contributing entity's proportion at the measurement date of the collective total OPEB liability on which the OPEB liability reported by the nonemployer contributing entity in the current period is based.

Circumstances in Which a Nonemployer Entity's Legal Obligation for Defined Benefit Payments Does Not Meet the Definition of a Special Funding Situation

Employers

See Questions 4.347–4.352, as well as Questions 4.353–4.418 (employers) or Questions 4.419–4.448 (stand-alone reporting by primary governments and component units), as applicable.

Governmental Nonemployer Contributing Entities

- 4.474. Q—A governmental nonemployer contributing entity is legally required to make benefit payments for defined benefit OPEB as the benefits come due in an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75. However, the circumstance does not have the characteristics of a special funding situation. Should the governmental nonemployer contributing entity report a proportionate share of the (collective) total OPEB liability for benefits provided through the OPEB plan?

A—No. Because this circumstance is not a special funding situation, the employer, not the nonemployer contributing entity, should report the OPEB liability for benefits provided through the OPEB plan. The nonemployer contributing entity should apply the requirements in paragraph 223 of Statement 75, which specify that the governmental nonemployer contributing entity should classify those amounts in the same manner as it classifies similar grants to other entities, for example, as aid to local governments.

Alternative measurement method

See also Questions 4.55–4.109 (single and agent employers), Questions 4.201–4.245 (cost-sharing employers), and Questions 4.353–4.384 (employers that provide OPEB through OPEB plans that are not administered through trusts that meet the criteria in paragraph 4 of Statement 75), as applicable, addressing measurement of the (collective) net OPEB liability and (collective) total OPEB liability.

- 4.475. Q—How frequently should the alternative measurement method calculations be made for employer reporting purposes?

A—Measures of the (collective) net OPEB liability or (collective) total OPEB liability that result from application of the alternative measurement method are subject to the same timing and frequency requirements as measures that result from an actuarial valuation. Therefore, the requirements in paragraph 28, paragraph 71, or paragraph 147 of Statement 75 with regard to the (collective) total OPEB liability also apply. Within the context of using the alternative measurement method in place of an actuarial valuation, that paragraph requires that the total OPEB liability be determined as of the measurement date or by the use of update procedures to roll forward to the measurement date amounts from application of the alternative measurement method as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. In addition, if significant changes occur between the date of the measure determined using the alternative measurement method and the measurement date, professional judgment should be applied to determine the extent of the procedures necessary to roll forward the measure, and consideration should be given to whether a full new measurement is needed.

- 4.476. Q—If using the alternative measurement method to estimate a government's obligation for OPEB, which requirements of Statement 75 apply?

A—The alternative measurement method requires application of all requirements of Statement 75 related to calculation of the (collective) net OPEB liability or (collective) total OPEB liability, as applicable, including the requirement regarding the timing and frequency of measurements and the requirement that the selection of assumptions used in determining the (collective) net OPEB liability or (collective) total OPEB liability be made in conformity with Actuarial Standards of Practice. However, the method allows for simplifications related to the specific methods and assumptions that are discussed in paragraphs 225 and 226 of Statement 75, as amended. In addition, governments using the alternative measurement method should comply with all requirements of Statement 75, as amended, for note disclosures and RSI.

- 4.477. Q—At the beginning of its fiscal year, a single-employer postemployment healthcare plan includes 55 active employees, 10 terminated employees that are eligible to receive benefits but have not yet begun receiving them, 20 retirees currently receiving benefits, 9 surviving spouses (spouses of deceased employees) currently receiving benefits, and 10 spouses and other dependents of retirees that also receive benefits. Does this circumstance meet the criterion in paragraph 224 of Statement 75 to use the alternative measurement method?

A—Yes. Paragraph 224 of Statement 75 permits the alternative measurement method provisions in paragraphs 225 and 226 of Statement 75, as amended, to be applied if there are fewer than 100 employees (active and inactive) that are provided with benefits through the OPEB plan as of the beginning of the measurement period. A retired employee (or beneficiary) and a covered spouse or other dependent should be counted as a single employee for this purpose. Accordingly, the employer should calculate the total number of employees covered under the terms of the OPEB plan by adding the 55 active members, the 10 terminated/eligible employees not currently receiving benefits, the 20 retirees currently receiving benefits, and the 9 surviving spouses that are currently receiving benefits, for a total of 94. The 10 additional spouses and other dependents currently receiving benefits under retiree-and-spouse or retiree-and-family coverage should not be included for this

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purpose. In this circumstance, the number of employees provided with benefits through the OPEB plan is fewer than 100; therefore, the alternative measurement method provisions of Statement 75, as amended, may be applied.

Expected point in time at which benefit payments will begin to be made

- 4.478. Q—Paragraph 225b of Statement 75 permits simplification of the assumption about the expected point in time at which benefit payments will begin to be made. In an OPEB plan that requires employees to attain a certain age in order to qualify for benefits but that does not have a years-of-service requirement, how could the expected point in time at which benefit payments will begin to be made be determined?

A—The expected point in time at which benefit payments will begin to be made should be determined using information about the covered group (if credible experience data are available) and the benefit terms. Paragraph 225b of Statement 75 indicates that the assumption may incorporate a single assumed age for active employees. Therefore, in the case of a plan that has only an age requirement (no length-of-service requirement), the point in time at which benefit payments will begin to be made to employees may, for example, be set at an age equal to the historical average retirement age of employees that qualified for benefits if the benefit terms provide that benefit payments begin at retirement.

- 4.479. Q—Would the answer in Question 4.478 be different if the benefit terms require employees to have a certain number of years of service, rather than to attain a particular age, in order to qualify for benefits?

A—Yes. The OPEB plan still would be required to apply the general requirement in paragraph 225b of Statement 75 that the assumption of the point in time at which benefit payments will begin to be made should be based on information specific to the covered group (if credible experience data are available). However, in this scenario, rather than setting that assumption based on age, the OPEB plan may set the assumption based, for example, on the average number of years of service attained at retirement by employees that qualified for benefits if the benefit terms provide that benefit payments begin at retirement.

- 4.480. Q—If an OPEB plan has both age and years-of-service requirements that are required to be met by an employee in order to qualify for benefits, how should the expected point in time at which benefit payments will begin to be made be determined?

A—As is the case for an OPEB plan with no years-of-service requirement, the general requirement in paragraph 226b of Statement 75 applies. That paragraph specifies that information about the employer's covered group (if credible experience data are available) and the benefit terms should be used to determine the expected point in time at which benefit payments will begin to be made. In addition, that paragraph indicates that the assumption may incorporate a single assumed age at which benefit payments will begin to be made or an assumption that benefit payments will begin to be made upon attaining a certain number of years of service. In the case of benefit terms that consider both age and years-of-service requirements, the OPEB plan may consider the historical average age at which benefits have begun to be paid to employees in the past. However, the assumption that an active employee will begin to receive benefit payments when they attain that age should only be made if the years-of-service requirement also is expected to have been met by the employee at the point in time that the employee attains that age. If the years-of-service requirement is not expected to be met by an employee at that age, it would be appropriate to assume that the employee will begin to receive benefits at the point in time at which both the age and years-of-service requirements are expected to be met. Therefore, in this circumstance, two employees might be expected to begin to receive benefits at different ages. It should not be assumed that the employee will begin to receive benefit payments before the point in time at which both requirements are met. (See Illustration 5 in nonauthoritative Appendix C of Statement 75 for

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an example of an OPEB plan that has both an age requirement and a years-of-service requirement.)

Marital and dependency status

- 4.481. Q—Paragraph 225c of Statement 75 allows the employer to base assumptions about marital and dependency status on “the current status of active and inactive employees covered under the terms of the OPEB plan or on historical demographic data for inactive employees.” What does this mean?

A—The simplification in paragraph 225c of Statement 75 permits an OPEB plan to assume, for financial reporting purposes, that the marital or dependency status of an employee at the valuation date will remain unchanged until the assumed death of the spouse or other dependent. For example, this approach would permit an OPEB plan to assume that employees that are married at the valuation date will be married at and throughout the period that benefit payments are made, until the spouse’s projected age exceeds his or her projected life expectancy. Using this approach, demographic data about the individual employee’s spouse or other dependent would serve as the basis for other assumptions—for example, life expectancy would be determined for each individual spouse or dependent based on his or her particular age.

Alternatively, an employer may analyze credible data related to the historical experience of the inactive employee group to develop an expectation of marital status or dependency status of future inactive employees. Using this approach, projected future benefit payments would be based on a probability-weighted average of expected benefit payments that considers the effects of the expected distribution of marital status or dependency status of the group on the election of coverage options available under the benefit terms. When projecting future benefit payments, the decision to use this approach would affect the manner in which other assumptions should be made. For example, if this approach is used, an assumption about life expectancy of each spouse also should be based on historical data for the current and former employees at the point in time at which they began to receive benefit payments and should be applied at an aggregate level. One approach would be to determine the historical age difference between inactive employees and their spouses and to assume this age differential for all employees, regardless of the employee’s current marital status and age of his or her spouse, if any.

Mortality

- 4.482. Q—Where can mortality tables be obtained for purposes of applying the alternative measurement method?

A—Statement 75 does not specify a particular source for information about mortality. However, the source that is used should be publicly available, objective, unbiased (that is, it does not intentionally or systematically understate or overstate the estimates), current, and based on a population generally consistent with that of the plan membership.

Turnover

- 4.483. Q—The turnover assumption in paragraph 225e of Statement 75 requires the use of historical age-based turnover data for the covered group and a particular calculation method if credible experience data are available. What is meant by “age-based turnover experience”?

A—Age-based turnover experience, as used in paragraph 225e of Statement 75, refers to the probability that an active employee, at any particular age, will terminate his or her employment within the next year—for example, the probability that an employee that is 32

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years old will not remain employed until the employee is 33 years old. (See Question 4.484 for information about the required calculations.)

Application of Paragraph 226a

- 4.484. Q—How is paragraph 226a of Statement 75, as amended, applied to determine the turnover-related probabilities that are used in the measurement of the total OPEB liability?

A—For each employee, the probability of remaining employed from entry age or current age until the assumed age at which all employment-related eligibility requirements are met or, if applicable, the probability of remaining employed from entry age or current age until the assumed age at which benefit payments begin to be made, can be determined by applying the calculation approach in paragraph 226a of Statement 75, as amended, using information from the employee's entry age in the first row. For example, the probability of remaining employed from the employee's current age until the assumed age at which all employment-related eligibility requirements are met is the value shown in column d of that table in the row associated with the employee's current age. That probability is used to calculate a probability-adjusted interest-discounted present value of total projected benefit payments. The probability of remaining employed from the employee's entry age until the assumed age at which all employment-related eligibility requirements are met is the value shown in column d of that table in the row associated with the employee's entry age. That probability is used in determining the present value of future service cost. (For examples of the application of these items to the calculation of the total OPEB liability, see Illustration 5 in nonauthoritative Appendix C of Statement 75.)

Healthcare cost trend rate

- 4.485. Q—From what source(s) can information about future healthcare costs be obtained?

A—Statement 75 does not specify a particular source for information about future changes in healthcare costs. However, the source selected should be publicly available, objective, unbiased (that is, it does not intentionally or systematically understate or overstate the estimates), and generally representative of the demographic characteristics of the covered group and the benefits that are provided under the benefit terms.

- 4.486. Q—When developing expectations about future changes in healthcare costs, is it necessary to consider the types of benefits that are provided? For example, if the benefit terms include prescription coverage, should the source used as a basis for assumptions about changes in healthcare costs consider expected future trends related to the cost of prescription drugs?

A—Yes. To the extent possible, expectations about changes in healthcare costs should be based on data developed for groups that mirror the demographic composition of plan participants and the types of benefits to be provided under the benefit terms.

Use of health insurance premiums

Application of Paragraph 226c

- 4.487. Q—Paragraph 226c of Statement 75 provides a calculation method that can be used to determine the age-adjusted premiums for inactive employees that are used to meet the requirements in paragraph 225g of that Statement. In what circumstances can this method be used?

A—The method described in paragraph 226c of Statement 75 may be used to age-adjust premiums for inactive employees for purposes of the alternative measurement method in circumstances in which (a) postemployment healthcare benefits are provided by allowing

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inactive employees to obtain health insurance in a plan that rates active and inactive employees in a single group, (b) the same premium rates (blended premium rates) are given for both active employees and inactive employees in the group, and (c) information cannot be obtained from the insurer about claims costs, or age-adjusted premiums approximating claims costs, for inactive employees. Paragraph 226c(1) is for use in determining age-adjusted premiums for inactive employees that are younger than 65 years old; paragraph 226c(2) is for use in determining age-adjusted premiums for inactive employees age 65 or older.

- 4.488. Q—How should paragraph 226c of Statement 75 be used to age-adjust premiums if all active and inactive employees are charged a single, common premium and healthcare benefits are provided to both inactive employees under age 65 and inactive employees age 65 or older?

A—If age-adjusted cost information cannot be obtained from the insurer, the age-adjustment procedures discussed in paragraph 226c(1) of Statement 75 should be applied to develop the basis for projecting future benefit payments for employees until age 65, at which point the basis for the projection of future benefit payments should be determined using the age-adjustment procedures in paragraph 226c(2) of Statement 75. That is, the employer should determine two separate rates—one for inactive employees younger than age 65 and one for inactive employees age 65 or older—using the calculation methodologies outlined in those paragraphs. After those rates are determined, the age-adjusted premium appropriate to the inactive employee's projected age in each year should be used as the basis for the projection of benefit payments.

Plans with coverage options

- 4.489. Q—If a postemployment benefit plan allows inactive employees to choose among multiple coverage options, on what basis should an assumption be developed about inactive employees' choices in the future?

A—Assumptions about the selection of coverage options by inactive employees should be developed based on information specific to the covered group, to the extent credible experience data are available. Statement 75 does not specify a particular approach, and there likely are several approaches that potentially would be reasonable depending on the benefit terms. For example, if the same choices are provided to active employees and inactive employees, it might be assumed that an inactive employee's choice of coverage will be the same as the choice of coverage made as an active employee. Alternatively, the expectation might be based on the type of coverage chosen by inactive employees in the past.

Use of grouping

- 4.490. Q—What is meant by “grouping techniques” in paragraph 225i of Statement 75, and how might they be used in measurements made using the alternative measurement method?

A—Paragraph 225i of Statement 75 permits employees to be grouped for purposes of calculations using the alternative measurement method. In other words, projections of benefit payments need not be made individually for each employee. For example, projections may be made for male employees and female employees—each grouped by age (25–29, 30–34, and so forth) and completed years of service (0–4, 5–9, and so forth)—for which benefit payments are expected to be similar, in circumstances in which all those in a given age/service group are treated as if they had the midpoint age and years of service. Also, members in one plan might be grouped with members from a second plan for purposes of projecting benefit payments associated with each plan if the plans have similar benefit terms and are expected to have similar costs (for example, two plans provide similar benefits and have similar demographic distributions of members).

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Other issues

- 4.491. Q—How should an employee’s expected remaining service life be determined when applying the attribution requirements in paragraph 42d, paragraph 85d, or paragraph 156d of Statement 75 using the alternative measurement method simplification related to use of a single assumed age of exit from active service?

A—In this circumstance, an employee’s expected remaining service life should be calculated as the difference between (a) the employee’s entry or current age (as applicable to the calculation being made) and (b) the assumed age at which the employee will exit from active service.

- 4.492. Q—If the alternative measurement method is used to measure the (collective) total OPEB liability, should any portion of the following be included in (collective) deferred outflows of resources or deferred inflows of resources related to OPEB: (a) changes in the (collective) total OPEB liability, (b) changes in proportion, or (c) differences between (1) contributions or amounts that are paid for OPEB as the benefits come due during the measurement period and (2) the proportionate share of contributions or amounts that are paid for OPEB as the benefits come due?

A—No. If the alternative measurement method is used to measure the (collective) total OPEB liability, no portion of those amounts is permitted to be included in (collective) deferred outflows of resources or deferred inflows of resources related to OPEB. The requirements of Statement 75 to include a portion of those amounts in (collective) deferred outflows of resources or deferred inflows of resources related to OPEB are applicable only in circumstances in which the alternative measurement method is not used.

Insured Benefits

- 4.493. Q—An employer provides long-term disability coverage as a separately administered benefit by paying premiums to an insurer. The premiums, for which payments are made before a disability-retired employee’s separation from employment, ensure payment of benefits for covered events that occur during the premium period. Is such an arrangement considered an insured plan?

A—Yes. Because premium payments are made during the period of the employee’s active service and transfer to the insurer the risk of providing benefits after employment for disabling events that occur during the period covered by the payment of premiums, such an arrangement should be treated as an insured plan. Benefits provided under the arrangement should be accounted for and reported in accordance with paragraphs 227–229 of Statement 75.

- 4.494. Q—An employer provides postemployment healthcare benefits by paying premiums to an insurer for coverage for inactive employees each year. Should the benefits be accounted for as insured benefits?

A—No. In the situation described, the use of a third-party insurer to provide defined benefit postemployment healthcare does not result in classifying the benefits as insured benefits for purposes of Statement 75. In this situation, the payments to the insurer are not made while the members are in active service—a key characteristic of an insured benefit.

Defined Contribution OPEB

Employers that do not have a special funding situation

See also Questions 4.23–4.26 addressing the classification of OPEB as defined benefit or defined contribution.

4.495. Q—If an employer has more than one defined contribution plan, is it required to separately display OPEB liabilities (or OPEB assets) for each plan in its financial statements?

A—No. Separate display of liabilities (or assets) for each plan is not required. However, aggregated OPEB liabilities should be displayed separately from aggregated OPEB assets.

Other Issues

4.496. Q—If an employer is required to include amounts paid for compensated absences balances in the amount of payroll on which the employer’s contributions to a defined benefit OPEB plan is based, should the employer accrue the anticipated amounts as a liability for salary-related payments in accordance with the requirements in paragraph 11 of Statement 16?

A—No. The employer’s additional contributions to the OPEB plan that are expected to arise as a result of the payment of compensated absences should not be accrued as an additional liability under Statement 16. Instead, the OPEB benefits, if any, that are expected to arise as a result of the projected payment of the compensated absences to the employee should be included in the projection of benefit payments for purposes of Statement 75 and, therefore, would be included in the net OPEB liability or total OPEB liability, as applicable. Payments to the OPEB plan that are made as a result of the compensated absences would be recognized as an increase in the OPEB plan’s fiduciary net position in the period in which the payments are due and would, at that time, reduce the employer’s net OPEB liability.

Effective Date and Transition of Statement 75

4.497. Q—An employer with a June 30 fiscal year is first implementing Statement 75, as amended, in its June 30, 2018 financial statements. The employer’s liability to employees for OPEB reported at June 30, 2018, has a measurement date of June 30, 2017 (and a corresponding measurement period of July 1, 2016, to June 30, 2017). The employer does not present comparative financial statements. What is the date for measurement of the prior-period adjustment?

A—The prior-period adjustment amount should include amounts as of the beginning of the employer’s fiscal year—that is, July 1, 2017. For example, it should include the effects of (a) the deferred outflow of resources determined at the beginning of the fiscal year for the employer’s contributions or the amounts paid by the employer for OPEB as the benefits come due, if any, since the beginning of the measurement period—in this example, the amounts from July 1, 2016, to June 30, 2017—and (b) the net OPEB liability or total OPEB liability (or proportionate share of the collective net OPEB liability or collective total OPEB liability) and other deferred outflows of resources and deferred inflows of resources, if applicable (see Questions 4.500 and 4.501), determined as of the measurement date that is used to determine the beginning net OPEB liability or total OPEB liability (or proportionate share of the collective net OPEB liability or collective total OPEB liability) in the year of initial implementation—in this example, June 30, 2016.

Effective Date and Transition of Statement 75

- 4.498. Q—What are the components of the prior-period adjustment to beginning net position when Statement 75, as amended, is first implemented?

A—The prior-period adjustment should (a) remove the net OPEB obligation (asset) balance determined in accordance with Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, if any, and any payables to the OPEB plan associated with formal commitments; (b) add the balance of the net OPEB liability or total OPEB liability (or proportionate share of the collective net OPEB liability or collective total OPEB liability), if any, as of the beginning of the initial period of implementation (determined as of the measurement date that would have been applied in the prior fiscal year if Statement 75, as amended, had been in effect—see Question 4.497); (c) add a deferred outflows of resources balance for the government’s contributions to the OPEB plan or amounts paid by the government for OPEB as the benefits come due between the measurement date of the beginning net OPEB liability or total OPEB liability (or proportionate share of the collective net OPEB liability or collective total OPEB liability) and the beginning of the government’s fiscal year, if any; and (d) add balances associated with all other deferred outflows of resources and deferred inflows of resources, if applicable (see Questions 4.500 and 4.501), determined as of the same date as the beginning net OPEB liability or total OPEB liability (or proportionate share of the collective net OPEB liability or collective total OPEB liability), as applicable. If there are payables to the OPEB plan that are not associated with formal commitments as of the beginning of the initial period of implementation, those balances should remain because Statement 75 continues the measurement and recognition requirements of Statement 45 for those transactions.

- 4.499. Q—Biennial actuarial valuations are performed for OPEB provided through a single-employer plan. The employer has a June 30 fiscal year-end and is planning to use the results of the December 31, 2017 actuarial valuation to report a net OPEB liability or total OPEB liability (or proportionate share of the collective net OPEB liability or collective total OPEB liability) with a measurement date of December 31, 2017, at June 30, 2018, the end of its initial year of implementation of Statement 75, as amended. The employer also will use the results of the December 31, 2017 actuarial valuation as the basis for reporting a net OPEB liability or total OPEB liability (or proportionate share of the collective net OPEB liability or collective total OPEB liability) with a measurement date of December 31, 2018 (determined using roll-forward procedures), in its June 30, 2019 financial statements. Can the results of this same actuarial valuation be “rolled back” to be used as the basis for the employer’s net OPEB liability or total OPEB liability (or proportionate share of the collective net OPEB liability or collective total OPEB liability) that will be included in the amount of the prior-period adjustment reported upon implementation of Statement 75, as amended?

A—The fact that this actuarial valuation is used to determine measurements at three different fiscal year-ends is not inconsistent with the requirement that actuarial valuations be performed at least biennially. Therefore, the actuarial valuation can be rolled back to December 31, 2016, to determine the employer’s net OPEB liability or total OPEB liability (or proportionate share of the collective net OPEB liability or collective total OPEB liability) at the beginning of the initial period of implementation for purposes of determining the amount of the prior-period adjustment (see Questions 4.500 and 4.501), provided that (a) the (collective) net OPEB liability or (collective) total OPEB liability that results from the rollback reflects the significant effects of only transactions and other events that occurred to that date and (b) if the OPEB plan is administered through a trust that meets the criteria in paragraph 4 of Statement 75 and the plan reported a net OPEB liability as of December 31, 2016, the measure reported by the plan used the same assumptions as used in the rolled back measure because the net OPEB liability reported by the OPEB plan and the (collective) net OPEB liability used by the employer to determine its reported liability to employees for OPEB as of a single date is required to be measured using the same assumptions.

- 4.500. Q—An employer has historical records of the investment activity for an OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of Statement 75 such that,

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at the beginning of the initial period of implementation of Statement 75, as amended, the amounts of the deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual earnings on OPEB plan investments can be determined. It also has records for contributions made before that date. However, the employer cannot determine the amounts of the deferred outflows of resources and deferred inflows of resources arising from differences between expected and actual experience or changes of assumptions because actuarial valuations for prior years used different methods or assumptions than those required by Statement 75. At transition, should the employer report the deferred outflows of resources and deferred inflows of resources associated with investment earnings and contributions?

A—At transition, Statement 75 requires the employer to report a prior-period adjustment that includes amounts for deferred outflows of resources arising from contributions, if any, made between the measurement date of the beginning net OPEB liability (or collective net OPEB liability used to determine the employer's liability to employees for OPEB) and the beginning of the employer's fiscal year. However, paragraph 244 of Statement 75 requires an employer to report either all other deferral balances or none of the others at transition. Therefore, because the employer cannot determine the total beginning deferral balances for differences between expected and actual experience and changes of assumptions, it should not report a prior-period adjustment for the deferral balances arising from differences between projected and actual earnings on OPEB plan investments.

- 4.501. Q—At the beginning of the initial period of implementation of Statement 75, as amended, a government is able to determine the amount of deferred outflows of resources and deferred inflows of resources for changes in the (collective) total OPEB liability associated with differences between expected and actual experience and changes of assumptions in one prior year. However, information is not available to determine the amounts of the changes in the (collective) total OPEB liability associated with those types of events in earlier years. Should the government report beginning deferred outflows of resources and deferred inflows of resources that include the effects of only the prior year's changes in the (collective) net OPEB liability or (collective) total OPEB liability, as applicable?

A—No. At transition, if a government is not able to determine the amounts of deferred outflows of resources or deferred inflows of resources arising from changes in the (collective) total OPEB liability resulting from differences between expected and actual experience and changes of assumptions in all prior periods, it should report none of them. However, paragraph 244 of Statement 75 requires the government to report a prior-period adjustment for deferred outflows of resources arising from contributions made or amounts paid by the government for OPEB as the benefits come due, if any, between the measurement date of the beginning net OPEB liability or total OPEB liability (or proportionate share of the collective net OPEB liability or collective total OPEB liability) (see Questions 4.497, 4.498, and 4.500) and the beginning of the government's fiscal year.

- 4.502. Q—If an employer reported a net OPEB asset of \$150 million and no payables to the OPEB plan associated with formal commitments under the requirements of Statement 45 but at the beginning of the initial year of implementation of Statement 75, as amended, will report a net OPEB liability (or proportionate share of the collective net OPEB liability), as applicable, of \$175 million and no deferred outflows of resources or deferred inflows of resources related to OPEB, what would the employer recognize as a prior-period adjustment?

A—The employer would report an adjustment to (reduction of) beginning net position in the amount of \$325 million, calculated as the total of \$150 million (to reverse the net OPEB asset previously reported) and \$175 million (to record the beginning net OPEB liability or proportionate share of the collective net OPEB liability).

Statement 74, as Amended

Statement 74, as Amended

5. Questions and answers in this paragraph address issues related to accounting and financial reporting for OPEB in accordance with the requirements of Statement 74, as amended.

- 5.1. Q—Paragraph 44 of Statement 74 specifies that “administrative costs associated with providing OPEB should be excluded from projected benefit payments” for purposes of determining the total OPEB liability. With regard to postemployment healthcare benefits, should amounts that are directly related to the payment of medical claims, such as third-party claims-administration fees, be classified as administrative costs?

A—No. Amounts that are directly related to the payment of medical claims should be classified as benefit payments. Certain other items should be classified as administrative costs and, therefore, excluded from the projection of benefit payments in accordance with paragraph 44 of Statement 74. Such items are costs that are related to the OPEB plan’s administrative operations and that are not reported by the OPEB plan as investment expense—for example, certain salaries and payroll taxes, trust custodial fees, and attorney and consultant fees.

- 5.2. Q—For purposes of projecting the OPEB plan’s fiduciary net position to determine the discount rate, should OPEB plan administrative expense be included as a reduction of the OPEB plan’s fiduciary net position?

A—Yes. For purposes of determining the discount rate, the projection of the OPEB plan’s fiduciary net position should include all projected additions to and deductions from the OPEB plan’s fiduciary net position, including deductions for administrative expense. (For an example, see Illustration B2 in nonauthoritative Appendix B of this Implementation Guide. For a discussion of the classification of certain items as benefit payments or as administrative costs, see Question 5.1.)

- 5.3. Q—If the OPEB plan terms specify that an employee and the employee’s beneficiaries, spouse, and other dependents become ineligible for all benefits upon the employee attaining a specified age but there is an expectation that the employee will continue to be employed past that age, should the attribution period include employment periods in which the employee and the employee’s beneficiaries, spouse, and other dependents will no longer be eligible for benefits?

A—No. For purposes of Statement 74, the employee’s active service under the plan terms does not extend past the point at which the employee and the employee’s beneficiaries, spouse, and other dependents become ineligible to receive all benefits (including refunds of plan member contributions). That is, at that point, the employee ceases to be a plan member. Therefore, the attribution period should not include employment periods after the employee and the employee’s beneficiaries, spouse, and other dependents become ineligible for all benefits. Consequently, for purposes of paragraph 54d of Statement 74, the date at which the employee and the employee’s beneficiaries, spouse, and other dependents become ineligible to receive all benefits under the plan terms should be the last assumed date of exit from active service. For example, in an OPEB plan that provides only healthcare, if the plan terms provide that an employee and the employee’s beneficiaries, spouse, and other dependents are eligible to receive postemployment healthcare benefits only until the employee is age 65 and there is no expected refund of employee contributions, the end of the attribution period is the date at which the employee will attain age 65, regardless of whether the employee is expected to remain employed past that date.

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- 5.4. Q—If there is a DROP for pensions but no such program for OPEB, should the attribution period for determining the total OPEB liability end at the assumed date of entrance into the pension DROP?

A—No. A plan member's date of exit from active service for purposes of attributing the present value of projected benefit payments for OPEB should be determined based on the expectation of the plan member's active service for purposes of the OPEB plan. Therefore, a plan member that is expected to participate in the pension DROP could be assumed to be "retired" for purposes of the pension attribution but active for purposes of the OPEB attribution.

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6. Except for the questions and answers identified in paragraph 7 or paragraph 8, the requirements of this Implementation Guide are effective for reporting periods beginning after June 15, 2017.
7. The requirements of Questions 4.85, 4.103, 4.108, 4.109, 4.225, 4.239, 4.244, 4.245, and 5.1–5.4 are effective for actuarial valuations as of December 15, 2017, or later.
8. For circumstances in which OPEB is provided through an OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of Statement 75, the requirements of Questions 4.484 and 4.491 are effective for an employer or nonemployer contributing entity in the first reporting period in which the measurement date of the (collective) net OPEB liability is on or after June 15, 2018.
9. Earlier application is encouraged if the Statement addressed by the question and answer has been implemented.
10. Changes adopted to conform to the provisions of this Implementation Guide should be applied retroactively by restating financial statements, if practicable, for all prior periods presented. If restatement for prior periods is not practicable, the cumulative effect, if any, of applying this Implementation Guide should be reported as a restatement of beginning fiduciary net position for the earliest period restated. In the first period that this Implementation Guide is applied, the notes to financial statements should disclose the nature of the restatement and its effect. Also, the reason for not restating prior periods presented should be disclosed.

The Governmental Accounting Standards Board has authorized its staff to prepare Implementation Guides that provide timely guidance on issues encountered during the implementation and application of GASB pronouncements. The GASB has reviewed this Implementation Guide and does not object to its issuance.

The requirements in this Implementation Guide need not be applied to immaterial items.

Appendix A

BACKGROUND

A1. Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued in June 2015 and became effective for financial statements for fiscal years beginning after June 15, 2017. Immediately following issuance of Statement 75 and the companion Statement on OPEB plan reporting—Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*—the GASB added a project to its technical agenda to develop implementation guidance related to those Statements. An Implementation Guide that addressed Statement 74, as amended, was issued in April 2017.

A2. Questions and answers are included in this Implementation Guide to address issues raised by the GASB's stakeholders through inquiries posed to the GASB or through comments submitted in response to GASB due process documents. Still others address issues identified by the GASB in anticipation of questions that will arise during implementation of Statement 75. This Implementation Guide also includes questions and answers applicable to single-employer and cost-sharing multiple-employer OPEB plan reporting to address issues related to measurement of the total OPEB liability that were identified subsequent to the issuance of Implementation Guide No. 2017-2, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

A3. Many questions and answers in this Implementation Guide are based on questions and answers previously issued to address similar topics within the context of pensions or OPEB plan reporting. The approach taken in this Implementation Guide is to maintain consistency with previously issued questions and answers unless differences are necessary (a) to address substantive differences in the subject matter discussed, (b) to minimize the potential for misinterpretation of the requirements, or (c) to conform to changes in the GASB's style for written materials that have been established since the issuance of the original questions and answers.

A4. The Board assembled a consultative group for the project that was broadly representative of the GASB's stakeholders. Members of the group provided suggestions regarding potential topics to be addressed in the Implementation Guide and were provided with drafts of potential questions and answers for review and comment.

A5. The Exposure Draft of this Implementation Guide was issued for public comment in June 2017. Fourteen comment letters were received in response to the proposal. Respondents to the Exposure Draft recommended specific changes to the proposed questions and answers. In response to those comments, certain questions and answers were clarified and certain others were removed. Respondents also suggested additional topics for consideration. Generally, those issues are not addressed in this Implementation Guide but will continue to be monitored.

Appendix B

ILLUSTRATIONS

B1. This nonauthoritative appendix presents illustrations related to Statement 75, as amended. The facts assumed in these examples are illustrative only and may not be indicative of current economic conditions. These examples are not intended to modify or limit the requirements being illustrated or to indicate the GASB's endorsement of the policies or practices shown. Application of certain provisions may require accounting treatments, disclosures, or formats other than those illustrated. In some cases, amounts that may be considered immaterial are used to illustrate specific requirements or alternatives. No inferences regarding determining materiality should be drawn from these illustrations. Amounts presented may include rounding differences.

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Illustration B1—Determination of Benefit Payments If Blended Premium Rates Are Stated

Illustration B2—Determination of the Discount Rate in Circumstances in Which Benefits Are Paid by the Employer with Its Own Resources as They Come Due and the OPEB Plan Is Administered through a Trust That Meets the Criteria in Paragraph 4 of Statement 75

Illustration B3—Determination of Certain Amounts to Be Presented in a Single or Agent Employer's Required Supplementary Information (RSI) Schedule of Contribution-Related Information

Illustration B4—Note Disclosures, RSI, and Calculation of Certain Recognized Amounts for a Cost-Sharing Employer

Illustration B1—Determination of Benefit Payments If Blended Premium Rates Are Stated

Illustration B1-1 Blended Premium Rates with No Active Employee Payments

Illustration B1-2 Blended Premium Rates with Active Employee Payments

Illustration B1-1—Blended Premium Rates with No Active Employee Payments

Assumptions

- A single-employer healthcare plan has 500 total covered employees (active and retired currently receiving benefit payments) with an average age of 47, of which 400 are active employees and 100 are retirees with a midpoint age of 60.
- As required by state law, the employer, a local government, permits retirees to continue to participate in the combined group and to receive healthcare benefits to age 65 at the blended premium rate for the group.
- The normal retirement age is 55.
- Annual insurance premiums are based on the experience of the combined active employees and retirees of only the single employer.
- The total insurance premiums for the group in the current period are \$1,440,000 (500 covered employees at a blended, or average, premium rate of \$2,880 per employee).
- The employer pays the blended premium rate for each active employee and, as required by state law, each retiree pays the blended premium rate for his or her coverage.
- An actuary determines that the age-adjusted premium rates approximating claims costs for each retiree average \$4,810 and the age-adjusted premium rates approximating claims costs for each active employee in the group average \$2,397.50.

Stated Benefit Payments

The stated benefit payments in the current period based on the use of blended premium rates are as follows:

	<u>Active Employees</u>	<u>Retirees</u>	<u>Total</u>
Total blended premiums at \$2,880 per employee	\$ 1,152,000	\$ 288,000	\$ 1,440,000
Less: active employee/retiree payments	-	288,000	288,000
Benefit payments	<u>\$ 1,152,000</u>	<u>\$ 0</u>	<u>\$ 1,152,000</u>

Age-Adjusted Benefit Payments

The benefit payments in the current period based on age-adjusted premiums approximating claims costs for active employees and for retirees are calculated as follows:

	<u>Active Employees</u>	<u>Retirees</u>	<u>Total</u>
Age-adjusted premiums approximating claims costs	\$ 959,000	\$ 481,000	\$ 1,440,000
Less: active employee/retiree payments	-	288,000	288,000
Benefit payments	<u>\$ 959,000</u>	<u>\$ 193,000</u>	<u>\$ 1,152,000</u>

The \$193,000 employer payment for retiree healthcare shown in the preceding table is a cash payment in the current period. Based on stated payments, it is part of the employer's payment for active-employee healthcare benefits; however, the employer's stated payment for active-employee benefits (\$1,152,000) exceeds the net age-adjusted premiums approximating claims costs for active employees (\$959,000) by \$193,000. The \$193,000, therefore, is not a payment for active-employee benefits; rather, it is the benefit payment for healthcare coverage for the current year for retirees.

Illustration B1-2—Blended Premium Rates with Active Employee Payments

Assumptions

The assumptions in Illustration B1-1, with the following changes:

- The employer's payment for active-employee healthcare coverage is capped at \$1,800.
- The amount paid by each active employee and retiree is calculated based on the blended premium rate of \$2,880.
- Each retiree is required to pay the full \$2,880. Each active employee is required to pay \$2,880, less the \$1,800 stated payment by the employer in relation to the blended rate, or \$1,080.

Age-Adjusted Benefit Payments

As in Illustration B1-1, in this illustration, the benefit payment for retiree healthcare is \$193,000, as explained below.

Step 1:

Determine the age-adjusted premiums approximating claims costs for retirees and for active employees, respectively. In the illustration, the average age-adjusted premium rates have been determined to be \$4,810 for retirees and \$2,397.50 for active employees.

Step 2:

Subtract the active employees' and retirees' payments for the period from their associated age-adjusted premiums approximating claims costs for the period to determine the benefit payments for active employees and retirees for the period.

Applying the individual payment rates to the full group in the order discussed, the benefit payments are calculated as follows:

	<u>Active Employees</u>	<u>Retirees</u>	<u>Total</u>
Age-adjusted premiums approximating claims costs	\$ 959,000	\$ 481,000	\$ 1,440,000
Less: active employee/retiree payments	<u>432,000</u>	<u>288,000</u>	<u>720,000</u>
Benefit payments	<u>\$ 527,000</u>	<u>\$ 193,000</u>	<u>\$ 720,000</u>

Comparing the result in this illustration with the result in Illustration B1-1, it should be noted that the same calculation methodology is applied in both cases. Also, it should be noted that the age-adjusted premiums, the retiree payments, and the benefit payments to retirees are the same with or without the cap on the employer's share of active-employee healthcare benefits. Therefore, in this illustration, the effect of the cap is to lower the amount of the benefit payments for active-employee healthcare benefits. The benefit payments for retiree healthcare are not affected.

Illustration B2—Determination of the Discount Rate in Circumstances in Which Benefits Are Paid by the Employer with Its Own Resources as They Come Due and the OPEB Plan Is Administered through a Trust That Meets the Criteria in Paragraph 4 of Statement 75

The following illustration is an example of the projections and calculations used to determine the discount rate as required by paragraphs 36–41 or paragraphs 79–84 of Statement 75, as applicable. The discount rate is the single rate that reflects (1) the long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and OPEB plan assets are expected to be invested using a strategy to achieve that return, and (2) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another scale), to the extent that the conditions for use of the long-term expected rate of return are not met.

In this illustration, projected cash flows into and out of the OPEB plan are assumed to be contributions to the OPEB plan (Table 1), benefit payments (Table 2), OPEB plan administrative expense (Table 2), and OPEB plan investment earnings (Table 2). These projected cash flows are used to project the OPEB plan's fiduciary net position at the beginning of each period (Table 2). The OPEB plan's projected fiduciary net position at the beginning of each period is compared to the amount of benefit payments projected to occur in that period (Table 3). In this illustration, it is assumed that the OPEB plan's fiduciary net position is expected to always be invested using a strategy to achieve the long-term expected rate of return on OPEB plan investments. Consequently, in this illustration, the benefit payments that are projected to occur in a period are discounted using the long-term expected rate of return on OPEB plan investments if the amount of the OPEB plan's beginning fiduciary net position is projected to be sufficient to make the benefit payments in that period (Table 3, column (f)). In periods in which benefit payments are projected to be greater than the amount of the OPEB plan's fiduciary net position, they are discounted using a municipal bond rate as required by paragraph 36 or paragraph 79 of Statement 75, as applicable (Table 3, column (g)).

Determining the single rate that is the discount rate for purposes of Statement 75 is an iterative process that involves the following steps:

1. A single rate that is between the long-term expected rate of return on OPEB plan investments and the municipal bond rate used to calculate amounts in Table 3, column (g), is selected.
2. The selected rate is used to calculate the total actuarial present value of all projected benefit payments.
3. The total actuarial present value resulting from step 2 is compared to the sum of the actuarial present values determined in Table 3, columns (f) and (g).
4. If the selected rate results in a total actuarial present value greater than the sum of the actuarial present values determined in columns (f) and (g) in Table 3, a new higher rate is selected. If the total actuarial present value is less than the sum of the actuarial present values determined in columns (f) and (g) in Table 3, a new lower rate is selected.
5. Steps 2–4 are repeated until the single rate is determined that results in a total actuarial present value of all projected benefit payments equal to the sum of the actuarial present values determined in Table 3, columns (f) and (g).

In this illustration, solving for the single rate that satisfies the condition of step 5 results in a discount rate of 3.90 percent (rounded). The proof of this calculation is shown in Table 3, column (h).

Facts and Assumptions

The following facts are assumed in this illustration:

- a. Active employees do not contribute to the OPEB plan.
- b. In all years, the employer pays benefits from its own resources as the benefits come due and makes no other contributions to the OPEB plan. The employer is expected to have the ability and willingness to make benefit payments from its own resources in all periods in the projection. Therefore, the amount of the projected total employer contributions in each period equals the amount of the projected benefit payments for that period.
- c. Benefit payments are projected as required by paragraphs 30–35 or paragraphs 73–78 of Statement 75, as applicable.
- d. For purposes of determining service cost, total payroll increases 4.25 percent per year.
- e. The service cost is 6.60 percent of payroll.
- f. The OPEB plan's initial fiduciary net position is \$22,000,000.
- g. Initial OPEB plan administrative expense is \$33,000.
- h. Total OPEB plan administrative expense increases 3.00 percent per year and is allocated to current employees (active and inactive) based on the ratio of current employees to total employees (active and inactive).
- i. Contributions, benefit payments, and OPEB plan administrative expense occur halfway through the year.
- j. The long-term expected rate of return on OPEB plan investments is 7.00 percent.
- k. The tax-exempt, high-quality general obligation municipal bond index rate is 3.85 percent.

Table 1: Projection of Contributions

Year	Projected Payroll			Projected Contributions		
	Payroll for Current Employees (a)	Payroll for Future Employees (b) = (c) – (a)	Total Payroll (c)	Total Employer Contributions (d)	Employer Contributions Related to Payroll of Future Employees (e) = (b) × 6.60%	Employer Contributions for Current Employees (f) = (d) – (e)
1	\$ 87,187,000	\$ -	\$ 87,187,000	\$ 11,068,000	\$ -	\$ 11,068,000
2	84,529,977	6,362,471	90,892,448	12,460,195	419,923	12,040,272
3	83,384,732	11,370,645	94,755,377	13,996,550	750,463	13,246,087
4	82,977,284	15,805,197	98,782,481	15,676,684	1,043,143	14,633,541
5	81,354,781	21,625,955	102,980,736	17,486,113	1,427,313	16,058,800
6	80,518,063	26,839,354	107,357,417	19,391,311	1,771,397	17,619,914
7	79,463,276	32,456,831	111,920,107	21,372,519	2,142,151	19,230,368
8	77,006,630	39,670,082	116,676,712	23,441,012	2,618,225	20,822,787
9	75,413,993	46,221,479	121,635,472	25,553,540	3,050,618	22,502,922
10	73,546,888	53,258,092	126,804,980	27,661,463	3,515,034	24,146,429
11	71,384,864	60,809,328	132,194,192	29,875,541	4,013,416	25,862,125
12	68,906,223	68,906,222	137,812,445	32,189,780	4,547,811	27,641,969
13	66,087,958	77,581,516	143,669,474	34,567,854	5,120,380	29,447,474
14	64,403,434	85,371,993	149,775,427	37,030,089	5,634,552	31,395,537
15	62,456,353	93,684,530	156,140,883	39,529,373	6,183,179	33,346,194
16	58,599,674	104,177,197	162,776,871	42,069,376	6,875,695	35,193,681
17	55,999,313	113,695,575	169,694,888	44,663,663	7,503,908	37,159,755
18	54,841,146	122,065,775	176,906,921	47,273,333	8,056,341	39,216,992
19	51,639,130	132,786,335	184,425,465	49,880,771	8,763,898	41,116,873
20	48,065,887	144,197,660	192,263,547	52,479,264	9,517,046	42,962,218
21	46,099,992	154,334,756	200,434,748	55,058,620	10,186,094	44,872,526
22	43,880,177	165,073,048	208,953,225	57,619,329	10,894,821	46,724,508
23	41,388,410	176,445,327	217,833,737	60,133,366	11,645,392	48,487,974
24	38,605,584	188,486,087	227,091,671	62,606,905	12,440,082	50,166,823
25	35,511,460	201,231,607	236,743,067	65,042,834	13,281,286	51,761,548
26	32,084,604	214,720,043	246,804,647	67,417,580	14,171,523	53,246,057

(Table continued on next page.)

Table 1 (continued)

Year	Projected Payroll			Projected Contributions		
	Payroll for Current Employees (a)	Payroll for Future Employees (b) = (c) – (a)	Total Payroll (c)	Total Employer Contributions (d)	Employer Contributions Related to Payroll of Future Employees (e) = (b) × 6.60%	Employer Contributions for Current Employees (f) = (d) – (e)
27	28,302,323	228,991,521	257,293,844	69,691,993	15,113,440	54,578,553
28	26,822,883	241,405,949	268,228,832	71,843,331	15,932,793	55,910,538
29	22,370,285	257,258,272	279,628,557	73,835,147	16,979,046	56,856,101
30	20,405,894	271,106,877	291,512,771	75,630,683	17,893,054	57,737,629
31	18,234,124	285,667,940	303,902,064	77,210,515	18,854,084	58,356,431
32	15,840,895	300,977,007	316,817,902	78,554,617	19,864,482	58,690,135
33	13,211,307	317,071,356	330,282,663	79,579,641	20,926,709	58,652,932
34	10,329,590	333,990,086	344,319,676	80,303,814	22,043,346	58,260,468
35	10,768,598	348,184,664	358,953,262	80,704,382	22,980,188	57,724,194
36	7,484,176	366,724,600	374,208,776	80,814,099	24,203,824	56,610,275
37	7,802,253	382,310,396	390,112,649	80,644,054	25,232,486	55,411,568
38	4,066,924	402,625,513	406,692,437	80,171,205	26,573,284	53,597,921
39	4,239,769	419,737,097	423,976,866	79,436,819	27,702,648	51,734,171
40	4,419,959	437,575,924	441,995,883	78,462,525	28,880,011	49,582,514
41	4,607,807	456,172,901	460,780,708	77,225,993	30,107,411	47,118,582
42	-	480,363,888	480,363,888	75,772,139	31,704,017	44,068,122
43	-	500,779,353	500,779,353	74,074,431	33,051,437	41,022,994
44	-	522,062,476	522,062,476	72,157,530	34,456,123	37,701,407
45	-	544,250,131	544,250,131	70,039,090	35,920,509	34,118,581
46	-	567,380,762	567,380,762	67,725,558	37,447,130	30,278,428
47	-	591,494,444	591,494,444	65,264,128	39,038,633	26,225,495
48	-	616,632,958	616,632,958	62,677,753	40,697,775	21,979,978
49	-	642,839,859	642,839,859	59,984,112	42,427,431	17,556,681
50	-	670,160,553	670,160,553	57,209,851	44,230,596	12,979,255
51	-	698,642,377	698,642,377	54,368,176	46,110,397	8,257,779
52	-	728,334,678	728,334,678	51,476,568	48,070,089	3,406,479
53	-	759,288,902	759,288,902	48,549,573	50,113,068	-
54	-	791,558,680	791,558,680	45,598,771	52,242,873	-
55	-	825,199,924	825,199,924	42,635,550	54,463,195	-

(Table continued on next page.)

Table 1 (continued)

Year	Projected Payroll			Projected Contributions		
	Payroll for Current Employees (a)	Payroll for Future Employees (b) = (c) – (a)	Total Payroll (c)	Total Employer Contributions (d)	Employer Contributions Related to Payroll of Future Employees (e) = (b) × 6.60%	Employer Contributions for Current Employees (f) = (d) – (e)
56	-	860,270,921	860,270,921	39,671,028	56,777,881	-
57	-	896,832,435	896,832,435	36,718,048	59,190,941	-
58	-	934,947,813	934,947,813	33,789,188	61,706,556	-
59	-	974,683,095	974,683,095	30,899,282	64,329,084	-
60	-	1,016,107,127	1,016,107,127	28,063,838	67,063,070	-
61	-	1,059,291,680	1,059,291,680	25,299,952	69,913,251	-
62	-	1,104,311,576	1,104,311,576	22,625,954	72,884,564	-
63	-	1,151,244,818	1,151,244,818	20,060,992	75,982,158	-
64	-	1,200,172,723	1,200,172,723	17,625,046	79,211,400	-
65	-	1,251,180,064	1,251,180,064	15,336,450	82,577,884	-
66	-	1,304,355,217	1,304,355,217	13,211,112	86,087,444	-
67	-	1,359,790,314	1,359,790,314	11,263,209	89,746,161	-
68	-	1,417,581,402	1,417,581,402	9,501,739	93,560,373	-
69	-	1,477,828,612	1,477,828,612	7,930,977	97,536,688	-
70	-	1,540,636,328	1,540,636,328	6,549,363	101,681,998	-
71	-	1,606,113,372	1,606,113,372	5,352,263	106,003,483	-
72	-	1,674,373,190	1,674,373,190	4,329,324	110,508,631	-
73	-	1,745,534,051	1,745,534,051	3,466,261	115,205,247	-
74	-	1,819,719,248	1,819,719,248	2,748,132	120,101,470	-
75	-	1,897,057,316	1,897,057,316	2,157,496	125,205,783	-
76	-	1,977,682,252	1,977,682,252	1,676,768	130,527,029	-
77	-	2,061,733,748	2,061,733,748	1,290,257	136,074,427	-
78	-	2,149,357,432	2,149,357,432	981,826	141,857,591	-
79	-	2,240,705,123	2,240,705,123	739,013	147,886,538	-
80	-	2,335,935,091	2,335,935,091	549,368	154,171,716	-
81	-	2,435,212,332	2,435,212,332	403,365	160,724,014	-
82	-	2,538,708,856	2,538,708,856	291,903	167,554,784	-

(Table continued on next page.)

Table 1 (continued)

Year	Projected Payroll			Projected Contributions		
	Payroll for Current Employees (a)	Payroll for Future Employees (b) = (c) – (a)	Total Payroll (c)	Total Employer Contributions (d)	Employer Contributions Related to Payroll of Future Employees (e) = (b) × 6.60%	Employer Contributions for Current Employees (f) = (d) – (e)
83	-	2,646,603,982	2,646,603,982	208,633	174,675,863	-
84	-	2,759,084,651	2,759,084,651	147,279	182,099,587	-
85	-	2,876,345,749	2,876,345,749	101,689	189,838,819	-
86	-	2,998,590,443	2,998,590,443	69,847	197,906,969	-
87	-	3,126,030,537	3,126,030,537	47,071	206,318,015	-
88	-	3,258,886,835	3,258,886,835	31,534	215,086,531	-
89	-	3,397,389,525	3,397,389,525	20,364	224,227,709	-
90	-	3,541,778,580	3,541,778,580	13,014	233,757,386	-
91	-	3,692,304,170	3,692,304,170	8,871	243,692,075	-
92	-	3,849,227,097	3,849,227,097	5,442	254,048,988	-
93	-	4,012,819,249	4,012,819,249	3,710	264,846,070	-
94	-	4,183,364,067	4,183,364,067	1,897	276,102,028	-
95	-	4,361,157,040	4,361,157,040	970	287,836,365	-
96	-	4,546,506,214	4,546,506,214	992	300,069,410	-
97	-	4,739,732,728	4,739,732,728	-	312,822,360	-

Table 2: Projection of the OPEB Plan's Fiduciary Net Position

Year	Projected Beginning Fiduciary Net Position (a)	Employer Contributions for Current Employees (b)	Projected Benefit Payments (c)	Projected Administrative Expense (d)	Projected Investment Earnings (e)	Projected Ending Fiduciary Net Position (f) = (a) + (b) – (c) – (d) + (e)
1	\$ 22,000,000	\$ 11,068,000	\$ 11,068,000	\$ 33,000	\$ 1,538,845	\$ 23,505,845
2	23,505,845	12,040,272	12,460,195	32,208	1,629,585	24,683,299
3	24,683,299	13,246,087	13,996,550	31,878	1,700,449	25,601,407
4	25,601,407	14,633,541	15,676,684	31,581	1,754,483	26,281,166
5	26,281,166	16,058,800	17,486,113	31,251	1,788,632	26,611,234
6	26,611,234	17,619,914	19,391,311	30,921	1,799,705	26,608,621
7	26,608,621	19,230,368	21,372,519	30,591	1,786,558	26,222,437
8	26,222,437	20,822,787	23,441,012	30,261	1,742,874	25,316,825
9	25,316,825	22,502,922	25,553,540	29,931	1,664,359	23,900,635
10	23,900,635	24,146,429	27,661,463	29,568	1,548,983	21,905,016
11	21,905,016	25,862,125	29,875,541	29,205	1,391,859	19,254,254
12	19,254,254	27,641,969	32,189,780	28,875	1,187,614	15,865,182
13	15,865,182	29,447,474	34,567,854	28,545	930,350	11,646,607
14	11,646,607	31,395,537	37,030,089	28,215	617,066	6,600,906
15	6,600,906	33,346,194	39,529,373	27,885	244,676	634,518
16	634,518	35,193,681	42,069,376	27,555	-	-
17	-	37,159,755	44,663,663	27,258	-	-
18	-	39,216,992	47,273,333	26,928	-	-
19	-	41,116,873	49,880,771	26,565	-	-
20	-	42,962,218	52,479,264	26,202	-	-
21	-	44,872,526	55,058,620	25,806	-	-
22	-	46,724,508	57,619,329	25,377	-	-
23	-	48,487,974	60,133,366	24,948	-	-
24	-	50,166,823	62,606,905	24,486	-	-
25	-	51,761,548	65,042,834	23,958	-	-
26	-	53,246,057	67,417,580	23,430	-	-

(Table continued on next page.)

Table 2 (continued)

Year	Projected Beginning Fiduciary Net Position (a)	Employer Contributions for Current Employees (b)	Projected Benefit Payments (c)	Projected Administrative Expense (d)	Projected Investment Earnings (e)	Projected Ending Fiduciary Net Position (f) = (a) + (b) - (c) - (d) + (e)
27	-	54,578,553	69,691,993	22,869	-	-
28	-	55,910,538	71,843,331	22,275	-	-
29	-	56,856,101	73,835,147	21,648	-	-
30	-	57,737,629	75,630,683	21,021	-	-
31	-	58,356,431	77,210,515	20,361	-	-
32	-	58,690,135	78,554,617	19,701	-	-
33	-	58,652,932	79,579,641	19,041	-	-
34	-	58,260,468	80,303,814	18,348	-	-
35	-	57,724,194	80,704,382	17,622	-	-
36	-	56,610,275	80,814,099	16,929	-	-
37	-	55,411,568	80,644,054	16,236	-	-
38	-	53,597,921	80,171,205	15,510	-	-
39	-	51,734,171	79,436,819	14,784	-	-
40	-	49,582,514	78,462,525	14,091	-	-
41	-	47,118,582	77,225,993	13,365	-	-
42	-	44,068,122	75,772,139	12,672	-	-
43	-	41,022,994	74,074,431	11,979	-	-
44	-	37,701,407	72,157,530	11,286	-	-
45	-	34,118,581	70,039,090	10,626	-	-
46	-	30,278,428	67,725,558	9,966	-	-
47	-	26,225,495	65,264,128	9,339	-	-
48	-	21,979,978	62,677,753	8,712	-	-
49	-	17,556,681	59,984,112	8,085	-	-
50	-	12,979,255	57,209,851	7,524	-	-
51	-	8,257,779	54,368,176	6,963	-	-
52	-	3,406,479	51,476,568	6,402	-	-
53	-	-	48,549,573	5,874	-	-
54	-	-	45,598,771	5,379	-	-
55	-	-	42,635,550	4,884	-	-

(Table continued on next page.)

Table 2 (continued)

Year	Projected Beginning Fiduciary Net Position (a)	Employer Contributions for Current Employees (b)	Projected Benefit Payments (c)	Projected Administrative Expense (d)	Projected Investment Earnings (e)	Projected Ending Fiduciary Net Position (f) = (a) + (b) – (c) – (d) + (e)
56	-	-	39,671,028	4,422	-	-
57	-	-	36,718,048	3,993	-	-
58	-	-	33,789,188	3,564	-	-
59	-	-	30,899,282	3,168	-	-
60	-	-	28,063,838	2,805	-	-
61	-	-	25,299,952	2,475	-	-
62	-	-	22,625,954	2,145	-	-
63	-	-	20,060,992	1,848	-	-
64	-	-	17,625,046	1,584	-	-
65	-	-	15,336,450	1,353	-	-
66	-	-	13,211,112	1,122	-	-
67	-	-	11,263,209	924	-	-
68	-	-	9,501,739	759	-	-
69	-	-	7,930,977	627	-	-
70	-	-	6,549,363	495	-	-
71	-	-	5,352,263	396	-	-
72	-	-	4,329,324	297	-	-
73	-	-	3,466,261	231	-	-
74	-	-	2,748,132	198	-	-
75	-	-	2,157,496	132	-	-
76	-	-	1,676,768	99	-	-
77	-	-	1,290,257	66	-	-
78	-	-	981,826	66	-	-
79	-	-	739,013	33	-	-
80	-	-	549,368	33	-	-
81	-	-	403,365	33	-	-
82	-	-	291,903	-	-	-

(Table continued on next page.)

Table 2 (continued)

Year	Projected Beginning Fiduciary Net Position (a)	Employer Contributions for Current Employees (b)	Projected Benefit Payments (c)	Projected Administrative Expense (d)	Projected Investment Earnings (e)	Projected Ending Fiduciary Net Position (f) = (a) + (b) – (c) – (d) + (e)
83	-	-	208,633	-	-	-
84	-	-	147,279	-	-	-
85	-	-	101,689	-	-	-
86	-	-	69,847	-	-	-
87	-	-	47,071	-	-	-
88	-	-	31,534	-	-	-
89	-	-	20,364	-	-	-
90	-	-	13,014	-	-	-
91	-	-	8,871	-	-	-
92	-	-	5,442	-	-	-
93	-	-	3,710	-	-	-
94	-	-	1,897	-	-	-
95	-	-	970	-	-	-
96	-	-	992	-	-	-
97	-	-	-	-	-	-

Table 3: Actuarial Present Values of Projected Benefit Payments

Year (a)	Projected Benefit Payments				Actuarial Present Values of Projected Benefit Payments		
	Projected Beginning Plan Fiduciary Net Position (b)	Projected Benefit Payments (c)	"Funded" Portion of Benefit Payments (d)	"Unfunded" Portion of Benefit Payments (e)	Present Value of "Funded" Benefit Payments (f) = (d) / (1 + 7.0%) ^(a-0.5)	Present Value of "Unfunded" Benefit Payments (g) = (e) / (1 + 3.85%) ^(a-0.5)	Present Value of Benefit Payments Using the Single Discount Rate (h) = (c) / (1 + 3.90%) ^(a-0.5)
1	\$ 22,000,000	\$ 11,068,000	\$ 11,068,000	\$ -	\$ 10,699,839	\$ -	\$ 10,858,180
2	23,505,845	12,460,195	12,460,195	-	11,257,687	-	11,764,906
3	24,683,299	13,996,550	13,996,550	-	11,818,478	-	12,719,217
4	25,601,407	15,676,684	15,676,684	-	12,371,176	-	13,711,006
5	26,281,166	17,486,113	17,486,113	-	12,896,334	-	14,719,199
6	26,611,234	19,391,311	19,391,311	-	13,365,844	-	15,709,914
7	26,608,621	21,372,519	21,372,519	-	13,767,692	-	16,664,723
8	26,222,437	23,441,012	23,441,012	-	14,112,307	-	17,591,161
9	25,316,825	25,553,540	-	25,553,540	-	18,535,138	18,456,314
10	23,900,635	27,661,463	-	27,661,463	-	19,320,279	19,228,473
11	21,905,016	29,875,541	-	29,875,541	-	20,093,127	19,987,624
12	19,254,254	32,189,780	-	32,189,780	-	20,846,985	20,727,129
13	15,865,182	34,567,854	-	34,567,854	-	21,557,141	21,422,459
14	11,646,607	37,030,089	-	37,030,089	-	22,236,529	22,086,526
15	6,600,906	39,529,373	-	39,529,373	-	22,857,339	22,691,768
16	634,518	42,069,376	-	42,069,376	-	23,424,229	23,242,895
17	-	44,663,663	-	44,663,663	-	23,946,777	23,749,488
18	-	47,273,333	-	47,273,333	-	24,406,329	24,193,120
19	-	49,880,771	-	49,880,771	-	24,797,785	24,568,835
20	-	52,479,264	-	52,479,264	-	25,122,391	24,877,968
21	-	55,058,620	-	55,058,620	-	25,380,025	25,120,498
22	-	57,619,329	-	57,619,329	-	25,575,753	25,301,535
23	-	60,133,366	-	60,133,366	-	25,702,138	25,413,819
24	-	62,606,905	-	62,606,905	-	25,767,333	25,465,512
25	-	65,042,834	-	65,042,834	-	25,777,464	25,462,754
26	-	67,417,580	-	67,417,580	-	25,728,081	25,401,235

(Table continued on next page.)

Table 3 (continued)

Year (a)	Projected Beginning Plan Fiduciary Net Position (b)	Projected Benefit Payments			Actuarial Present Values of Projected Benefit Payments		
		Projected Benefit Payments (c)	"Funded" Portion of Benefit Payments (d)	"Unfunded" Portion of Benefit Payments (e)	Present Value of "Funded" Benefit Payments (f) = (d) / (1 + 7.0%) ^(a-0.5)	Present Value of "Unfunded" Benefit Payments (g) = (e) / (1 + 3.85%) ^(a-0.5)	Present Value of Benefit Payments Using the Single Discount Rate (h) = (c) / (1 + 3.90%) ^(a-0.5)
27	-	69,691,993	-	69,691,993	-	25,610,061	25,272,041
28	-	71,843,331	-	71,843,331	-	25,421,881	25,073,770
29	-	73,835,147	-	73,835,147	-	25,158,102	24,801,165
30	-	75,630,683	-	75,630,683	-	24,814,541	24,450,216
31	-	77,210,515	-	77,210,515	-	24,393,728	24,023,534
32	-	78,554,617	-	78,554,617	-	23,898,296	23,523,823
33	-	79,579,641	-	79,579,641	-	23,312,599	22,935,801
34	-	80,303,814	-	80,303,814	-	22,652,618	22,275,316
35	-	80,704,382	-	80,704,382	-	21,921,630	21,545,698
36	-	80,814,099	-	80,814,099	-	21,137,633	20,764,732
37	-	80,644,054	-	80,644,054	-	20,311,176	19,942,854
38	-	80,171,205	-	80,171,205	-	19,443,508	19,081,351
39	-	79,436,819	-	79,436,819	-	18,551,181	18,196,518
40	-	78,462,525	-	78,462,525	-	17,644,343	17,298,342
41	-	77,225,993	-	77,225,993	-	16,722,462	16,386,321
42	-	75,772,139	-	75,772,139	-	15,799,370	15,474,024
43	-	74,074,431	-	74,074,431	-	14,872,776	14,559,209
44	-	72,157,530	-	72,157,530	-	13,950,792	13,649,818
45	-	70,039,090	-	70,039,090	-	13,039,208	12,751,506
46	-	67,725,558	-	67,725,558	-	12,141,066	11,867,229
47	-	65,264,128	-	65,264,128	-	11,266,065	11,006,444
48	-	62,677,753	-	62,677,753	-	10,418,486	10,173,295
49	-	59,984,112	-	59,984,112	-	9,601,099	9,370,445
50	-	57,209,851	-	57,209,851	-	8,817,572	8,601,428
51	-	54,368,176	-	54,368,176	-	8,068,940	7,867,201
52	-	51,476,568	-	51,476,568	-	7,356,560	7,169,037
53	-	48,549,573	-	48,549,573	-	6,681,041	6,507,473
54	-	45,598,771	-	45,598,771	-	6,042,343	5,882,418
55	-	42,635,550	-	42,635,550	-	5,440,234	5,293,591

(Table continued on next page.)

Table 3 (continued)

Year (a)	Projected Beginning Plan Fiduciary Net Position (b)	Projected Benefit Payments			Actuarial Present Values of Projected Benefit Payments		
		Projected Benefit Payments (c)	"Funded" Portion of Benefit Payments (d)	"Unfunded" Portion of Benefit Payments (e)	Present Value of "Funded" Benefit Payments (f) = (d) / (1 + 7.0%) ^(a-0.5)	Present Value of "Unfunded" Benefit Payments (g) = (e) / (1 + 3.85%) ^(a-0.5)	Present Value of Benefit Payments Using the Single Discount Rate (h) = (c) / (1 + 3.90%) ^(a-0.5)
56	-	39,671,028	-	39,671,028	-	4,874,304	4,740,539
57	-	36,718,048	-	36,718,048	-	4,344,225	4,222,888
58	-	33,789,188	-	33,789,188	-	3,849,497	3,740,102
59	-	30,899,282	-	30,899,282	-	3,389,753	3,291,773
60	-	28,063,838	-	28,063,838	-	2,964,560	2,877,427
61	-	25,299,952	-	25,299,952	-	2,573,513	2,496,621
62	-	22,625,954	-	22,625,954	-	2,216,191	2,148,897
63	-	20,060,992	-	20,060,992	-	1,892,109	1,833,736
64	-	17,625,046	-	17,625,046	-	1,600,728	1,550,567
65	-	15,336,450	-	15,336,450	-	1,341,237	1,298,557
66	-	13,211,112	-	13,211,112	-	1,112,535	1,076,592
67	-	11,263,209	-	11,263,209	-	913,334	883,384
68	-	9,501,739	-	9,501,739	-	741,932	717,243
69	-	7,930,977	-	7,930,977	-	596,323	576,190
70	-	6,549,363	-	6,549,363	-	474,184	457,946
71	-	5,352,263	-	5,352,263	-	373,146	360,187
72	-	4,329,324	-	4,329,324	-	290,640	280,405
73	-	3,466,261	-	3,466,261	-	224,073	216,074
74	-	2,748,132	-	2,748,132	-	171,064	164,875
75	-	2,157,496	-	2,157,496	-	129,320	124,579
76	-	1,676,768	-	1,676,768	-	96,779	93,184
77	-	1,290,257	-	1,290,257	-	71,710	69,011
78	-	981,826	-	981,826	-	52,545	50,542
79	-	739,013	-	739,013	-	38,084	36,614
80	-	549,368	-	549,368	-	27,261	26,196
81	-	403,365	-	403,365	-	19,274	18,512
82	-	291,903	-	291,903	-	13,431	12,893

(Table continued on next page.)

Table 3 (continued)

Year (a)	Projected Beginning Plan Fiduciary Net Position (b)	Projected Benefit Payments			Actuarial Present Values of Projected Benefit Payments		
		Projected Benefit Payments (c)	"Funded" Portion of Benefit Payments (d)	"Unfunded" Portion of Benefit Payments (e)	Present Value of "Funded" Benefit Payments (f) = (d) / (1 + 7.0%) ^(a-83)	Present Value of "Unfunded" Benefit Payments (g) = (e) / (1 + 3.85%) ^(a-83)	Present Value of Benefit Payments Using the Single Discount Rate (h) = (c) / (1 + 3.90%) ^(a-83)
83	-	208,633	-	208,633	-	9,244	8,869
84	-	147,279	-	147,279	-	6,283	6,026
85	-	101,689	-	101,689	-	4,178	4,004
86	-	69,847	-	69,847	-	2,763	2,647
87	-	47,071	-	47,071	-	1,793	1,717
88	-	31,534	-	31,534	-	1,157	1,107
89	-	20,364	-	20,364	-	719	688
90	-	13,014	-	13,014	-	443	423
91	-	8,871	-	8,871	-	291	278
92	-	5,442	-	5,442	-	172	164
93	-	3,710	-	3,710	-	113	108
94	-	1,897	-	1,897	-	55	53
95	-	970	-	970	-	27	26
96	-	992	-	992	-	27	26
97	-	-	-	-	-	-	-
Total					<u>\$ 100,289,357</u>	+ <u>\$ 929,983,171</u>	= <u>\$ 1,030,272,528</u>

Illustration B3—Determination of Certain Amounts to Be Presented in a Single or Agent Employer’s RSI Schedule of Contribution-Related Information

The following examples illustrate the determination of certain amounts in the contribution-related schedule that is required by paragraph 57c of Statement 75, as amended, to be presented in RSI by single and agent employers if certain conditions are met. Specifically, they illustrate circumstances in which the measure of payroll on which actual contributions are determined differs from the measure of payroll on which actuarially determined contribution rates are calculated or in which the actuarially determined rate differs from the required contribution rate.

Example A

As a result of an actuarial valuation, both the plan (single-employer or agent-multiple employer plan with the same fiscal year-end as the employer) and the employer are notified that the actuarially determined contribution rate for the coming year is 15 percent of payroll. The calculation of the actuarially determined contribution rate was based on a projected payroll of \$2.0 million for the year to which the actuarially determined contribution will apply. The employer is legally required to contribute to the plan an amount equal to the actuarially determined contribution rate applied to the actual payroll, rather than the projected payroll. The actual payroll for the year is \$2.1 million. By year-end, the plan has recognized (on the accrual basis) \$315,000 of employer contributions (that is, $\$2,100,000 \times 0.15$).

To ensure an appropriate comparison of actuarially determined contributions to contributions received (on the accrual basis), the information in the employer’s schedule of contribution-related information should be on the same measure of payroll. In this example, the employer should report \$315,000 (the actual payroll for the year times the actuarially determined contribution rate) as the actuarially determined contribution for the year. Actual amounts should be equal to those recognized by the OPEB plan in relation to the actuarially determined contribution (in this case, \$315,000). Thus, the amounts presented in the most recent year of the employer’s schedule of contribution-related information should be the following:

Actuarially determined contribution	\$ 315,000
Contributions in relation to the actuarially determined contribution	315,000
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 2,100,000
Contributions as a percentage of covered payroll	15.0%

Example B

As in Example A, the actuarially determined contribution rate is 15 percent of payroll, based on a projected payroll of \$2.0 million. The actual payroll for the current year is \$2.1 million. In contrast to Example A, however, the employer is legally required to contribute to the plan at a statutory rate of 10 percent of actual payroll. Therefore, the employer's statutorily required contributions for the year are \$210,000 ($\$2,100,000 \times 0.10$). This is the amount that the plan recognizes as an addition to fiduciary net position from employer contributions in its statement of changes in fiduciary net position for the year. The amounts presented in the most recent year of the employer's schedule of contribution-related information should be the following:

Actuarially determined contribution	\$ 315,000
Contributions in relation to the actuarially determined contribution	210,000
Contribution deficiency (excess)	<u>\$ 105,000</u>
Covered payroll	\$ 2,100,000
Contributions as a percentage of covered payroll	10.0%

Example C

If, in Example B, the employer was required to contribute based on projected payroll instead of actual payroll, the amount recognized by the plan as employer contributions in its statement of changes in fiduciary net position would be \$200,000 ($\$2,000,000 \times 0.10$), and the amounts presented in the most recent year of the employer's schedule of contribution-related information should be the following:

Actuarially determined contribution	\$ 300,000
Contributions in relation to the actuarially determined contribution	200,000
Contribution deficiency (excess)	<u>\$ 100,000</u>
Covered payroll	\$ 2,000,000
Contributions as a percentage of covered payroll	10.0%

Illustration B4—Note Disclosures, RSI, and Calculation of Certain Recognized Amounts for a Cost-Sharing Employer

The following illustrations are for a cost-sharing employer (Sample School District) that provides OPEB through a cost-sharing OPEB plan (the State K-12 Educators' OPEB Plan [K-12 Plan]). The illustrations that follow assume the same facts and circumstances for the OPEB plan as presented in the plan illustration, including the Schedule of Changes in the School Districts' Collective Net OPEB Liability, which is reproduced in Illustration B4-2 in this Appendix.

This illustration presents the following:

Illustration B4-1—Note Disclosures and RSI for Sample School District

Illustration B4-2—Determination of Collective OPEB Expense and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to OPEB

Illustration B4-3—Application of Paragraphs 59–68 of Statement 75 for Calculation of Amounts to Be Recognized by Sample School District and Sample Journal Entries

Illustration B4-1—Note Disclosures and RSI for Sample School District

**Sample School District
Notes to Financial Statements
for the Year Ended June 30, 20X9**

(Dollar amounts in thousands)

Summary of Significant Accounting Policies

Postemployment Benefits Other Than Pensions (OPEB). For purposes of measuring the District's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State K-12 Educators' OPEB Plan (K-12 Plan) and additions to/deductions from the K-12 Plan's fiduciary net position have been determined on the same basis as they are reported by the K-12 Plan. For this purpose, the K-12 Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Note X—Postemployment Benefits Other Than Pensions (OPEB)

[If the District's employees were provided with benefits through more than one defined benefit OPEB plan, the District should disclose information required by paragraph 89 of Statement 75 and should apply the requirements in paragraph 90 of Statement 75.]

General Information about the OPEB Plan

Plan description. Teaching-certified employees of the District are provided with OPEB through the State K-12 Educators' OPEB Plan (K-12 Plan)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the Teachers Retirement System (TRS). Article 41 of the State Statutes grants the authority to establish and amend the benefit terms to the TRS Board of Trustees (TRS Board). TRS issues a publicly available financial report that can be obtained at [Internet address].

Benefits provided. The K-12 Plan provides healthcare benefits for retirees and their dependents through payment of 100 percent of insurance premiums for non-Medicare-eligible retirees and supplemental health insurance for Medicare-eligible retirees.

[If the benefit terms included automatic or ad hoc postemployment benefit changes, the District should disclose information about those terms, as required by paragraph 91b(4) of Statement 75.]

[If the OPEB plan was closed to new entrants, the District should disclose that fact, as required by paragraph 91b of Statement 75.]

Contributions. Per Article 41 of the State Statutes, contribution requirements of the participating school districts and covered employees are established and may be amended by the TRS Board. The school districts' contractually required contribution rate for the year ended June 30, 20X9, was 11.59 percent of covered payroll, actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$12,987 for the year ended June 30, 20X9. Employees are not required to contribute to the OPEB plan.

[If there was a legal or contractual maximum contribution rate, the District should disclose information required by paragraph 91c(3) of Statement 75.]

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 20X9, the District reported a liability of \$112,481 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of December 31, 20X8, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. At December 31, 20X8, the District's proportion was 1.86 percent, which was an increase of 0.0001 from its proportion measured as of December 31, 20X7 (1.85 percent).

[If there had been a change of benefit terms that affected the measurement of the total OPEB liability since the prior measurement date, the District should disclose information required by paragraph 96e of Statement 75.]

[If changes expected to have a significant effect on the measurement of the District's proportionate share of the collective net OPEB liability had occurred between the measurement date and the reporting date, the District should disclose information required by paragraph 96f of Statement 75.]

For the year ended June 30, 20X9, the District recognized OPEB expense of \$28,855. At June 30, 20X9, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,666	\$ 7,823
Changes of assumptions	15,411	488
Net difference between projected and actual earnings on OPEB plan investments	-	5,193
Changes in proportion and differences between District contributions and proportionate share of contributions	1,307	455
District contributions subsequent to the measurement date	6,588	-
Total	<u>\$ 32,972</u>	<u>\$ 13,959</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$6,588 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 20Y0. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
20Y0	\$ 10,340
20Y1	3,664
20Y2	(2,701)
20Y3	511
20Y4	1,186
Thereafter	(575)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of December 31, 20X8, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.5 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	9.5 percent for 20X9, decreasing 0.5 percent per year to an ultimate rate of 5.5 percent for 20Y7 and later years

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the December 31, 20X8 valuation were based on the results of an actuarial experience study for the period January 1, 20X6–October 31, 20X8. As a result of the 20X8 actuarial experience study, the expectation of life after disability was adjusted in the December 31, 20X8 actuarial valuation to more closely reflect actual experience.

[If the benefit terms included ad hoc postemployment benefit changes, the District should disclose information about assumptions related to those changes, as required by paragraph 92 of Statement 75.]

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. Those ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	33%	1.2%
Domestic equity	19	6.4
International equity	18	6.5
Private equity	13	6.7
Real estate	12	6.2
Commodities	4	2.1
Cash	1	0.0
Total	<u>100%</u>	

Discount rate. The discount rate used to measure the total OPEB liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from school districts will be made at contractually required rates, actuarially determined. Based on this assumption, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

[If there had been a change in the discount rate since the prior measurement date, the District should disclose information about that change, as required by paragraph 94a of Statement 75.]

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current discount rate:

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the collective net OPEB liability	\$ 168,466	\$ 112,481	\$ 65,827

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates. The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (8.5 percent decreasing to 4.5 percent) or 1-percentage-point higher (10.5 percent decreasing to 6.5 percent) than the current healthcare cost trend rates:

	1% Decrease (8.5% decreasing to 4.5%)	Healthcare Cost Trend Rates (9.5% decreasing to 5.5%)	1% Increase (10.5% decreasing to 6.5%)
District's proportionate share of the collective net OPEB liability	\$ 47,161	\$ 112,481	\$ 191,788

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

[If significant changes had occurred that indicate that the disclosures included in the OPEB plan's financial report generally did not reflect the facts and circumstances at the measurement date, the District should disclose additional information, as required by paragraph 95 of Statement 75.]

Payables to the OPEB plan

[If the District reported payables to the defined benefit OPEB plan, it should disclose information required by paragraph 142 of Statement 75.]

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY

State K-12 Educators' OPEB Plan

Last 10 Fiscal Years*
(Dollar amounts in thousands)

	20X9	20X8	20X7	20X6	20X5	20X4	20X3	20X2	20X1	20X0
District's proportion of the collective net OPEB liability (asset)	1.86%	1.85%	1.85%	1.85%	1.85%	1.85%	1.85%	1.87%	1.87%	1.87%
District's proportionate share of the collective net OPEB liability (asset)	\$ 112,481	\$ 109,675	\$ 117,919	\$ 100,053	\$ 60,061	\$ 68,485	\$ 75,023	\$ 14,574	\$ 4,948	\$ 17,618
District's covered payroll	\$ 112,319	\$ 108,738	\$ 104,653	\$ 97,246	\$ 95,649	\$ 94,969	\$ 89,578	\$ 91,577	\$ 92,414	\$ 88,352
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered payroll	100.14%	100.86%	112.68%	102.89%	62.79%	72.11%	83.75%	15.91%	5.35%	19.94%
Plan fiduciary net position as a percentage of the total OPEB liability	75.89%	74.84%	71.45%	73.26%	82.77%	79.44%	75.88%	93.87%	97.92%	92.23%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
State K-12 Educators' OPEB Plan

Last 10 Fiscal Years
(Dollar amounts in thousands)

	20X9	20X8	20X7	20X6	20X5	20X4	20X3	20X2	20X1	20X0
Contractually required contribution	\$ 12,987	\$ 12,528	\$ 12,008	\$ 11,142	\$ 10,478	\$ 10,275	\$ 9,407	\$ 8,683	\$ 8,365	\$ 7,752
Contributions in relation to the contractually required contribution	(12,987)	(12,528)	(12,008)	(11,142)	(10,478)	(10,275)	(9,407)	(8,683)	(8,365)	(7,752)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 112,041	\$ 110,528	\$ 106,695	\$ 100,950	\$ 96,448	\$ 95,309	\$ 92,274	\$ 90,578	\$ 91,996	\$ 90,383
Contributions as a percentage of covered payroll	11.59%	11.33%	11.25%	11.04%	10.86%	10.78%	10.19%	9.59%	9.09%	8.58%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**Notes to Required Supplementary Information
for the Year Ended June 30, 20X9**

Changes of benefit terms. In the December 31, 20X1 actuarial valuation, there was a change of benefit terms to require Medicare-eligible recipients to enroll in Medicare.

Changes of assumptions. In the December 31, 20X8 actuarial valuation, the expectation of life after disability was adjusted to more closely reflect actual experience. In the December 31, 20X6 and 20X2 actuarial valuations, adjustments were made to assumptions regarding spousal coverage to better reflect actual experience. In the December 31, 20X1 actuarial valuation, expected retirement ages were adjusted to more closely reflect actual experience.

Illustration B4-2—Determination of Collective OPEB Expense and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to OPEB

Sample School District determines its proportionate shares of collective OPEB expense, collective deferred outflows of resources related to OPEB, and collective deferred inflows of resources related to OPEB by multiplying its proportion (determined in accordance with paragraphs 59–61 of Statement 75) by the collective balances (determined in accordance with paragraphs 70–86 of Statement 75).

This illustration provides additional detail about the calculation of *collective* OPEB expense and the *collective* balances of deferred outflows of resources and deferred inflows of resources related to OPEB for OPEB provided by Sample School District in Illustration B4-1 through the K-12 Plan and is separated into the following three parts:

Part 1: Components of Collective OPEB Expense for the Measurement Period Ended December 31, 20X8

Part 2: Application of Paragraphs 86a and 86b of Statement 75 to Determine Components of Collective OPEB Expense Resulting from Differences between Expected and Actual Experience, Changes of Assumptions, and Differences between Projected and Actual Earnings on OPEB Plan Investments

Part 3: Determination of Collective Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB at December 31, 20X7 and December 31, 20X8.

(See Illustration B4-3 for determination of amounts to be recognized by Sample School District—its proportionate shares of collective balances and individual amounts—as well as related journal entries.)

This illustration and Illustration B4-3 assume the same facts and circumstances. Both illustrations also assume the same facts and circumstances that are presented in Illustration B6 in Appendix B of Implementation Guide 2017-2, including the amounts presented in the Schedule of Changes in the School Districts' Collective Net OPEB Liability, which is reproduced on the next page of this illustration for reference.

The detailed calculations presented in Parts 1–3 of this illustration are not required by Statement 75 to be included in the financial reports of employers.

**Schedule of Changes in the School Districts' Collective Net OPEB Liability
(from Illustration B6 in Appendix B of Implementation Guide 2017-2)**

	20X8	20X7	20X6	20X5	20X4	20X3	20X2	20X1	20X0	20W9
Total OPEB liability										
Service cost	\$ 615,369	\$ 589,127	\$ 565,889	\$ 533,698	\$ 502,336	\$ 483,656	\$ 487,788	\$ 445,497	\$ 388,231	\$ 375,944
Interest	1,760,601	1,668,117	1,511,144	1,407,156	1,344,648	1,255,221	948,133	951,006	907,166	887,807
Changes of benefit terms	-	-	-	-	-	-	-	(866,951)	-	-
Differences between expected and actual experience	(103,589)	(259,983)	369,952	135,892	(359,925)	89,926	786,574	209,103	(258,922)	(575,851)
Changes of assumptions	42,586	-	375,822	-	-	-	2,503,689	(235,898)	-	-
Benefit payments	(798,281)	(756,226)	(726,686)	(685,993)	(652,588)	(648,993)	(620,242)	(504,158)	(456,988)	(414,872)
Net change in total OPEB liability	1,516,686	1,241,035	2,095,121	1,390,753	834,471	1,189,810	4,105,942	(1,402)	579,487	273,028
Total OPEB liability—beginning	23,566,139	22,325,104	20,228,983	18,838,230	18,003,759	16,813,949	12,708,007	12,709,409	12,129,922	11,856,894
Total OPEB liability—ending (a)	\$ 25,082,825	\$ 23,566,139	\$ 22,325,104	\$ 20,228,983	\$ 18,838,230	\$ 18,003,759	\$ 16,813,949	\$ 12,708,007	\$ 12,709,409	\$ 12,129,922
Plan fiduciary net position										
Contributions—employer	\$ 653,665	\$ 645,569	\$ 625,689	\$ 589,652	\$ 575,263	\$ 562,562	\$ 495,892	\$ 475,008	\$ 420,914	\$ 385,624
Net investment income	1,569,982	1,822,569	1,258,331	(650,863)	1,389,718	1,658,911	974,017	(470,064)	1,308,775	974,057
Benefit payments	(798,281)	(756,226)	(726,686)	(685,993)	(652,588)	(648,993)	(620,242)	(504,158)	(456,988)	(414,872)
Administrative expense	(27,669)	(25,259)	(26,952)	(23,784)	(22,568)	(19,256)	(19,682)	(16,899)	(15,698)	(15,993)
Net change in plan fiduciary net position	1,397,697	1,686,653	1,130,392	(770,988)	1,289,825	1,543,224	829,985	(516,113)	1,257,003	928,816
Plan fiduciary net position—beginning	17,637,765	15,951,112	14,820,720	15,591,708	14,301,883	12,758,659	11,928,674	12,444,787	11,187,784	10,258,968
Plan fiduciary net position—ending (b)	\$ 19,035,462	\$ 17,637,765	\$ 15,951,112	\$ 14,820,720	\$ 15,591,708	\$ 14,301,883	\$ 12,758,659	\$ 11,928,674	\$ 12,444,787	\$ 11,187,784
School districts' collective net OPEB liability—ending (a) – (b)	\$ 6,047,363	\$ 5,928,374	\$ 6,373,992	\$ 5,408,263	\$ 3,246,522	\$ 3,701,876	\$ 4,055,290	\$ 779,333	\$ 264,622	\$ 942,138

Part 1: Components of Collective OPEB Expense for the Measurement Period Ended December 31, 20X8

Note	Description	Amount
A	Service cost	\$ 615,369
A, B	Interest on the total OPEB liability	1,760,601
C	Differences between expected and actual experience	65,895
D	Changes of assumptions	304,278
A	Employee contributions	-
E	Projected earnings on OPEB plan investments	(1,316,371)
F	Differences between projected and actual earnings on OPEB investments	91,681
A	OPEB plan administrative expense	27,669
	Collective OPEB Expense	\$ 1,549,122

Notes:

- A See the Schedule of Changes in the School Districts' Collective Net OPEB Liability in Illustration B4-2.
- B In this example, events that impact the total OPEB liability are assumed to occur evenly throughout the period. In addition, the amount of interest on the total OPEB liability is calculated using an interest rate equal to the discount rate that was used to determine service cost. The amount is determined as follows:

	Amount for Period (a)	Portion of Period (b)	Interest Rate (c)	Interest on the Total OPEB Liability (a) x (b) x (c)
Beginning total OPEB liability	\$ 23,566,139	100%	7.50%	\$ 1,767,460
Service cost	615,369	50%	7.50%	23,076
Benefit payments	(798,281)	50%	7.50%	(29,935)
Total interest on the total OPEB liability				<u>\$ 1,760,601</u>

- C Differences between expected and actual experience included in collective OPEB expense for measurement period ended December 31, 20X8, in accordance with paragraph 86a of Statement 75. For the detailed calculation of this amount, see the Schedule of Differences between Expected and Actual Experience in Part 2 of Illustration B4-2.

- D Changes of assumptions included in collective OPEB expense for measurement period ended December 31, 20X8, in accordance with paragraph 86a of Statement 75. For the detailed calculation of this amount, see the Schedule of Changes of Assumptions in Part 2 of Illustration B4-2.

E

	Amount for Period (a)	Portion of Period (b)	Projected Rate of Return (c)	Projected Earnings (a) x (b) x (c)
Beginning plan fiduciary net position	\$ 17,637,765	100%	7.50%	\$ 1,322,832
Employer contributions	653,665	50%	7.50%	24,512
Benefit payments	(798,281)	50%	7.50%	(29,935)
Administrative expense	(27,669)	50%	7.50%	(1,038)
Total projected earnings				<u>\$ 1,316,371</u>

- F Differences between projected and actual earnings included in collective OPEB expense for measurement period ended December 31, 20X8, in accordance with paragraph 86b of Statement 75. For the detailed calculation of this amount, see the Schedule of Differences between Projected and Actual Earnings on OPEB Plan Investments in Part 2 of Illustration B4-2.

Part 2: Application of Paragraphs 86a and 86b of Statement 75 to Determine Components of Collective OPEB Expense Resulting from Differences between Expected and Actual Experience, Changes of Assumptions, and Differences between Projected and Actual Earnings on OPEB Plan Investments

The following schedules illustrate the application of paragraphs 86a and 86b of Statement 75 to determine the components of collective OPEB expense resulting from differences between expected and actual experience, changes of assumptions, and differences between projected and actual earnings on OPEB plan investments in Part 1 of Illustration B4-2.

Schedule of differences between expected and actual experience

In accordance with paragraph 86a of Statement 75, the effects of differences between expected and actual experience should be included in collective OPEB expense, beginning in the current measurement period, using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active and inactive employees) determined as of the beginning of the measurement period. The following table illustrates the application of this requirement.

Schedule of changes of assumptions

In accordance with paragraph 86a of Statement 75, the effects of changes of assumptions should be included in collective OPEB expense, beginning in the current measurement period, using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active and inactive employees) determined as of the beginning of the measurement period. The following table illustrates the application of this requirement.

Schedule of differences between projected and actual earnings on OPEB plan investments

In accordance with paragraph 86b of Statement 75, the effects of differences between projected and actual earnings on OPEB plan investments should be included in collective OPEB expense using a systematic and rational method over a closed five-year period, beginning in the current measurement period. The following table illustrates the application of this requirement.

Increase (Decrease) in Collective OPEB Expense Arising from the Differences between Projected and Actual Earnings on OPEB Plan Investments (Measurement Period Ended 12/31)

Measurement Period Ended 12/31	Differences between Projected and Actual Earnings on OPEB Plan Investments *	Closed Five-Year Period	20W9	20X0	20X1	20X2	20X3	20X4	20X5	20X6	20X7	20X8	20X9	20Y0	20Y1	20Y2
			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
20W9	(206,331)	5	\$ (41,266)	\$ (41,266)	\$ (41,266)	\$ (41,266)	\$ (41,267)	\$ (94,325)								
20X0	(471,633)	5	(94,327)	(94,327)	(94,327)	(94,327)	(94,327)									
20X1	1,401,696	5	280,339	280,339	280,339	280,339	280,339	280,339	\$ 280,340							
20X2	(84,768)	5	(16,954)	(16,954)	(16,954)	(16,954)	(16,954)	(16,954)	(16,954)	\$ (16,952)						
20X3	(706,350)	5	(141,270)	(141,270)	(141,270)	(141,270)	(141,270)	(141,270)	(141,270)	(141,270)	\$ (141,270)					
20X4	(320,823)	5	(64,165)	(64,165)	(64,165)	(64,165)	(64,165)	(64,165)	(64,165)	(64,165)	(64,165)	\$ (64,163)				
20X5	1,815,736	5	363,147	363,147	363,147	363,147	363,147	363,147	363,147	363,147	363,147	363,147	\$ 363,148			
20X6	(151,575)	5	(30,315)	(30,315)	(30,315)	(30,315)	(30,315)	(30,315)	(30,315)	(30,315)	(30,315)	(30,315)	(30,315)	\$ (30,315)		
20X7	(631,332)	5	(126,266)	(126,266)	(126,266)	(126,266)	(126,266)	(126,266)	(126,266)	(126,266)	(126,266)	(126,266)	(126,266)	(126,266)	\$ (126,268)	
20X8	(253,611)	5	(50,722)	(50,722)	(50,722)	(50,722)	(50,722)	(50,722)	(50,722)	(50,722)	(50,722)	(50,722)	(50,722)	(50,722)	(50,722)	\$ (50,723)
Net increase (decrease) in collective OPEB expense			\$ (41,266)	\$ (135,593)	\$ 144,746	\$ 127,792	\$ (13,479)	\$ (36,375)	\$ 421,098	\$ 110,445	\$ 1,131	\$ 91,681	\$ 155,845	\$ (207,303)	\$ (176,990)	\$ (50,723)

* Amounts are equal to net investment income (see the Schedule of Changes in the School Districts' Collective Net OPEB Liability in Illustration B4-2) less projected earnings. Positive amounts represent investment returns that are less than projected and, therefore, increase collective OPEB expense. Negative amounts represent investment returns that are greater than projected and, therefore, decrease collective OPEB expense.

† Amount included in collective OPEB expense for measurement period ended December 31, 20X8. See differences between projected and actual earnings on OPEB plan investments in Part 1 of Illustration B4-2 (Note F).

Part 3: Determination of Collective Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB at December 31, 20X7 and December 31, 20X8

The following schedules illustrate calculation of the collective balances at December 31, 20X7 and December 31, 20X8 of deferred outflows of resources and deferred inflows of resources related to OPEB arising from differences between expected and actual experience, changes of assumptions, and differences between projected and actual returns on OPEB plan investments in Part 2 of Illustration B4-2.

Collective deferred outflows of resources and collective deferred inflows of resources arising from differences between expected and actual experience

Measurement Period Ended 12/31	Experience Losses * (a)	Experience Gains * (b)	Amounts Included in Collective OPEB Expense through December 31, 20X7 † (c)	Collective Balances at December 31, 20X7 §		Amounts Included in Collective OPEB Expense through December 31, 20X8 ‡ (d)	Collective Balances at December 31, 20X8 §	
				Collective Deferred Outflows of Resources (a) – (c)	Collective Deferred Inflows of Resources (b) – (c)		Collective Deferred Outflows of Resources (a) – (d)	Collective Deferred Inflows of Resources (b) – (d)
20X0		\$ (258,922)	\$ (230,152)		\$ (28,770)			
20X1	\$ 209,103		162,638	\$ 46,465		\$ 185,872	\$ 23,231	
20X2	786,574		524,382	262,192		611,779	174,795	
20X3	89,926		56,205	33,721		67,446	22,480	
20X4		(359,925)	(179,964)		(179,961)	(224,955)		\$ (134,970)
20X5	135,892		50,961	84,931		67,948	67,944	
20X6	369,952		92,488	277,464		138,732	231,220	
20X7		(259,983)	(32,498)		(227,485)	(64,996)		(194,987)
20X8		(103,589)				(12,949)		(90,640)
				<u>\$ 704,773</u>	<u>\$ (436,216)</u>		<u>\$ 519,670</u>	<u>\$ (420,597)</u>

* See the Schedule of Changes in the School Districts' Collective Net OPEB Liability in Illustration B4-2 or the Schedule of Differences between Expected and Actual Experience in Part 2 of Illustration B4-2. At December 31, 20X7, differences between expected and actual experience in periods prior to 20X0 have been fully recognized in collective OPEB expense. Experience losses are presented as positive amounts. Experience gains are presented as negative amounts.

† Amounts are equal to the sum of increases (decreases) in collective OPEB expense through 20X7 in Part 2 of Illustration B4-2 for the differences between expected and actual experience in column (a) or column (b). Positive amounts increase collective OPEB expense and decrease collective deferred outflows of resources balances. Negative amounts decrease collective OPEB expense and decrease collective deferred inflows of resources balances.

‡ Amounts are equal to the sum of increases (decreases) in collective OPEB expense through 20X8 in Part 2 of Illustration B4-2 for the differences between expected and actual experience in column (a) or column (b). Positive amounts increase collective OPEB expense and decrease collective deferred outflows of resources balances. Negative amounts decrease collective OPEB expense and decrease collective deferred inflows of resources balances.

§ Collective deferred outflows of resources are presented as positive amounts. Collective deferred inflows of resources are presented as negative amounts.

Collective deferred outflows of resources and collective deferred inflows of resources arising from changes of assumptions

Measurement Period Ended 12/31	Increases in the Total OPEB Liability * (a)	Decreases in the Total OPEB Liability * (b)	Amounts Included in Collective OPEB Expense through December 31, 20X7 † (c)	Collective Balances at December 31, 20X7 §		Amounts Included in Collective OPEB Expense through December 31, 20X8 ‡ (d)	Collective Balances at December 31, 20X8 §	
				Collective Deferred Outflows of Resources (a) – (c)	Collective Deferred Inflows of Resources (b) – (c)		Collective Deferred Outflows of Resources (a) – (d)	Collective Deferred Inflows of Resources (b) – (d)
20X1		\$ (235,899)	\$ (183,477)		\$ (52,422)	\$ (209,688)		\$ (26,211)
20X2	\$ 2,503,689		1,669,128	\$ 834,561		1,947,316	\$ 556,373	
20X6	375,822		93,956	281,866		140,934	234,888	
20X8	42,586					5,323	37,263	
				<u>\$ 1,116,427</u>	<u>\$ (52,422)</u>		<u>\$ 828,524</u>	<u>\$ (26,211)</u>

* See the Schedule of Changes in the School Districts' Collective Net OPEB Liability in Illustration B4-2 or the Schedule of Changes of Assumptions in Part 2 of Illustration B4-2.

† Amounts are equal to the sum of increases (decreases) in collective OPEB expense through 20X7 in Part 2 of Illustration B4-2 for the changes of assumptions in column (a) or column (b). Positive amounts increase collective OPEB expense and decrease collective deferred outflows of resources balances. Negative amounts decrease collective OPEB expense and decrease collective deferred inflows of resources balances.

‡ Amounts are equal to the sum of increases (decreases) in collective OPEB expense through 20X8 in Part 2 of Illustration B4-2 for the changes of assumptions in column (a) or column (b). Positive amounts increase collective OPEB expense and decrease collective deferred outflows of resources balances. Negative amounts decrease collective OPEB expense and decrease collective deferred inflows of resources balances.

§ Collective deferred outflows of resources are presented as positive amounts. Collective deferred inflows of resources are presented as negative amounts.

Collective deferred outflows of resources and collective deferred inflows of resources arising from differences between projected and actual earnings on OPEB plan investments

Measurement Period Ended	Investment Earnings Less Than Projected *	Investment Earnings Greater Than Projected *	Amounts Included in Collective OPEB Expense through December 31, 20X7 †	Collective Balances at December 31, 20X7 §		Amounts Included in Collective OPEB Expense through December 31, 20X8 ‡	Collective Balances at December 31, 20X8 §	
				Collective Deferred Outflows of Resources (a) – (c)	Collective Deferred Inflows of Resources (b) – (c)		Collective Deferred Outflows of Resources (a) – (d)	Collective Deferred Inflows of Resources (b) – (d)
12/31	(a)	(b)	(c)	(a) – (c)	(b) – (c)	(d)	(a) – (d)	(b) – (d)
20X4		\$ (320,823)	\$ (256,660)		\$ (64,163)			
20X5	\$ 1,815,736		1,089,441	\$ 726,295		\$ 1,452,588	\$ 363,148	
20X6		(151,575)	(60,630)		(90,945)	(90,945)		\$ (60,630)
20X7		(631,332)	(126,266)		(505,066)	(252,532)		(378,800)
20X8		(253,611)				(50,722)		(202,889)
				<u>\$ 726,295</u>	<u>\$ (660,174)</u>		<u>\$ 363,148</u>	<u>\$ (642,319)</u>

- * Amounts equal to net investment income (see the Schedule of Changes in the School Districts' Collective Net OPEB Liability in Illustration B4-2) less projected earnings. See the Schedule of Differences between Projected and Actual Earnings on OPEB Plan Investments in Part 2 of Illustration B4-2. At December 31, 20X7, differences between projected and actual earnings on OPEB plan investments in periods prior to 20X4 have been fully recognized in collective OPEB expense. Investment earnings less than projected are presented as positive amounts. Investment earnings greater than projected are presented as negative amounts.
- † Amounts are equal to the sum of increases (decreases) in collective OPEB expense through 20X7 in Part 2 of Illustration B4-2 for the differences between projected and actual earnings on OPEB plan investments in column (a) or column (b). Positive amounts increase collective OPEB expense and decrease collective deferred outflows of resources balances. Negative amounts decrease collective OPEB expense and decrease collective deferred inflows of resources balances.
- ‡ Amounts are equal to the sum of increases (decreases) in collective OPEB expense through 20X8 in Part 2 of Illustration B4-2 for the differences between projected and actual earnings on OPEB plan investments in column (a) or column (b). Positive amounts increase collective OPEB expense and decrease collective deferred outflows of resources balances. Negative amounts decrease collective OPEB expense and decrease collective deferred inflows of resources balances.
- § Collective deferred outflows of resources are presented as positive amounts. Collective deferred inflows of resources are presented as negative amounts. In conformity with paragraph 86b of Statement 75, collective deferred outflows of resources and collective deferred inflows of resources arising from differences between projected and actual earnings on OPEB plan investments in different measurement periods are aggregated and reported as a net collective deferred outflow of resources or a net collective deferred inflow of resources. Therefore, at December 31, 20X7, there is a net collective deferred outflow of resources arising from differences between projected and actual earnings on OPEB plan investments of \$66,121, calculated as the collective deferred outflow balance of \$726,295 net of the collective deferred inflow balance of \$660,174. At December 31, 20X8, there is a net collective deferred inflow of resources arising from differences between projected and actual earnings on OPEB plan investments of \$279,171, calculated as the collective deferred inflow balance of \$642,319 net of the collective deferred outflow balance of \$363,148.

Determination of the aggregate collective deferred outflows of resources and collective deferred inflows of resources balances at December 31, 20X7 and December 31, 20X8

At measurement dates December 31, 20X7, and December 31, 20X8, the sum of (1) collective deferred outflows of resources arising from differences between expected and actual experience, (2) collective deferred outflows of resources arising from changes of assumptions, and (3) collective net deferred outflows of resources arising from differences between projected and actual earnings on OPEB plan investments results in the aggregate collective balance of deferred outflows of resources related to OPEB as follows:

	<u>12/31/X7</u>	<u>12/31/X8</u>
Collective deferred outflows of resources arising from differences between expected and actual experience	\$ 704,773	\$ 519,670
Collective deferred outflows of resources arising from changes of assumptions	1,116,427	828,524
Net collective deferred outflows of resources arising from differences between projected and actual earnings on OPEB plan investments	66,121	
Collective deferred outflows of resources	<u><u>\$ 1,887,321</u></u>	<u><u>\$ 1,348,194</u></u>

At measurement dates December 31, 20X7, and December 31, 20X8, the sum of (1) collective deferred inflows of resources arising from differences between expected and actual experience, (2) collective deferred inflows of resources arising from changes of assumptions, and (3) collective net deferred inflows of resources arising from differences between projected and actual earnings on OPEB plan investments results in the aggregate collective balance of deferred inflows of resources related to OPEB as follows:

	<u>12/31/X7</u>	<u>12/31/X8</u>
Collective deferred inflows of resources arising from differences between expected and actual experience	\$ 436,216	\$ 420,597
Collective deferred inflows of resources arising from changes of assumptions	52,422	26,211
Net collective deferred inflows of resources arising from differences between projected and actual earnings on OPEB plan investments		279,171
Collective deferred inflows of resources	<u><u>\$ 488,638</u></u>	<u><u>\$ 725,979</u></u>

Illustration B4-3—Application of Paragraphs 59–68 of Statement 75 for Calculation of Amounts to Be Recognized by Sample School District and Sample Journal Entries

The material that follows illustrates application of the requirements in paragraphs 59–68 of Statement 75 for the cost-sharing employer (Sample School District) for which note disclosures and RSI are presented in Illustration B4-1 and for which collective balances are determined in Illustration B4-2. The illustration is presented in the following three parts:

- Part 1: Determination of Amounts to Be Recognized for Sample School District’s Proportionate Shares of the Collective Net OPEB Liability, Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to OPEB, and Collective OPEB Expense (paragraphs 59 and 63 of Statement 75)
- Part 2: Determination of Amounts to Be Recognized for Sample School District’s Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB and OPEB Expense Resulting from Changes in the District’s Proportion, Differences between the District’s Actual Contributions and Proportionate Share of Contributions, and Employer Contributions (paragraphs 64 and 65 of Statement 75)
- Part 3: Journal Entries for Sample School District’s Fiscal Year Ended June 30, 20X9 (December 31, 20X8 Measurement Date).

This illustration assumes the same facts and circumstances as Illustrations B4-1 and B4-2. The detailed calculations presented in this illustration are not required by Statement 75 to be included in the financial reports of employers.

The aggregate collective balances at December 31, 20X7 and 20X8 are as follows (Illustration B4-2, Part 3):

	<u>12/31/20X7</u>	<u>12/31/20X8</u>
Collective deferred outflows of resources	\$ 1,887,321	\$ 1,348,194
Collective deferred inflows of resources	\$ 488,638	\$ 725,979
Collective net OPEB liability	\$ 5,928,374	\$ 6,047,363
 District's proportion	 1.85%	 1.86%

Collective OPEB expense for the measurement period ended December 31, 20X8, is \$1,549,122. (Illustration B4-2, Part 1)

Part 1: Determination of Amounts to Be Recognized for Sample School District's Proportionate Shares of the Collective Net OPEB Liability, Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to OPEB, and Collective OPEB Expense (paragraphs 59 and 63 of Statement 75)

The District's proportionate shares of collective balances (paragraphs 59 and 63 of Statement 75) at December 31, 20X7, and December 31, 20X8, as well as the change in the District's balances are as follows:

	Proportionate Share at 12/31/X7 (1.85%) (a)	Proportionate Share at 12/31/X8 (1.86%) (b)	Change in Proportionate Share of	
			Debit Balances (b) - (a)	Credit Balances (b) - (a)
Deferred outflows of resources	\$ 34,915	\$ 25,076	\$ (9,839)	
Deferred inflows of resources	9,040	13,503		\$ 4,463
Net OPEB liability	109,675	112,481		2,806

In addition, the District's proportionate share of collective OPEB expense for the measurement period ended December 31, 20X8, is \$28,813 ($\$1,549,122 \times 1.86\%$, rounded.)

Part 2: Determination of Amounts to Be Recognized for Sample School District's Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB and OPEB Expense Resulting from Changes in the District's Proportion, Differences between the District's Actual Contributions and Proportionate Share of Contributions, and Employer Contributions (paragraphs 64 and 65 of Statement 75)

The average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active and inactive employees) determined at January 1, 20X8 (the beginning of the measurement period ended December 31, 20X8) is 8 years.

(a) Change in the District's proportion in the current measurement period (paragraph 64 of Statement 75)

In accordance with paragraph 64 of Statement 75, the net effect of the change in proportion is determined at the beginning of the measurement period. For the measurement period ended December 31, 20X8, the amounts to be recognized for the change in the District's proportion are determined as follows:

	Collective Amount at 12/31/X7	Proportionate Share at 1.85% (a)	Proportionate Share at 1.86% (b)	Change in Proportionate Share of	
				Debit Balances (b) – (a)	Credit Balances (b) – (a)
Deferred outflows of resources	\$ 1,887,321	\$ 34,915	\$ 35,104	\$ 189	
Deferred inflows of resources	488,638	9,040	9,089		\$ 49
Net OPEB liability	5,928,374	109,675	110,268		593
Total of changes in the District's beginning reported balances				189	642
Amount to be recognized for the net effect of the change in the District's proportion on beginning reported balances*				453	-
Total of amounts recognized for the change in the District's proportion				\$ 642	\$ 642

* In accordance with paragraph 64 of Statement 75, the net effect of the change in proportion is recognized in OPEB expense, beginning in the current reporting period, using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan determined as of the beginning of the measurement period. Paragraph 64 of Statement 75 also requires that the amount of the net effect of a change in proportion that is not recognized in the employer's OPEB expense be reported as a deferred outflow of resources or deferred inflow of resources related to OPEB. If there is a beginning collective net OPEB liability, an increase in proportion results in an increase in OPEB expense and a deferred outflow of resources. Conversely, a decrease in proportion results in a decrease in OPEB expense and a deferred inflow of resources. In this illustration, there is a collective net OPEB liability, and the District's proportion of that liability increased. Therefore, the District reports an increase in OPEB expense equal to \$57 ($\$453 \div 8$ years) and a deferred outflow of resources of \$396 ($\$453 - \57) as a result of the change in its proportion.

(b) District contributions during the measurement period (paragraph 65 of Statement 75)

	Collective Amount	Proportionate Share at 1.86% (a)	District Contributions (b)	Difference (b) – (a)
Employer contributions	\$ 653,665	\$ 12,158	\$ 12,798	\$ 640 *

* In accordance with paragraph 65 of Statement 75, the difference between certain actual contributions and the employer's proportionate share of the total of such contributions from all employers and nonemployer contributing entities during the measurement period is recognized in OPEB expense, beginning in the current reporting period, using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan determined as of the beginning of the measurement period. Paragraph 65 of Statement 75 requires that the amount of the difference between certain actual contributions and the employer's proportionate share of the total of such contributions from all employers and nonemployer contributing entities that is not recognized in the employer's OPEB expense be reported as a deferred outflow of resources or deferred inflow of resources related to OPEB. If, for purposes of paragraph 65, the employer's actual contributions exceed its proportionate share of total contributions, the difference increases OPEB expense and results in a deferred outflow of resources. In this illustration, the District's actual contributions exceed its proportionate share of total contributions. Therefore, for the measurement period ended December 31, 20X8, the District reports an increase in OPEB expense equal to \$80 ($\$640 \div 8$ years) and a deferred outflow of resources of \$560 ($\$640 - \80).

(c) Net effect of (a) and (b) (paragraph 62 of Statement 75)

Paragraph 62 of Statement 75 permits the effects of paragraphs 64 and 65 of Statement 75 in a single measurement period to be recognized on a net basis. For the measurement period ended December 31, 20X8, the District recognizes the following net amounts:

	<u>Outflows of Resources</u>	<u>OPEB Expense</u>
Change in proportion [from (2a), above]	\$ 396	\$ 57
Contributions during the measurement period [from (2b), above]	560	80
Net amount recognized	<u>\$ 956</u>	<u>\$ 137</u>

(d) Amounts to be recognized in the current measurement period resulting from changes in proportion or differences between the District's actual contributions and proportionate share of contributions arising in prior measurement periods (paragraphs 64 and 65 of Statement 75)

Beginning balances regarding the requirements in paragraphs 64 and 65 of Statement 75:

- Beginning deferred outflows of resources for changes in proportion and contributions arising in prior measurement periods: \$434
 - Amount to be recognized as an increase in the District's OPEB expense for the measurement period ended December 31, 20X8: \$83
- Beginning deferred inflows of resources for changes in proportion and contributions arising in prior measurement periods: \$633
 - Amount to be recognized as a reduction of the District's OPEB expense for the measurement period ended December 31, 20X8: \$178.

(e) Amounts associated with the District's contributions for fiscal year ended June 30, 20X9

District's contributions:

- January 1, 20X8, to June 30, 20X8: \$6,399 (reported as a deferred outflow of resources at June 30, 20X8, as required by paragraph 68 of Statement 75)
- July 1, 20X8, to December 31, 20X8: \$6,399
- January 1, 20X9, to June 30, 20X9: \$6,588 (contributions subsequent to the measurement date of the collective net OPEB liability and before the end of the District's reporting period).

Part 3: Journal Entries for Sample School District's Fiscal Year Ended June 30, 20X9 (December 31, 20X8 Measurement Date)

OPEB expense	\$ 28,950	(a) (b)		
Deferred outflows of resources—paragraphs 64 and 65	956	(b)		
Deferred inflows of resources—proportionate share of collective deferred inflows of resources			\$ 4,463	(a)
Deferred outflows of resources—proportionate share of collective deferred outflows of resources			9,839	(a)
Proportionate share of collective net OPEB liability			2,806	(a)
Deferred outflows of resources—District contributions 1/1/X8 to 6/30/X8			6,399	(b)
Cash—District contributions 7/1/X8 to 12/31/X8			6,399	(b)
(a) (To record changes in the District's proportionate shares of the collective net OPEB liability, collective deferred outflows of resources and deferred inflows of resources related to OPEB, and collective OPEB expense [from Part 1, Illustration B4-3])				
(b) (To record the paragraphs 64 and 65 OPEB expense and deferral balance arising in the current measurement period [from Part 2, (c), Illustration B4-3] and District contributions during the measurement period [from Part 2, (e), Illustration B4-3])				
Deferred inflow of resources—paragraphs 64 and 65	178			
OPEB expense			95	
Deferred outflow of resources—paragraphs 64 and 65			83	
(To record OPEB expense for paragraphs 64 and 65 deferral balances arising in prior measurement periods [from Part 2, (d), Illustration B4-3])				
Deferred outflow of resources—District contributions 1/1/X9 to 6/30/X9	6,588			
Cash—District contributions 1/1/X9 to 6/30/X9			6,588	
(To record District contributions subsequent to the measurement date in accordance with paragraph 68 of Statement 75 [from Part 2, (e), Illustration B4-3])				

Appendix C

CODIFICATION INSTRUCTIONS

Codification of Governmental Accounting and Financial Reporting Standards—December 2017 Update

C1. The instructions that follow update the June 30, 2017 *Codification of Governmental Accounting and Financial Reporting Standards* (Codification) for the provisions of this Implementation Guide that are effective for periods beginning after June 15, 2017, or December 15, 2017. Only the question number from this Implementation Guide is listed if the question and answer will be cited in full in the Codification.

* * *

CLASSIFICATION AND TERMINOLOGY

SECTION 1800

Sources: [Add GASB Implementation Guide 2017-3.]

[Insert new question .740-1 as follows:]

.740-1 [GASBIG 2017-3, Q4.347; replace *trust* with *trust (or equivalent arrangement)*.]

* * *

COMPENSATED ABSENCES

SECTION C60

Sources: [Add GASB Implementation Guide 2017-3.]

[Revise current Question .707-1 as follows:]

.707-1 Q—If an employer is required to include amounts paid for compensated absences balances in the amount of payroll on which the employer’s contributions to a defined benefit pension plan or defined benefit OPEB plan is based, should the employer accrue the anticipated amounts as a liability for salary-related payments in accordance with the requirements in paragraph .108 of this section?

A—No. The employer’s additional contributions to the pension plan or OPEB plan that are expected to arise as a result of the payment of compensated absences should not be accrued as an additional liability under this section. Instead, the pension benefits or OPEB benefits, if any, that are expected to arise as a result of the projected payment of the compensated absences to the employee should be included in the projection of benefit payments for purposes of Section P20 or Section P50, as applicable, and, therefore, would be included in the net pension liability or net OPEB liability. Payments to the pension plan or OPEB plan that are made as a result of the compensated absence would be recognized as an increase in the fiduciary net position of the pension plan or OPEB plan, as applicable, in the period in which the payments are due and would, at that time, reduce the employer’s net pension liability or net OPEB liability.

[GASBIG 2015-1, Q5.255.1; GASBIG 2017-3, Q4.496]

* * *

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS—REPORTING FOR BENEFITS PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED BENEFIT

SECTION P50

Sources: [Add GASB Implementation Guide 2017-3.]

[Insert new questions and text as follows; as applicable, delete *No questions assigned.*.]

.701-1–.701-2 [GASBIG 2017-3, Q4.1–Q4.2; in both questions, omit the last sentence in the answer. In Question .701-1, insert the following footnote on the first use of the term *trust*.]

²⁴For purposes of this section, the term *trust* (or variations) includes equivalent arrangements as referenced in paragraph .101 of this section.

.701-3 Q—An employer provides OPEB to its employees through a cost-sharing defined benefit OPEB plan that (a) is administered through a trust that has the characteristics identified in paragraph .101 of this section and (b) does not have the characteristics in paragraph .115 of this section. There is no requirement that the employer make annual contributions to the plan because the employer has a special funding situation (as defined by paragraph .112 of this section) in which the nonemployer contributing entity is the only entity with a legal requirement to make contributions. The employer has no payables to the OPEB plan, and contributions to the plan are not made by any other nonemployer entities. Does this section apply to the employer?

A—Yes. Because the employer has a special funding situation for benefits provided through an OPEB plan that (a) is administered through a trust that has the characteristics identified in paragraph .101 of this section and (b) does not have the characteristics in paragraph .112 of this section, this section applies. In this circumstance, the cost-sharing employer should apply the requirements in paragraphs .117–.122 and .213–.217 of this section to recognize OPEB expense/expenditure and revenue for the support of the nonemployer contributing entity, as well as the requirements for note disclosures and RSI in paragraphs .189–.198 of this section.

[GASBIG 2017-3, Q4.3]

.701-4 [GASBIG 2017-3, Q4.4; in the question, revise the first sentence as follows:] In the past, an employer provided OPEB to its employees through a cost-sharing defined benefit OPEB plan that (a) is administered through a trust that has the characteristics identified in paragraph .101 of this section and (b) does not have the characteristics in paragraph .112 of this section.

.701-5 [GASBIG 2017-3, Q4.5; replace *OPEB plan that* with *OPEB plan that (a) is administered through a trust that meets the criteria in paragraph .101 of this section and (b) does not have the characteristics in paragraph .112 of this section if the plan.*]

.701-6 [GASBIG 2017-3, Q4.6; replace *Yes.* with *If the OPEB plan is administered through a trust that meets the criteria in paragraph .101 of this section and does not have the characteristics in paragraph .112 of this section.,*]

.701-7–.701-13 [GASBIG 2017-3, Q4.7–Q4.13; in the last sentence of .701-7, replace *Statement 75, as amended with this section or Section P52, as applicable.*]

.701-14 [GASBIG 2017-3, Q4.14; replace the second sentence of the answer with the following:] In accordance with this section, Section P20, Section P22, and Section P52, postemployment benefits

(with the exception of postemployment healthcare benefits, which always are accounted for as OPEB) should be accounted for as pensions if they are provided through a defined benefit pension plan.

.701-15 [GASBIG 2017-3, Q4.15; replace the second sentence of the answer with the following:] In accordance with this section, Section P20, Section P22, and Section P52, OPEB includes postemployment healthcare benefits (such as medical, dental, vision, hearing, or other health-related benefits) regardless of whether the postemployment healthcare benefits are provided separately or through a defined benefit pension plan.

.701-16–.701-22 [GASBIG 2017-3, Q4.16–Q4.22]

.701-23 [GASBIG 2017-3, Q4.496]

.702-1–.702-4 [GASBIG 2017-3, Q4.23–Q4.26]

.703-1–.703-7 [GASBIG 2017-3, Q4.27–Q4.33]

.704-1 [GASBIG 2017-3, Q4.34; in first sentence of the answer, omit *or to make benefit payments as the OPEB comes due.*]

.704-2–.704-4 [GASBIG 2017-3, Q4.35–Q4.37]

.704-5 [GASBIG 2017-3, Q4.38; omit *or amounts paid by the employer for OPEB as the benefits come due, or to make benefit payments directly as the OPEB comes due, and or the employer's payment of OPEB as the benefits come due.*]

.704-6–.704-7 [GASBIG 2017-3, Q4.39 and Q4.40]

.704-8 [GASBIG 2017-3, Q4.41; in the answer, omit the reference to the requirements in paragraphs 203–205 of Statement 75, omit *, as applicable*, and revise last sentence as follows:] (See also Question .775-10 in this section.)

.704-9 [GASBIG 2017-3, Q4.42; in the question, omit *or benefit payments* and *or to make benefit payments equal to*, and in the answer omit *or benefit payments.*]

.705-1–.705-2 [GASBIG 2017-3, Q4.43–Q4.44]

.706-1–.706-3 [GASBIG 2017-3, Q4.45–Q4.47]

[Under heading .707, insert the following:]

See also Question .714-4 (single and agent employers), Questions .733-2 and .743-3 (cost-sharing employers), and Question .779-1 (governmental nonemployer contributing entities in a special funding situation) in this section.

.707-1–.707-5 [GASBIG 2017-3, Q4.48–Q4.52; in the answer in Question .707-1, omit the penultimate sentence.]

.708-1–.708-2 [GASBIG 2017-3, Q4.53–Q4.54]

[Insert new questions .710-1 and .710-2 as follows; renumber current question .710-1.]

.710-1–.710-2 [GASBIG 2017-3, Q4.55–Q4.56]

.710-4-.710-10 [GASBIG 2017-3, Q4.57–Q4.63]

.711-1-.711-7 [GASBIG 2017-3, Q4.64–Q4.70]

.713-1-.713-22 [GASBIG 2017-3, Q4.71–Q4.92]

.714-1-.714-4 [GASBIG 2017-3, Q4.93–Q4.96]

.715-1-.715-7 [GASBIG 2017-3, Q4.97–Q4.103]

.716-1 [GASBIG 2017-3, Q4.104]

.717-1-.717-5 [GASBIG 2017-3, Q4.105–Q4.109]

[Under heading .718, insert the following:]

See also Question .795-16 in this section for a discussion of the requirements in paragraph .139 of this section in circumstances in which the alternative measurement method is used to measure the total OPEB liability.

.718-1-.718-31 [GASBIG 2017-3, Q4.110–Q4.140]

[Under heading .719, insert the following:]

See Questions .762-1-.768-1 and .775-1-.775-11 in this section addressing paragraphs .199-.209 and .218-.220 of this section, as well as Questions .710-1-.717-5 in this section addressing paragraphs .218-.220 of this section. For purposes of applying Questions .710-1-.717-5 to benefits provided by a single or agent employer that has a special funding situation, the term net OPEB liability applies to the collective net OPEB liability.

.720-1-.720-2 [GASBIG 2017-3, Q4.141–Q4.142]

.722-1-.722-3 [GASBIG 2017-3, Q4.143–Q4.145]

.723-1-.723-5 [GASBIG 2017-3, Q4.146–Q4.150]

.726-1 [GASBIG 2017-3, Q4.151]

.727-1-.727-3 [GASBIG 2017-3, Q4.152–Q4.154]

.728-1-.728-15 [GASBIG 2017-3, Q4.155–Q4.169]

.729-1-.729-2 [GASBIG 2017-3, Q4.170–Q4.171]

[Insert new questions .731-1-.731-3 as follows; renumber current Question .731-1.]

.731-1-.731-3 [GASBIG 2017-3, Q4.172–Q4.174]

.731-5-.731-16 [GASBIG 2017-3, Q4.175–Q4.186]

[Under heading .732, insert the following:]

See also Question .795-16 in this section for a discussion of the requirements in paragraphs .161-.164 of this section in circumstances in which the alternative measurement method is used to measure the total OPEB liability.

.732-1–.732-4 [GASBIG 2017-3, Q4.187–Q4.190]

.733-1–.733-2 [GASBIG 2017-3, Q4.191–Q4.192]

.734-1–.734-2 [GASBIG 2017-3, Q4.193–Q4.194]

.735-1 [GASBIG 2017-3, Q4.195]

.736-1–.736-3 [GASBIG 2017-3, Q4.196–Q4.198]

.737-1–.737-2 [GASBIG 2017-3, Q4.199–Q4.200]

[Under heading .739, insert the following:]

See also Questions .731-5 and .731-6 in this section.

.739-1–.739-3 [GASBIG 2017-3, Q4.201–Q4.203]

.740-1–.740-7 [GASBIG 2017-3, Q4.204–Q4.210]

.742-1–.742-21 [GASBIG 2017-3, Q4.211–Q4.231]

.743-1–.743-3 [GASBIG 2017-3, Q4.232–Q4.234]

.744-1–.744-5 [GASBIG 2017-3, Q4.235–Q4.239]

.745-1 [GASBIG 2017-3, Q4.240]

.746-1–.746-5 [GASBIG 2017-3, Q4.241–Q4.245]

[Under heading .747, insert the following:]

See also Question .795-16 in this section for a discussion of the requirements in paragraph .185 of this section in circumstances in which the alternative measurement method is used to measure the total OPEB liability.

.747-1–.747-24 [GASBIG 2017-3, Q4.246–Q4.269]

[Under heading .748, insert the following:]

See Questions .770-1–.774-2 in this section addressing paragraphs .211–.216 of this section.

.749-1–.749-2 [GASBIG 2017-3, Q4.270–Q4.271]

.751-1–.751-3 [GASBIG 2017-3, Q4.272–Q4.274]

.752-1–.752-3 [GASBIG 2017-3, Q4.275–Q4.277]

.755-1 [GASBIG 2017-3, Q4.278]

.756-1–.756-5 [GASBIG 2017-3, Q4.279–Q4.283]

.757-1–.757-10 [GASBIG 2017-3, Q4.284–Q4.293]

[Under heading .761, insert the following:]

See Questions .710-1–.717-5 in this section addressing paragraphs .123–.138 of this section and Questions .775-1–.775-11 in this section addressing paragraphs .218–.220 of this section. For purposes of applying Questions .710-1–.717-5 to benefits provided by a single or agent employer that has a special funding situation, the term net OPEB liability applies to the collective net OPEB liability.

[Under heading .762, insert the following:]

See also Question .795-16 for a discussion of the requirements in paragraphs .202–.205 of this section in circumstances in which the alternative measurement method is used to measure the collective total OPEB liability.

In addition, see Questions .720-1–.728-15 in this section addressing paragraphs .142–.155 of this section. For purposes of applying those questions and answers to benefits provided by a single or agent employer that has a special funding situation, the term net OPEB liability, unless otherwise indicated, applies to the proportionate share of the collective net OPEB liability of the employer.

.762-1 [GASBIG 2017-3, Q4.294]

[Under heading .763, insert the following:]

See Questions .718-1–.718-26 in this section addressing paragraph .139 of this section, excluding subparagraph (d). For purposes of applying those questions and answers to benefits provided by a single or agent employer that has a special funding situation, the term net OPEB liability applies to the collective net OPEB liability, the term OPEB expense applies to collective OPEB expense, and the term deferred outflows of resources and deferred inflows of resources related to OPEB applies to collective deferred outflows of resources and deferred inflows of resources related to OPEB.

.764-1 [GASBIG 2017-3, Q4.295]

.765-1 [GASBIG 2017-3, Q4.296]

.766-1–.766-3 [GASBIG 2017-3, Q4.297–Q4.299]

.767-1–.767-2 [GASBIG 2017-3, Q4.300–Q4.301]

.768-1 [GASBIG 2017-3, Q4.302]

[Under heading .769, insert the following:]

See Questions .749-1–.757-10 in this section addressing paragraphs .187–.198 of this section.

.770-1 [GASBIG 2017-3, Q4.303]

[Under heading .771, insert the following:]

See Questions .731-1–.731-16 in this section addressing paragraphs .156–.158 of this section.

[Under heading .772, insert the following:]

See Questions .732-1–.736-3 in this section addressing paragraphs .159–.165 and .167 of this section. See also Questions .773-1 and .773-2 addressing issues relevant to the application of paragraphs .213 and .214 of this section.

.773-1–.773-3 [GASBIG 2017-3, Q4.304–Q4.306]

.774-1–.774-2 [GASBIG 2017-3, Q4.307–Q4.308]

[Insert new questions .777-1 and .777-2, as follows; renumber current question .777-1.]

.777-1–.777-2 [GASBIG 2017-3, Q4.309–Q4.310]

.777-4–.777-11 [GASBIG 2017-3, Q4.311–Q4.318]

[Under heading .778, insert the following:]

See also Question .795-16 in this section for a discussion of the requirements in paragraphs .223–.226 of this section in circumstances in which the alternative measurement method is used to measure the total OPEB liability.

.778-1 [GASBIG 2017-3, Q4.319]

.779-1 [GASBIG 2017-3, Q4.320]

.780-1 [GASBIG 2017-3, Q4.321]

.781-1 [GASBIG 2017-3, Q4.322]

.782-1–.782.3 [GASBIG 2017-3, Q4.323–Q4.325]

.783-1–.783-2 [GASBIG 2017-3, Q4.326–Q4.327]

.786-1–.786-2 [GASBIG 2017-3, Q4.328–Q4.329]

.787-1–.787-3 [GASBIG 2017-3, Q4.330–Q4.332]

.790-1 [GASBIG 2017-3, Q4.333]

.791-1–.791-5 [GASBIG 2017-3, Q4.334–Q4.338]

.792-1–.792-6 [GASBIG 2017-3, Q4.339–Q4.344]

[Under heading .794, insert the following:]

See Questions .707-1–.707-5 in this section, as well as Questions .708-1–.728-15 in this section (single and agent employers) or Questions .729-1–.757-10 in this section (cost-sharing employers), as applicable.

.794-1 [GASBIG 2017-3, Q4.345]

[Under heading .795, insert the following:] *See also Questions .710-1–.717-5 in this section (single and agent employers) and Questions .739-1–.746-5 in this section (cost-sharing employers), as applicable, addressing measurement of the (collective) net OPEB liability.*

.795-1–.795-16 [GASBIG 2017-3, Q4.475–Q4.492, except Questions 4.484 and 4.491; omit the last sentence in the answer in Question 4.483.]

.796-1 [GASBIG 2017-3, Q4.346]

.797-1 [GASBIG 2017-3, Q4.497; in the answer, omit *or the amounts paid by the employer for OPEB as the benefits come due, or total OPEB liability, and or collective total OPEB liability.*]

.797-2 Q—What are the components of the prior-period adjustment to beginning net position when this section is first implemented?

A—The prior-period adjustment should (a) remove the net OPEB obligation (asset) balance determined in accordance with Statement 45, as amended, if any, and any payables to the OPEB plan associated with formal commitments; (b) add the balance of the net OPEB liability (or proportionate share of the collective net OPEB liability), if any, as of the beginning of the initial period of implementation (determined as of the measurement date that would have been applied in the prior fiscal year if this section had been in effect—see Question .797-1 in this section); (c) add a deferred outflows of resources balance for the government’s contributions to the OPEB plan between the measurement date of the beginning net OPEB liability (or proportionate share of the collective net OPEB liability) and the beginning of the government’s fiscal year, if any; and (d) add balances associated with all other deferred outflows of resources and deferred inflows of resources, if applicable (see Questions .797-4 and .797-5 in this section), determined as of the same date as the beginning net OPEB liability (or proportionate share of the collective net OPEB liability), as applicable. If there are payables to the OPEB plan that are not associated with formal commitments as of the beginning of the initial period of implementation, those balances should remain because this section continues the measurement and recognition requirements of Statement 45 for those transactions.

[GASBIG 2017-3, Q4.498]

.797-3 [GASBIG 2017-3, Q4.499; omit *or total OPEB liability and or collective total OPEB liability*, and revise the last sentence of the answer as follows:] Therefore, the actuarial valuation can be rolled back to December 31, 2016, to determine the employer’s net OPEB liability (or proportionate share of the collective net OPEB liability) at the beginning of the initial period of implementation for purposes of determining the amount of the prior-period adjustment (see Questions .797-4 and .797-5), provided that (a) the (collective) net OPEB liability that results from the rollback reflects the significant effects of only transactions and other events that occurred to that date and (b) if the OPEB plan is administered through a trust that meets the criteria in paragraph .101 of this section and the plan reported a net OPEB liability as of December 31, 2016, the measure reported by the plan used the same assumptions as used in the rolled back measure because the net OPEB liability reported by the OPEB plan and the (collective) net OPEB liability used by the employer to determine its reported liability to employees for OPEB as of a single date is required to be measured using the same assumptions.

.797-4–.797-6 [GASBIG 2017-3, Q4.500–Q4.502; in .797-5, omit *(collective), or (collective) total OPEB liability, as applicable, or total OPEB liability, or collective total OPEB liability, and or amounts paid by the government for OPEB as the benefits come due.*]

* * *

**POSTEMPLOYMENT BENEFITS OTHER THAN
PENSIONS—REPORTING FOR BENEFITS
PROVIDED THROUGH TRUSTS THAT MEET
SPECIFIED CRITERIA—DEFINED CONTRIBUTION**

SECTION P51

Sources: [Add GASB Implementation Guide 2017-3.]

[Insert the following:]

GASB IMPLEMENTATION GUIDES

.701 Scope and Applicability of This Section

No questions assigned.

.702 Types of OPEB

.702-1–.702-4 [GASBIG 2017-3, Q4.23–Q4.26; in Question .702-4, insert the following footnote on the first use of the term *trust*.]

⁹For purposes of this section, the term *trust* (or variations) includes equivalent arrangements as referenced in paragraph .101 of this section.

.703 Special Funding Situations—Defined

.703-1 [GASBIG 2017-3, Q4.34; in first sentence of the answer, omit *or to make benefit payments as the OPEB comes due* and revise the last sentence as follows:] (See also Question .703-2.)

.703-2 [GASBIG 2017-3, Q4.35]

.703-3 [GASBIG 2017-3, Q4.38; omit *or amounts paid by the employer for OPEB as the benefits come due, or to make benefit payments directly as the OPEB comes due, and or the employer's payment of OPEB as the benefits come due.*]

.703-4 [GASBIG 2017-3, Q4.39]

.703-5 [GASBIG 2017-3, Q4.42; in the question, omit *or benefit payments* and *or to make benefit payments equal to*, and in the answer, omit *or benefit payments.*]

.704 Employers That Do Not Have a Special Funding Situation

.704-1 [GASBIG 2017-3, Q4.495]

.705 Notes to Financial Statements

No questions assigned.

.706 Special Funding Situations

No questions assigned.

.707 Employers

No questions assigned.

.708 Governmental Nonemployer Contributing Entities

No questions assigned.

.709 Notes to Financial Statements

No questions assigned.

.710 Circumstances in Which a Nonemployer Entity’s Legal Obligation for Contributions Directly to a Defined Contribution OPEB Plan Does Not Meet the Definition of a Special Funding Situation

No questions assigned.

.711 Employers

No questions assigned.

.712 Governmental Nonemployer Contributing Entities

No questions assigned.

* * *

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS—REPORTING FOR BENEFITS NOT PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED BENEFIT

SECTION P52

Sources: [Add GASB Implementation Guide 2017-3.]

[Insert new questions and text; as applicable, delete *No questions assigned.*]

[Under heading .701, insert the following:]

See also Questions .701-8–.701-11 in Section P50 regarding the criteria in paragraph .101 of this section.

.701-1 [GASBIG 2017-3, Q4.5; in the question, replace *OPEB plan that* with *OPEB plan that is not administered through a trust²⁷ that meets the criteria in paragraph .101 of this section if the plan.*]

[Insert new footnote 27 as follows:]

²⁷For purposes of this section, the term *trust* (or variations) includes equivalent arrangements as referenced in paragraph .101 of this section.

.701-2 [GASBIG 2017-3, Q4.6; in the answer, replace *Yes.* with *If the OPEB plan is not administered through a trust that meets the criteria in paragraph .101 of this section,.*]

.701-3 [GASBIG 2017-3, Q4.7; in the last sentence, replace *Statement 75, as amended with this section or Section P50, as applicable.*]

.701-4–.701-5 [GASBIG 2017-3, Q4.12–Q4.13]

.701-6 [GASBIG 2017-3, Q4.14; replace the second sentence of the answer with the following:] In accordance with this section, Section P20, Section P22, and Section P50, postemployment benefits (with the exception of postemployment healthcare benefits, which always are accounted for as OPEB) should be accounted for as pensions if they are provided through a defined benefit pension plan.

.701-7 [GASBIG 2017-3, Q4.15; replace the second sentence of the answer with the following:] In accordance with this section, Section P20, Section P22, and Section P50, OPEB includes postemployment healthcare benefits (such as medical, dental, vision, hearing, or other health-

related benefits) regardless of whether the postemployment healthcare benefits are provided separately or through a defined benefit pension plan.

.701-8–.701-14 [GASBIG 2017-3, Q4.16–Q4.22]

.702-1–.702-3 [GASBIG 2017-3, Q4.23–Q4.25]

.703-1 [GASBIG 2017-3, Q4.31]

.703-2 [GASBIG 2017-3, Q4.33]

.704-1 [GASBIG 2017-3, Q4.34; omit *to make contributions directly to an OPEB plan or.*]

.704-2–.704-6 [GASBIG 2017-3, Q4.35–Q4.39; in .704-5, omit *an employer's contributions to an OPEB plan or, to make contributions directly to the OPEB plan or, and the employer's direct contributions to the OPEB plan or.*]

.704-7 [GASBIG 2017-3, Q4.41; omit the reference to the requirements in paragraphs 116–118 of Statement 75, omit , *as applicable*, and revise last sentence as follows:] (See also Question .756-5 in this section.)

.704-8 [GASBIG 2017-3, Q4.42; in the question, omit *contributions or* and *to contribute or*, and in the answer, omit *contribution or.*]

[Under heading .705, insert the following:]

See also Question .729-1 in this section (primary governments and component units in stand-alone reports for OPEB provided through the same OPEB plan that is not administered through a trust that meets the criteria in paragraph .101 of this section) and Question .758-1 in this section (governmental nonemployer contributing entities in a special funding situation for OPEB provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph .101 of this section).

.705-1–.705-2 [GASBIG 2017-3, Q4.43–Q4.44]

.705-3 [GASBIG 2017-3, Q4.347]

.705-4 [GASBIG 2017-3, Q4.348; omit the third sentence in the answer.]

.705-5 [GASBIG 2017-3, Q4.349; omit the penultimate sentence in the answer.]

.705-6 [GASBIG 2017-3, Q4.350; omit the last sentence in the answer.]

.705-7–.705-8 [GASBIG 2017-3, Q4.351–Q4.352]

[Insert new Question .708-1, as follows; renumber current question .708-1.]

.708-1 [GASBIG 2017-3, Q4.353]

.708-3 [GASBIG 2017-3, Q4.354]

.709-1–.709-6 [GASBIG 2017-3, Q4.355–Q4.360]

.711-1–.711-18 [GASBIG 2017-3, Q4.361–Q4.378]

.712-1 [GASBIG 2017-3, Q4.379]

.713-1–.713-5 [GASBIG 2017-3, Q4.380–Q4.384]

[Under heading .714, insert the following:]

See also Question .776-16 in this section for a discussion of the requirements in paragraph .125 of this section in circumstances in which the alternative measurement method is used to measure the total OPEB liability.

.714-1–.714-25 [GASBIG 2017-3, Q4.385–Q4.409]

[Under heading .715, insert the following:]

See Questions .746-1–.752-1 in this section addressing paragraphs .165–.175 of this section.

.716-1 [GASBIG 2017-3, Q4.410]

.718-1–.718-2 [GASBIG 2017-3, Q4.411–Q4.412]

.719-1–.719-2 [GASBIG 2017-3, Q4.413–Q4.414]

.720-1–.720-2 [GASBIG 2017-3, Q4.415–Q4.416]

.723-1–.723-2 [GASBIG 2017-3, Q4.417–Q4.418]

.726-1 [GASBIG 2017-3, Q4.419]

[Under heading .727, insert the following:]

See also Questions .708-1 and .709-1–.713-5 in this section addressing paragraphs .114–.124 of this section. For purposes of applying those questions and answers to OPEB in stand-alone financial statements of primary governments and component units that provide OPEB through the same defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph .101 of this section, the term total OPEB liability applies to the collective total OPEB liability.

.727-2–.727-9 [GASBIG 2017-3, Q4.420–Q4.427]

[Under heading .728, insert the following:]

See also Question .776-16 in this section for a discussion of the requirements in paragraphs .147–.150 of this section in circumstances in which the alternative measurement method is used to measure the collective total OPEB liability.

.728-1 [GASBIG 2017-3, Q4.428]

[Under heading .729, insert the following:]

See also Questions .714-1–.714-22 in this section addressing paragraph .125 of this section, excluding subparagraph (c). For purposes of applying those questions and answers to OPEB in stand-alone financial statements of primary governments and component units that provide OPEB through the same defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph .101 of this section, the term total OPEB liability applies to the collective total OPEB liability, the term OPEB expense applies to collective OPEB expense, and the term deferred

outflows of resources and deferred inflows of resources related to OPEB *applies to collective deferred outflows of resources and deferred inflows of resources related to OPEB.*

.729-1–.729-2 [GASBIG 2017-3, Q4.429–Q4.430]

.730-1–.730-2 [GASBIG 2017-3, Q4.431–Q4.432]

.731-1 [GASBIG 2017-3, Q4.433]

.732-1 [GASBIG 2017-3, Q4.434]

.733-1–.733-3 [GASBIG 2017-3, Q4.435–Q4.437]

.734-1–.734-2 [GASBIG 2017-3, Q4.438–Q4.439]

.735-1 [GASBIG 2017-3, Q4.440]

.737-1 [GASBIG 2017-3, Q4.441]

.738-1 [GASBIG 2017-3, Q4.442]

.739-1–.739-5 [GASBIG 2017-3, Q4.443–Q4.447]

.740-1 [GASBIG 2017-3, Q4.448]

[Under heading .745, insert the following:]

See Questions .708-1–.713-5 in this section addressing paragraphs .114–.124 of this section and Questions .756-1–.756-5 in this section addressing paragraphs .177–.179 of this section. For purposes of applying Questions .708-1 and .709-1–.713-5 to benefits provided by a single or agent employer that has a special funding situation, the term total OPEB liability applies to the collective total OPEB liability.

[Under heading .746, insert the following:]

See also Question .776-16 in this section for a discussion of the requirements in paragraphs .168–.171 of this section in circumstances in which the alternative measurement method is used to measure the collective total OPEB liability.

.746-1 [GASBIG 2017-3, Q4.449]

[Under heading .747, insert the following:]

See Questions .714-1–.714-22 in this section addressing paragraph .125 of this section, excluding subparagraph (c). For purposes of applying those questions and answers to benefits provided by a single or agent employer that has a special funding situation, the term total OPEB liability applies to the collective total OPEB liability, the term OPEB expense applies to collective OPEB expense, and the term deferred outflows of resources and deferred inflows of resources related to OPEB applies to collective deferred outflows of resources and deferred inflows of resources related to OPEB.

.748-1 [GASBIG 2017-3, Q4.450]

.749-1 [GASBIG 2017-3, Q4.451]

.750-1 [GASBIG 2017-3, Q4.452]

.751-1–.751-2 [GASBIG 2017-3, Q4.453–Q4.454]

.752-1 [GASBIG 2017-3, Q4.455]

[Under heading .753, insert the following:]

See Questions .716-1–.723-2 in this section addressing paragraphs .129–.140 of this section. For purposes of applying those questions and answers to benefits provided by a single or agent employer that has a special funding situation, the term total OPEB liability applies to the employer's proportionate share of the collective total OPEB liability.

[Under heading .756, insert the following:]

See also Questions .708-1 and .709-1–.713-5 in this section addressing paragraphs .114–.124 of this section. For purposes of applying those questions and answers to a governmental nonemployer contributing entity in a special funding situation, the term total OPEB liability applies to the collective total OPEB liability.

.756-2–.756-6 [GASBIG 2017-3, Q4.456–Q4.460]

[Under heading .757, insert the following:]

See also Question .776-16 in this section for a discussion of the requirements in paragraphs .182–.185 of this section in circumstances in which the alternative measurement method is used to measure the collective total OPEB liability.

.757-1 [GASBIG 2017-3, Q4.461]

[Under heading .758, insert the following:]

See also Questions .714-1–.714-22 in this section addressing paragraph .125 of this section, excluding subparagraph (c). For purposes of applying those questions and answers to a governmental nonemployer contributing entity in a special funding situation, the term total OPEB liability applies to the collective total OPEB liability, the term OPEB expense applies to collective OPEB expense, and the term deferred outflows of resources and deferred inflows of resources related to OPEB applies to collective deferred outflows of resources and deferred inflows of resources related to OPEB.

.758-1 [GASBIG 2017-3, Q4.462]

.759-1 [GASBIG 2017-3, Q4.463]

.760-1 [GASBIG 2017-3, Q4.464]

.761-1 [GASBIG 2017-3, Q4.465]

.762-1 [GASBIG 2017-3, Q4.466]

.765-1 [GASBIG 2017-3, Q4.467]

.766 [GASBIG 2017-3, Q4.468]

.767 [GASBIG 2017-3, Q4.469–Q4.473]

[Under heading .774, insert the following:]

See Questions .705-3–.705-8, as well as Questions .708-1–.723-2 (employers) or Questions .726-1–.740-1 (stand-alone reporting by primary governments and component units), as applicable.

.775-1 [GASBIG 2017-3, Q4.474]

[Under heading .776, insert the following:]

See also Questions .708-1–.713-5 in this section addressing measurement of the (collective) total OPEB liability.

.776-1–.776-16 [GASBIG 2017-3, Q4.475–Q4.492, except Questions 4.484 and 4.491; omit the last sentence in the answer in Question 4.483.]

.777-1–.777-2 [GASBIG 2017-3, Q4.493–Q4.494]

.779-1 [GASBIG 2017-3, Q4.497; omit *the employer's contributions or, net OPEB liability or, the collective net OPEB liability or*, and the reference to Question 4.500.]

.779-2 [GASBIG 2017-3, Q4.498; omit *(asset), net OPEB liability or, collective net OPEB liability or, the government's contributions to the OPEB plan or*, the reference to Question 4.500, and the last sentence of the answer.]

.779-3 [GASBIG 2017-3, Q4.499; in the question, omit *net OPEB liability or* and *collective net OPEB liability or*, and revise the last sentence of the answer as follows:] Therefore, the actuarial valuation can be rolled back to December 31, 2016, to determine the employer's total OPEB liability (or proportionate share of the collective total OPEB liability) at the beginning of the initial period of implementation for purposes of determining the amount of the prior-period adjustment (see Question .779-4), provided that the (collective) total OPEB liability that results from the rollback reflects the significant effects of only transactions and other events that occurred to that date.

.779-4 [GASBIG 2017-3, Q4.501; omit *(collective) net OPEB liability or, contributions made or, net OPEB liability or, the collective net OPEB liability or*, and the reference to Question 4.500.]

* * *

**REPORTING ASSETS ACCUMULATED FOR
DEFINED BENEFIT POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS NOT PROVIDED
THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA**

SECTION P53

[Delete *(or equivalent arrangement)* from all questions and answers.]

.701-1 [Insert the following footnote on the first use of the term *trust*.]

⁴For purposes of this section, the term *trust* (or variations) includes equivalent arrangements as referenced in paragraph .101 of Section Po50.

* * *

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS—REPORTING FOR BENEFITS NOT PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED CONTRIBUTION

SECTION P54

Sources: [Add GASB Implementation Guide 2017-3.]

[Insert the following:]

GASB IMPLEMENTATION GUIDES

.701 Scope and Applicability of This Section

No questions assigned.

.702 Types of OPEB

.702-1–.702-3 [GASBIG 2017-3, Q4.23–Q4.25]

.703 Special Funding Situations—Defined

.703-1 [GASBIG 2017-3, Q4.34; in first sentence of the answer, omit *to make contributions directly to an OPEB plan or* and revise the last sentence of the answer as follows:] (See also Question .703-2.)

.703-2 [GASBIG 2017-3, Q4.35]

.703-3 [GASBIG 2017-3, Q4.38; omit *an employer's contributions to an OPEB plan or, to make contributions directly to the OPEB plan or, and the employer's direct contributions to the OPEB plan or.*]

.703-4 [GASBIG 2017-3, Q4.39]

.703-5 [GASBIG 2017-3, Q4.42; omit *contributions or, contribute or, and contribution or.*]

.704 Employers That Do Not Have a Special Funding Situation

.704-1 [GASBIG 2017-3, Q4.495; omit (*or OPEB assets*) from the question and (*or assets*) from the answer.]

.705 Notes to Financial Statements

No questions assigned.

.706 Special Funding Situations

No questions assigned.

.707 Employers

No questions assigned.

.708 Governmental Nonemployer Contributing Entities

No questions assigned.

.709 Notes to Financial Statements

No questions assigned.

.710 Circumstances in Which a Nonemployer Entity's Legal Obligation for Benefit Payments Directly through a Defined Contribution Plan Does Not Meet the Definition of a Special Funding Situation

No questions assigned.

.711 Employers

No questions assigned.

.712 Governmental Nonemployer Contributing Entities

No questions assigned.

* * *

POSTEMPLOYMENT BENEFIT PLANS (OTHER THAN PENSION PLANS) ADMINISTERED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED BENEFIT

SECTION Po50

Sources: [Add GASB Implementation Guide 2017-3.]

[Remove *(or equivalent arrangement)* and *(or equivalent arrangements)* from all questions and answers.]

.701-1 [Insert the following footnote on the first use of the term *trust*.]

¹⁴For purposes of this section, the term *trust* (or variations) includes equivalent arrangements as referenced in paragraph .101 of this section.

[Insert new questions as follows:]

.729-15 [GASBIG 2017-3, Q5.1; renumber subsequent questions.]

.731-7 [GASBIG 2017-3, Q5.2]

.733-2 [Insert the following at the end of the answer:] (See also Question .733-4 in this section.)

.733-4–.733-5 [GASBIG 2017-3, Q5.3–Q5.4]

* * *

POSTEMPLOYMENT BENEFIT PLANS (OTHER THAN PENSION PLANS) ADMINISTERED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED CONTRIBUTION

SECTION Po51

[Remove *(or equivalent arrangement)* and *(or equivalent arrangements)* from all questions and answers.]

.701-1 [Insert the following footnote on the first use of the term *trust*.]

⁹For purposes of this section, the term *trust* (or variations) includes equivalent arrangements as referenced in paragraph .101 of this section.

* * *

Codification—June 2018 Update

C2. The instructions that follow update the June 30, 2017 Codification for the provisions of this Implementation Guide that are effective for periods beginning after June 15, 2018. Only the question number from this Implementation Guide is listed if the question and answer will be cited in full in the Codification.

* * *

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS—REPORTING FOR BENEFITS PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED BENEFIT

SECTION P50

.795-9 [Insert the following at the end of the answer:] (See Question .795-10 for information about the required calculations.)

[Insert new Question .795-10 as follows; renumber subsequent questions and update cross-references throughout.]

.795-10 [GASBIG 2017-3, Q4.484]

[Insert new Question .795-17 as follows; renumber subsequent question and update cross-references throughout.]

.795-17 [GASBIG 2017-3, Q4.491]

* * *

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS—REPORTING FOR BENEFITS NOT PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED BENEFIT

SECTION P52

.776-9 [Insert the following at the end of the answer:] (See Question .776-10 for information about the required calculations.)

[Insert new Question .776-10 as follows; renumber subsequent questions.]

.776-10 [GASBIG 2017-3, Q4.484]

[Insert new Question .776-17 as follows; renumber subsequent question.]

.776-17 [GASBIG 2017-3, Q4.491]

* * *

Codification—June 2019 Update

C3. The instructions that follow update paragraph C1 of this Implementation Guide to remove transition guidance included in this Implementation Guide.

* * *

[In the June 30, 2019 edition, make the following changes:]

**POSTEMPLOYMENT BENEFITS OTHER THAN
PENSIONS—REPORTING FOR BENEFITS
PROVIDED THROUGH TRUSTS THAT MEET
SPECIFIED CRITERIA—DEFINED BENEFIT**

SECTION P50

[Delete Questions .797-1–.797-6, including heading; renumber subsequent heading.]

* * *

**POSTEMPLOYMENT BENEFITS OTHER THAN
PENSIONS—REPORTING FOR BENEFITS NOT
PROVIDED THROUGH TRUSTS THAT MEET
SPECIFIED CRITERIA—DEFINED BENEFIT**

SECTION P52

[Delete Questions .779-1–.779-4, including heading; renumber subsequent heading.]

* * *

Comprehensive Implementation Guide—December 2017 Update

C4. The instructions that follow update the June 30, 2017 *Comprehensive Implementation Guide* for the provisions of this Implementation Guide that are effective for periods beginning after December 15, 2017. Only the question number from this Implementation Guide is listed if the question and answer will be cited in full in the *Comprehensive Implementation Guide*.

* * *

[Update cross-references throughout.]

* * *

[Remove *(or equivalent arrangement)* and *(or equivalent arrangements)* from all questions and answers in Chapter 8.]

[In Question 8.93.1, insert the following footnote on the first use of the term *trusts*; renumber subsequent footnotes.]

¹⁰For purposes of Chapter 8, the term *trusts* (or variations) includes equivalent arrangements as referenced in paragraph 4 of Statement 74 or paragraph 4 of Statement 75, as applicable.

[Insert the following in Chapter 8:]

8.150.4. [GASBIG 2017-3, Q5.1]

8.155.7. [GASBIG 2017-3, Q5.2]

8.157.2. [Insert the following at the end of the answer:] (See also Question 8.157.4.)

8.157.4–8.157.5. [GASBIG 2017-3, Q5.3–Q5.4]

[Insert the following at the end of Chapter 8:]

8.176 Statement 75

8.177 Scope and Applicability of Statement 75, as Amended

8.177.1–8.177.2. [GASBIG 2017-3, Q4.1–Q4.2]

8.177.3. Q—An employer provides OPEB to its employees through a cost-sharing defined benefit OPEB plan that (a) is administered through a trust that has the characteristics identified in paragraph 4 of Statement 75 and (b) does not have the characteristics in paragraph 18 of Statement 85. There is no requirement that the employer make annual contributions to the plan because the employer has a special funding situation (as defined by paragraph 18 of Statement 75) in which the nonemployer contributing entity is the only entity with a legal requirement to make contributions. The employer has no payables to the OPEB plan, and contributions to the plan are not made by any other nonemployer entities. Does Statement 75, as amended, apply to the employer?

A—Yes. Because the employer has a special funding situation for benefits provided through an OPEB plan that (a) is administered through a trust that has the characteristics identified in paragraph 4 of Statement 75 and (b) does not have the characteristics in paragraph 18 of Statement 85, Statement 75, as amended, applies. In this circumstance, the cost-sharing employer should apply the requirements in paragraphs 21–26 and 111–115 of Statement 75, as amended, and paragraphs 9 and 10 of Statement 85 to recognize OPEB expense/expenditure and revenue for the support of the nonemployer contributing entity, as well as the requirements for note disclosures and RSI in paragraphs 89–98 of Statement 75, as amended.

[GASBIG 2017-3, Q4.3]

8.177.4. Q—In the past, an employer provided OPEB to its employees through a cost-sharing defined benefit OPEB plan that (a) is administered through a trust that has the characteristics identified in paragraph 4 of Statement 75 and (b) does not have the characteristics in paragraph 18 of Statement 85. The employer no longer provides benefits to active employees through the plan. Does Statement 75, as amended, apply?

A—If the cost-sharing employer has no requirement to make contributions to the plan, does not have a payable to the OPEB plan, and does not receive support from a nonemployer contributing entity through contributions made directly to the OPEB plan (whether as a result of a special funding situation or not), the requirements of Statement 75, as amended, do not apply to the financial reporting by the employer.

[GASBIG 2017-3, Q4.4]

8.177.5–8.177.7. [GASBIG 2017-3, Q4.5–Q4.7]

8.178 Trusts

8.178.1–8.178.4. [GASBIG 2017-3, Q4.8–Q4.11]

8.179 Classifying Benefits

8.180 OPEB versus pensions

8.180.1–8.180.3. [GASBIG 2017-3, Q4.12–Q4.14]

8.181 Postemployment healthcare benefits provided through a pension plan

8.181.1. [GASBIG 2017-3, Q4.15]

8.182 Termination benefits

8.182.1–8.182.2. [GASBIG 2017-3, Q4.16–Q4.17]

8.183 Sick leave-to-healthcare conversions

8.183.1–8.183.3. [GASBIG 2017-3, Q4.18–Q4.20]

8.184 Disability benefits

8.184.1. [GASBIG 2017-3, Q4.21]

8.185 Workers' compensation benefits

8.185.1. [GASBIG 2017-3, Q4.22]

8.186 Types of OPEB

8.187 Classifying OPEB as Defined Benefit or Defined Contribution

8.187.1–8.187.4. [GASBIG 2017-3, Q4.23–Q4.26]

8.188 Types of Defined Benefit OPEB Plans and Employers

8.188.1–8.188.7. [GASBIG 2017-3, Q4.27–Q4.33]

8.189 Special Funding Situations—Defined

8.189.1–8.189.9. [GASBIG 2017-3, Q4.34–Q4.42]

8.190 Defined Benefit OPEB Other Than Insured Benefits

See also Questions 8.187.1–8.187.4 addressing the classification of OPEB as defined benefit or defined contribution.

8.191 Financial Statement Display

8.191.1–8.191.2. [GASBIG 2017-3, Q4.43–Q4.44]

8.192 OPEB Provided through OPEB Plans That Are Administered through Trusts That Meet the Criteria in Paragraph 4 of Statement 75 and That Do Not Have the Characteristics in Paragraph 18 of Statement 85

8.193 Number of OPEB plans

8.193.1–8.193.3. [GASBIG 2017-3, Q4.45–Q4.47]

8.194 Liabilities to employees for OPEB

8.195 Reporting by primary governments and component units

8.195.1–8.195.5. [GASBIG 2017-3, Q4.48–Q4.52]

8.196 Use of disaggregated measures

See Question 8.213.4 (single and agent employers), Questions 8.242.2 and 8.262.3 (cost-sharing employers), and Question 8.305.1 (governmental nonemployer contributing entities in a special funding situation).

8.197 Single and agent employers

8.197.1–8.197.2. [GASBIG 2017-3, Q4.53–Q4.54]

8.198 Recognition and Measurement in Financial Statements Prepared Using the Economic Resources Measurement Focus and Accrual Basis of Accounting—Single and Agent Employers That Do Not Have a Special Funding Situation

8.199 Net OPEB Liability

8.199.1–8.199.2. [GASBIG 2017-3, Q4.55–Q4.56]

8.200 Measurement date

8.200.1–8.200.2. [GASBIG 2017-3, Q4.57–Q4.58]

8.201 The OPEB plan's fiduciary net position

8.201.1–8.201.5. [GASBIG 2017-3, Q4.59–Q4.63]

8.202 Total OPEB liability

8.203 Timing and frequency of actuarial valuations

8.203.1–8.203.7. [GASBIG 2017-3, Q4.64–Q4.70]

8.204 Selection of assumptions

8.205 Projection of benefit payments

8.206 The substantive plan and historical pattern of sharing of benefit-related costs between the employer and inactive employees

8.206.1–8.206.8. [GASBIG 2017-3, Q4.71–Q4.78]

8.207 Postemployment benefit changes

8.207.1–8.207.6. [GASBIG 2017-3, Q4.79–Q4.84]

8.208 Administrative costs

8.208.1. [GASBIG 2017-3, Q4.85]

8.209 Projecting postemployment healthcare benefits based on claims costs or age-adjusted premiums approximating claims costs

8.210.1–8.210.4. [GASBIG 2017-3, Q4.86–Q4.89]

8.210 Benefit caps

8.210.1–8.210.3. [GASBIG 2017-3, Q4.90–Q4.92]

8.211 Benefits to be provided through allocated insurance contracts

8.212 Other projection issues

8.213 Discount rate

8.213.1–8.213.4. [GASBIG 2017-3, Q4.93–Q4.96]

8.214 Comparing projections of the OPEB plan’s fiduciary net position to projected benefit payments

8.214.1–8.214.7. [GASBIG 2017-3, Q4.97–Q4.103]

8.215 Calculating the discount rate

8.215.1. [GASBIG 2017-3, Q4.104]

8.216 Attribution of the actuarial present value of projected benefit payments to periods

8.216.1–8.216.5. [GASBIG 2017-3, Q4.105–Q4.109]

8.217 OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, and Support of Nonemployer Contributing Entities

8.218 Changes in the net OPEB liability

See also Question 8.438.2 for a discussion of the requirements in paragraph 43 of Statement 75 in circumstances in which the alternative measurement method is used to measure the total OPEB liability.

8.218.1–8.218.27. [GASBIG 2017-3, Q4.110–Q4.136]

8.219 Employer contributions subsequent to the measurement date

8.219.1–8.219.4. [GASBIG 2017-3, Q4.137–Q4.140]

8.220 Recognition and Measurement in Financial Statements Prepared Using the Economic Resources Measurement Focus and Accrual Basis of Accounting—Single and Agent Employers That Have a Special Funding Situation

See Questions 8.284.1–8.290.1 and 8.301.1–8.303.6 addressing paragraphs 99–107 and 116–118 of Statement 75, as amended, as well as Questions 8.199.1–8.216.5 addressing paragraphs 27–42 of Statement 75. For purposes of applying Questions 8.199.1–8.216.5 to benefits provided by a single or agent employer that has a special funding situation, the term net OPEB liability applies to the collective net OPEB liability.

8.221 Recognition in Financial Statements Prepared Using the Current Financial Resources Measurement Focus and Modified Accrual Basis of Accounting—All Single and Agent Employers

8.221.1–8.221.2. [GASBIG 2017-3, Q4.141–Q4.142]

- 8.222** *Support of Nonemployer Contributing Entities*
- 8.223** **Notes to Financial Statements—All Single and Agent Employers**
- 8.223.1–8.223.3. [GASBIG 2017-3, Q4.143–Q4.145]
- 8.224** *OPEB Plan Description*
- 8.224.1–8.224.5. [GASBIG 2017-3, Q4.146–Q4.150]
- 8.225** *Information about the Net OPEB Liability*
- 8.226** Assumptions and other inputs
- 8.227** The OPEB plan's fiduciary net position
- 8.227.1. [GASBIG 2017-3, Q4.151]
- 8.228** Changes in the net OPEB liability
- 8.229** Schedule of changes in the net OPEB liability
- 8.29.1. [GASBIG 2017-3, Q4.152]
- 8.230** Additional information
- 8.230.1–8.230.2. [GASBIG 2017-3, Q4.153–Q4.154]
- 8.231** **Required Supplementary Information (RSI)—All Single and Agent Employers**
- 8.231.1–8.231.2. [GASBIG 2017-3, Q4.155–Q4.156]
- 8.232** *Paragraph 57a*
- 8.233** *Paragraph 57b, as Amended*
- 8.234** *Paragraphs 57c and 57d, as Amended*
- 8.234.1–8.234.13. [GASBIG 2017-3, Q4.157–Q4.169]
- 8.235** *Notes to Required Schedules*
- 8.236** *Cost-sharing employers that provide benefits through OPEB plans that do not have the characteristics in paragraph 18 of Statement 85*
- 8.236.1–8.236.2. [GASBIG 2017-3, Q4.170–Q4.171]
- 8.237** **Recognition and Measurement in Financial Statements Prepared Using the Economic Resources Measurement Focus and Accrual Basis of Accounting—Cost-Sharing Employers That Do Not Have a Special Funding Situation**
- 8.238** *Proportionate Share of the Collective Net OPEB Liability*
- 8.238.1–8.238.3. [GASBIG 2017-3, Q4.172–Q4.174]
- 8.239** Measurement date
- 8.239.1–8.239.2. [GASBIG 2017-3, Q4.175–Q4.176]

8.240 Determining a cost-sharing employer's proportion

8.240.1–8.240.10. [GASBIG 2017-3, Q4.177–Q4.186]

8.241 OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

See also Question 8.438.2 for a discussion of the requirements in paragraphs 64 and 65 of Statement 75, as amended, and paragraph 17 of Statement 85 in circumstances in which the alternative measurement method is used to measure the total OPEB liability.

8.241.1–8.241.4. [GASBIG 2017-3, Q4.187–Q4.190]

8.242 Proportionate share

8.242.1–8.242.2. [GASBIG 2017-3, Q4.191–Q4.192]

8.243 Change in proportion

8.243.1–8.243.2. [GASBIG 2017-3, Q4.193–Q4.194]

8.244 Contributions during the measurement period

8.244.1. [GASBIG 2017-3, Q4.195]

8.245 Employer contributions subsequent to the measurement date

8.245.1–8.245.3. [GASBIG 2017-3, Q4.196–Q4.198]

8.246 Support of Nonemployer Contributing Entities Not in a Special Funding Situation

8.246.1–8.246.2. [GASBIG 2017-3, Q4.199–Q4.200]

8.247 Measurement of the Collective Net OPEB Liability, Collective OPEB Expense, and Collective Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

8.248 Collective net OPEB liability

8.249 Measurement date

See Questions 8.239.1 and 8.239.2.

8.250 The OPEB plan's fiduciary net position

8.250.1–8.250.3. [GASBIG 2017-3, Q4.201–Q4.203]

8.251 Total OPEB liability

8.252 Timing and frequency of actuarial valuations

8.252.1–8.252.7. [GASBIG 2017-3, Q4.204–Q4.210]

8.253 Selection of assumptions

8.254 Projection of benefit payments

8.255 The substantive plan and historical pattern of sharing of benefit-related costs between the employer and inactive employees

8.255.1–8.255.8. [GASBIG 2017-3, Q4.211–Q4.218]

8.256 Postemployment benefit changes

8.256.1–8.256.6. [GASBIG 2017-3, Q4.219–Q4.224]

8.257 Administrative costs

8.257.1. [GASBIG 2017-3, Q4.225]

8.258 Projecting postemployment healthcare benefits based on claims costs or age-adjusted premiums approximating claims costs

8.258.1–8.258.3. [GASBIG 2017-3, Q4.226–Q4.228]

8.259 Benefit caps

8.259.1–8.259.3. [GASBIG 2017-3, Q4.229–Q4.231]

8.260 Benefits to be provided through allocated insurance contracts

8.261 Other projection issues

8.262 Discount rate

8.262.1–8.262.3. [GASBIG 2017-3, Q4.232–Q4.234]

8.263 Comparing projections of the OPEB plan's fiduciary net position to projected benefit payments

8.263.1–8.263.5. [GASBIG 2017-3, Q4.235–Q4.239]

8.264 Calculating the discount rate

8.264.1. [GASBIG 2017-3, Q4.240]

8.265 Attribution of the actuarial present value of projected benefit payments to periods

8.265.1–8.265.5. [GASBIG 2017-3, Q4.241–Q4.245]

8.266 Collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB

See also Question 8.438.2 for a discussion of the requirements in paragraph 86 of Statement 75 in circumstances in which the alternative measurement method is used to measure the total OPEB liability.

8.266.1–8.266.24. [GASBIG 2017-3, Q4.246–Q4.269]

8.267 Recognition and Measurement in Financial Statements Prepared Using the Economic Resources Measurement Focus and Accrual Basis of Accounting—Cost-Sharing Employers That Have a Special Funding Situation

See Questions 8.293.1–8.297.2 addressing paragraphs 109–114 of Statement 75.

8.268 Recognition in Financial Statements Prepared Using the Current Financial Resources Measurement Focus and Modified Accrual Basis of Accounting—All Cost-Sharing Employers That Provide Benefits through OPEB Plans That Do Not Have the Characteristics in Paragraph 18 of Statement 85

8.268.1–8.268.2. [GASBIG 2017-3, Q4.270–Q4.271]

8.269 Support of Nonemployer Contributing Entities

8.270 Notes to Financial Statements—All Cost-Sharing Employers That Provide Benefits through OPEB Plans That Do Not Have the Characteristics in Paragraph 18 of Statement 85

8.270.1–8.270.3. [GASBIG 2017-3, Q4.272–Q4.274]

8.271 OPEB Plan Description

8.271.1–8.271.3. [GASBIG 2017-3, Q4.275–Q4.277]

8.272 Information about the Employer’s Proportionate Share of the Collective Net OPEB Liability

8.273 Assumptions and other inputs

8.274 The OPEB plan’s fiduciary net position

8.274.1. [GASBIG 2017-3, Q4.278]

8.275 Additional Information

8.275.1–8.275.5. [GASBIG 2017-3, Q4.279–Q4.283]

8.276 RSI—All Cost-Sharing Employers That Provide Benefits through OPEB Plans That Do Not Have the Characteristics in Paragraph 18 of Statement 85

8.276.1–8.276.3. [GASBIG 2017-3, Q4.284–Q4.286]

8.277 Paragraph 97a, as Amended

8.278 Paragraph 97b, as Amended

8.278.1–8.278.7. [GASBIG 2017-3, Q4.287–Q4.293]

8.279 Notes to Required Schedules

8.280 Special funding situations

8.281 Single or Agent Employers

8.282 Recognition and Measurement in Financial Statements Prepared Using the Economic Resources Measurement Focus and Accrual Basis of Accounting

8.283 Proportionate share of the collective net OPEB liability

See Questions 8.199.1–8.216.5 addressing paragraphs 27–42 of Statement 75 and Questions 8.301.1–8.303.6 addressing paragraphs 116–118 of Statement 75. For purposes of applying Questions 8.199.1–8.216.5 to benefits provided by a single or agent employer that has a special funding situation, the term net OPEB liability applies to the collective net OPEB liability.

8.284 OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

See also Question 8.438.2 for a discussion of the requirements in paragraphs 102 and 103 of Statement 75, as amended, and paragraph 17 of Statement 85 in circumstances in which the alternative measurement method is used to measure the collective total OPEB liability.

8.284.1. [GASBIG 2017-3, Q4.294]

8.285 Proportionate share

See Questions 8.218.1–8.218.26 addressing paragraph 43 of Statement 75, excluding subparagraph (d). For purposes of applying those questions and answers to benefits provided by a single or agent employer that has a special funding situation, the term net OPEB liability applies to the collective net OPEB liability, the term OPEB expense applies to collective OPEB expense, and the term deferred outflows of resources and deferred inflows of resources related to OPEB applies to collective deferred outflows of resources and deferred inflows of resources related to OPEB.

8.286 Change in proportion

8.286.1. [GASBIG 2017-3, Q4.295]

8.287 Contributions during the measurement period

8.287.1. [GASBIG 2017-3, Q4.296]

8.288 Employer contributions subsequent to the measurement date

8.288.1–8.288.3. [GASBIG 2017-3, Q4.297–Q4.299]

8.289 Support of nonemployer contributing entities in a special funding situation

8.289.1–8.289.2. [GASBIG 2017-3, Q4.300–Q4.301]

8.290 Support of nonemployer contributing entities not in a special funding situation

8.290.1. [GASBIG 2017-3, Q4.302]

8.291 Additional Requirements

See Questions 8.221.1–8.234.13 addressing paragraphs 46–58 of Statement 75, as amended. For purposes of applying those questions and answers to benefits provided by a single or agent employer that has a special funding situation, the term net OPEB liability, unless otherwise indicated, applies to the proportionate share of the collective net OPEB liability of the employer.

8.292 Cost-Sharing Employers That Provide Benefits through OPEB Plans That Do Not Have the Characteristics in Paragraph 18 of Statement 85

8.293 Recognition and Measurement in Financial Statements Prepared Using the Economic Resources Measurement Focus and Accrual Basis of Accounting

8.293.1. [GASBIG 2017-3, Q4.303]

8.294 Proportionate share of the collective net OPEB liability

See Questions 8.238.1–8.240.10 addressing paragraphs 59–61 of Statement 75.

8.295 OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

See Questions 8.241.1–8.245.3 addressing paragraphs 62–66 and 68 of Statement 75, as amended. See also Questions 8.296.1 and 8.296.2 addressing issues relevant to the application of paragraphs 111 and 112 of Statement 75.

8.296 Support of nonemployer contributing entities in a special funding situation

8.296.1–8.296.3. [GASBIG 2017-3, Q4.304–Q4.306]

8.297 Support of nonemployer contributing entities not in a special funding situation

8.297.1–8.297.2. [GASBIG 2017-3, Q4.307–Q4.308]

8.298 Additional Requirements

See Questions 8.268.1–8.278.7 addressing paragraphs 88–98 of Statement 75, as amended.

8.299 Governmental Nonemployer Contributing Entities

8.300 Recognition and Measurement in Financial Statements Prepared Using the Economic Resources Measurement Focus and Accrual Basis of Accounting

8.301 Proportionate share of the collective net OPEB liability

8.301.1–8.301.2. [GASBIG 2017-3, Q4.309–Q4.310]

8.302 Measurement date

8.302.1–8.302.2. [GASBIG 2017-3, Q4.311–Q4.312]

8.303 Determining a governmental nonemployer contributing entity's proportion

8.303.1–8.303.6. [GASBIG 2017-3, Q4.313–Q4.318]

8.304 Expense and deferred outflows of resources and deferred inflows of resources

See also Question 8.438.2 for a discussion of the requirements in paragraphs 121 and 122 of Statement 75, as amended, and paragraph 17 of Statement 85 in circumstances in which the alternative measurement method is used to measure the total OPEB liability.

8.304.1. [GASBIG 2017-3, Q4.319]

8.305 Proportionate share

8.305.1. [GASBIG 2017-3, Q4.320]

8.306 Change in proportion

8.306.1. [GASBIG 2017-3, Q4.321]

8.307 Contributions during the measurement period

8.307.1. [GASBIG 2017-3, Q4.322]

8.308 Governmental nonemployer contributing entity contributions subsequent to the measurement date

8.308.1–8.308.3. [GASBIG 2017-3, Q4.323–Q4.325]

8.309 Recognition in Financial Statements Prepared Using the Current Financial Resources Measurement Focus and Modified Accrual Basis of Accounting

8.309.1–8.309.2. [GASBIG 2017-3, Q4.326–Q4.327]

8.310 Notes to Financial Statements and RSI

8.311 Governmental nonemployer contributing entities that recognize a substantial proportion of the collective net OPEB liability

8.312 Notes to financial statements

8.312.1–8.312.2. [GASBIG 2017-3, Q4.328–Q4.329]

8.313 OPEB plan description

8.313.1–8.313.3. [GASBIG 2017-3, Q4.330–Q4.332]

8.314 Information about the governmental nonemployer contributing entity's proportionate share of the collective net OPEB liability

8.315 *Assumptions and other inputs*

8.316 *The OPEB plan's fiduciary net position*

8.316.1. [GASBIG 2017-3, Q4.333]

8.317 Additional information

8.317.1–8.317.5. [GASBIG 2017-3, Q4.334–Q4.338]

8.318 RSI

8.319 Paragraph 134a

8.320 Paragraph 134b

8.320.1–8.320.6. [GASBIG 2017-3, Q4.339–Q4.344]

8.321 Notes to required schedules

8.322 Governmental nonemployer contributing entities that recognize a less-than-substantial proportion of the collective net OPEB liability

8.323 Notes to financial statements

8.324 RSI

8.325 *Circumstances in which a nonemployer entity's legal obligation for contributions directly to an OPEB plan does not meet the definition of a special funding situation*

8.326 Employers

See Questions 8.195.1–8.195.5, as well as Questions 8.197.1–8.234.13 (single and agent employers) or Questions 8.236.1–8.278.7 (cost-sharing employers), as applicable.

8.327 Governmental Nonemployer Contributing Entities

8.327.1. [GASBIG 2017-3, Q4.345]

8.328 Payables to a defined benefit OPEB plan—all employers that provide benefits through OPEB plans that do not have the characteristics in paragraph 18 of Statement 85 and governmental nonemployer contributing entities

8.328.1. [GASBIG 2017-3, Q4.346]

8.329 *Notes to financial statements*

8.330 *OPEB Provided through OPEB Plans That Are Administered through Trusts That Meet the Criteria in Paragraph 4 of Statement 75 and That Have the Characteristics in Paragraph 18 of Statement 85*

8.331 *OPEB Provided through OPEB Plans That Are Not Administered through Trusts That Meet the Criteria in Paragraph 4 of Statement 75*

8.331.1. [GASBIG 2017-3, Q4.347]

8.332 *Liabilities to employees for OPEB*

8.333 *Reporting by primary governments and component units*

8.333.1–8.333.3. [GASBIG 2017-3, Q4.348–Q4.350]

8.334 *Use of disaggregated measures*

See Question 8.375.1 (primary governments and component units in stand-alone reports for OPEB provided through the same OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75) and Question 8.407.1 (governmental nonemployer contributing entities in a special funding situation for OPEB provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75).

8.335 *Amounts included in benefit payments*

8.335.1–8.335.2. [GASBIG 2017-3, Q4.351–Q4.352]

8.336 *Employers*

8.337 *Recognition and Measurement in Financial Statements Prepared Using the Economic Resources Measurement Focus and Accrual Basis of Accounting—Employers That Do Not Have a Special Funding Situation*

8.338 *Total OPEB Liability*

8.338.1. [GASBIG 2017-3, Q4.353]

8.339 *Measurement date*

8.339.1. [GASBIG 2017-3, Q4.354]

8.340 *Timing and frequency of actuarial valuations*

8.340.1–8.340.6. [GASBIG 2017-3, Q4.355–Q4.360]

8.341 *Selection of assumptions*

8.342 *Projection of benefit payments*

8.343 *The substantive plan and historical pattern of sharing of benefit-related costs between the employer and inactive employees*

8.343.1–8.343.8. [GASBIG 2017-3, Q4.361–Q4.368]

8.344 *Postemployment benefit changes*

8.344.1–8.344.4. [GASBIG 2017-3, Q4.369–Q4.372]

8.345 **Administrative costs**

8.345.1. [GASBIG 2017-3, Q4.373]

8.346 **Projecting postemployment healthcare benefits based on claims costs or age-adjusted premiums approximating claims costs**

8.346.1–8.346.3. [GASBIG 2017-3, Q4.374–Q4.376]

8.347 **Benefit caps**

8.347.1–8.347.2. [GASBIG 2017-3, Q4.377–Q4.378]

8.348 **Benefits to be provided through allocated insurance contracts**

8.349 **Other projection issues**

8.350 **Discount rate**

8.350.1. [GASBIG 2017-3, Q4.379]

8.351 **Attribution of the actuarial present value of projected benefit payments to periods**

8.351.1–8.351.5. [GASBIG 2017-3, Q4.380–Q4.384]

8.352 **OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, and Support of Nonemployer Contributing Entities**

8.353 **Changes in the total OPEB liability**

See also Question 8.438.2 for a discussion of the requirements in paragraph 157 of Statement 75 in circumstances in which the alternative measurement method is used to measure the total OPEB liability.

8.353.1–8.353.23. [GASBIG 2017-3, Q4.385–Q4.407]

8.354 **Administrative costs**

8.355 **Employer amounts subsequent to the measurement date**

8.355.1–8.355.2. [GASBIG 2017-3, Q4.408–Q4.409]

8.356 **Recognition and Measurement in Financial Statements Prepared Using the Economic Resources Measurement Focus and Accrual Basis of Accounting—Employers That Have a Special Funding Situation**

See Questions 8.393.1–8.399.1 addressing paragraphs 193–201 of Statement 75.

8.357 **Recognition in Financial Statements Prepared Using the Current Financial Resources Measurement Focus and Modified Accrual Basis of Accounting—All Employers**

8.357.1. [GASBIG 2017-3, Q4.410]

8.358 **Notes to Financial Statements—All Employers**

8.358.1–8.358.2. [GASBIG 2017-3, Q4.411–Q4.412]

8.359 OPEB Plan Description

8.359.1–8.359.2. [GASBIG 2017-3, Q4.413–Q4.414]

8.360 Information about the Total OPEB Liability

8.361 Assumptions and other inputs

8.362 Changes in the total OPEB liability

8.363 Schedule of changes in the total OPEB liability

8.364 Additional information

8.364.1–8.364.2. [GASBIG 2017-3, Q4.415–Q4.416]

8.365 RSI—All Employers

8.366 Paragraph 170a

8.367 Paragraph 170b

8.367.1–8.367.2. [GASBIG 2017-3, Q4.417–Q4.418]

8.368 Notes to Required Schedules

8.369 Accounting and financial reporting for OPEB in stand-alone financial statements of primary governments and component units that provide OPEB through the same defined benefit OPEB plan

8.370 Recognition and Measurement in Financial Statements Prepared Using the Economic Resources Measurement Focus and Accrual Basis of Accounting

8.370.1. [GASBIG 2017-3, Q4.419]

8.371 Proportionate Share of the Collective Total OPEB Liability

See Questions 8.338.1 and 8.340.1–8.351.5 addressing paragraphs 146–156 of Statement 75. For purposes of applying those questions and answers to OPEB in stand-alone financial statements of primary governments and component units that provide OPEB through the same defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75, the term total OPEB liability applies to the collective total OPEB liability.

8.372 Measurement date

8.372.1. [GASBIG 2017-3, Q4.420]

8.373 Determining a government's proportion

8.373.1–8.373.7. [GASBIG 2017-3, Q4.421–Q4.427]

8.374 OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

See also Question 8.438.2 for a discussion of the requirements in paragraphs 178 and 179 of Statement 75, as amended, and paragraph 17 of Statement 85 in circumstances in which the alternative measurement method is used to measure the collective total OPEB liability.

8.374.1. [GASBIG 2017-3, Q4.428]

8.375 Proportionate share

See also Questions 8.353.1–8.353.22 addressing paragraph 157 of Statement 75, excluding subparagraph (c). For purposes of applying those questions and answers to OPEB in stand-alone financial statements of primary governments and component units that provide OPEB through the same defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 75, the term total OPEB liability applies to the collective total OPEB liability, the term OPEB expense applies to collective OPEB expense, and the term deferred outflows of resources and deferred inflows of resources related to OPEB applies to collective deferred outflows of resources and deferred inflows of resources related to OPEB.

8.375.1–8.375.2. [GASBIG 2017-3, Q4.429–Q4.430]

8.376 Change in proportion

8.376.1–8.376.2. [GASBIG 2017-3, Q4.431–Q4.432]

8.377 Amounts for OPEB during the measurement period

8.377.1. [GASBIG 2017-3, Q4.433]

8.378 Amounts for OPEB subsequent to the measurement date

8.378.1. [GASBIG 2017-3, Q4.434]

8.379 Support of Nonemployer Contributing Entities in a Special Funding Situation

8.379.1–8.379.3. [GASBIG 2017-3, Q4.435–Q4.437]

8.380 Support of Nonemployer Contributing Entities Not in a Special Funding Situation

8.380.1–8.380.2. [GASBIG 2017-3, Q4.438–Q4.439]

8.381 Recognition in Financial Statements Prepared Using the Current Financial Resources Measurement Focus and Modified Accrual Basis of Accounting

8.381.1. [GASBIG 2017-3, Q4.440]

8.382 Notes to Financial Statements

8.382.1. [GASBIG 2017-3, Q4.441]

8.383 OPEB Plan Description

8.383.1. [GASBIG 2017-3, Q4.442]

8.384 Additional Information

8.384.1–8.384.5. [GASBIG 2017-3, Q4.443–Q4.447]

8.385 RSI

8.385.1. [GASBIG 2017-3, Q4.448]

8.386 Paragraph 191a

8.387 Paragraph 191b

8.388 Notes to the Required Schedule

8.389 Special funding situations

8.390 Employers

8.391 Recognition and Measurement in Financial Statements Prepared Using the Economic Resources Measurement Focus and Accrual Basis of Accounting

8.392 Proportionate share of the collective total OPEB liability

See Questions 8.338.1 and 8.340.1–8.351.5 addressing paragraphs 146–156 of Statement 75 and Questions 8.404.1–8.405.5 addressing paragraphs 203–205 of Statement 75. For purposes of applying Questions 8.338.1–8.351.5 to benefits provided by a single or agent employer that has a special funding situation, the term total OPEB liability applies to the collective total OPEB liability.

8.393 OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

See also Question 8.438.2 for a discussion of the requirements in paragraphs 196 and 197 of Statement 75, as amended, and paragraph 17 of Statement 85 in circumstances in which the alternative measurement method is used to measure the collective total OPEB liability.

8.393.1. [GASBIG 2017-3, Q4.449]

8.394 Proportionate share

See Questions 8.353.1–8.353.22 addressing paragraph 157 of Statement 75, excluding subparagraph (c). For purposes of applying those questions and answers to benefits provided by a single or agent employer that has a special funding situation, the term total OPEB liability applies to the collective total OPEB liability, the term OPEB expense applies to collective OPEB expense, and the term deferred outflows of resources and deferred inflows of resources related to OPEB applies to collective deferred outflows of resources and deferred inflows of resources related to OPEB.

8.395 Change in proportion

8.395.1. [GASBIG 2017-3, Q4.450]

8.396 Amounts for OPEB during the measurement period

8.396.1. [GASBIG 2017-3, Q4.451]

8.397 Amounts for OPEB subsequent to the measurement date

8.397.1. [GASBIG 2017-3, Q4.452]

8.398 Support of nonemployer contributing entities in a special funding situation

8.398.1–8.398.2. [GASBIG 2017-3, Q4.453–Q4.454]

8.399 Support of nonemployer contributing entities not in a special funding situation

8.399.1. [GASBIG 2017-3, Q4.455]

8.400 Additional Requirements

See also Questions 8.357.1–8.367.2 addressing paragraphs 161–171 of Statement 75, as amended. For purposes of applying those questions and answers to benefits provided by a single or agent employer that has a special funding situation, the term total OPEB liability applies to the employer's proportionate share of the collective total OPEB liability.

8.401 Governmental Nonemployer Contributing Entities

8.402 Recognition and Measurement in Financial Statements Prepared Using the Economic Resources Measurement Focus and Accrual Basis of Accounting

8.403 Proportionate share of the collective total OPEB liability

See also Questions 8.338.1 and 8.340.1–8.351.5 addressing paragraphs 146–156 of Statement 75. For purposes of applying those questions and answers to a governmental nonemployer contributing entity in a special funding situation, the term total OPEB liability applies to the collective total OPEB liability.

8.404 Measurement date

8.404.1. [GASBIG 2017-3, Q4.456]

8.405 Determining a governmental nonemployer contributing entity's proportion

8.405.1–8.405.4. [GASBIG 2017-3, Q4.457–Q4.460]

8.406 Expense and deferred outflows of resources and deferred inflows of resources

See also Question 8.438.2 for a discussion of the requirements in paragraphs 208 and 209 of Statement 75, as amended, and paragraph 17 of Statement 85 in circumstances in which the alternative measurement method is used to measure the collective total OPEB liability.

8.406.1. [GASBIG 2017-3, Q4.461]

8.407 Proportionate share

See also Questions 8.353.1–8.353.22 addressing paragraph 157 of Statement 75, excluding subparagraph (c). For purposes of applying those questions and answers to a governmental nonemployer contributing entity in a special funding situation, the term total OPEB liability applies to the collective total OPEB liability, the term OPEB expense applies to collective OPEB expense, and the term deferred outflows of resources and deferred inflows of resources related to OPEB applies to collective deferred outflows of resources and deferred inflows of resources related to OPEB.

8.407.1. [GASBIG 2017-3, Q4.462]

8.408 Change in proportion

8.408.1. [GASBIG 2017-3, Q4.463]

8.409 Amounts for OPEB during the measurement period

8.409.1. [GASBIG 2017-3, Q4.464]

8.410 Amounts for OPEB subsequent to the measurement date

8.410.1. [GASBIG 2017-3, Q4.465]

8.411 Recognition in Financial Statements Prepared Using the Current Financial Resources Measurement Focus and Modified Accrual Basis of Accounting

8.411.1. [GASBIG 2017-3, Q4.466]

8.412 Notes to Financial Statements and RSI

8.413 Governmental nonemployer contributing entities that recognize a substantial proportion of the collective total OPEB liability

8.414 Notes to financial statements

8.414.1. [GASBIG 2017-3, Q4.467]

8.415 OPEB plan description

8.415.1. [GASBIG 2017-3, Q4.468]

8.416 Additional information

8.416.1–8.416.5. [GASBIG 2017-3, Q4.469–Q4.473]

8.417 RSI

8.418 Notes to the required schedule

8.419 Governmental nonemployer contributing entities that recognize a less-than-substantial proportion of the collective total OPEB liability

8.420 Notes to financial statements

8.421 RSI

8.422 Circumstances in Which a Nonemployer Entity's Legal Obligation for Defined Benefit Payments Does Not Meet the Definition of a Special Funding Situation

8.423 Employers

See Questions 8.331.1–8.335.2, as well as Questions 8.338.1–8.367.2 (employers) or Questions 8.370.1–8.385.1 (stand-alone reporting by primary governments and component units), as applicable.

8.424 Governmental Nonemployer Contributing Entities

8.424.1. [GASBIG 2017-3, Q4.474]

8.425 Alternative Measurement Method

See also Questions 8.199.1–8.216.5 (single and agent employers), Questions 8.250.1–8.265.5 (cost-sharing employers), and Questions 8.338.1–8.351.5 (employers that provide OPEB through OPEB plans that are not administered through trusts that meet the criteria in paragraph 4 of Statement 75), as applicable, addressing measurement of the (collective) net OPEB liability and (collective) total OPEB liability.

8.425.1–8.425.3. [GASBIG 2017-3, Q4.475–Q4.477]

8.426 Expected point in time at which benefit payments will begin to be made

8.426.1–8.426.3. [GASBIG 2017-3, Q4.478–Q4.480]

8.427 Expected point in time at which employees will exit from active service

8.428 Marital and dependency status

8.428.1. [GASBIG 2017-3, Q4.481]

8.429 Mortality

8.429.1. [GASBIG 2017-3, Q4.482]

8.430 Turnover

8.430.1. [GASBIG 2017-3, Q4.483; omit the last sentence in the answer.]

8.431 *Application of paragraph 226a*

8.432 Application of paragraph 226b

8.433 Healthcare cost trend rate

8.433.1–8.433.2. [GASBIG 2017-3, Q4.485–Q4.486]

8.434 Use of health insurance premiums

8.435 *Application of paragraph 226c*

8.435.1–8.435.2. [GASBIG 2017-3, Q4.487–Q4.488]

8.436 Plans with coverage options

8.436.1. [GASBIG 2017-3, Q4.489]

8.437 Use of grouping

8.437.1. [GASBIG 2017-3, Q4.490]

8.438 Other issues

8.438.1. Question number not used

8.438.2. [GASBIG 2017-3, Q4.492]

8.439 Insured Benefits

8.439.1–8.439.2. [GASBIG 2017-3, Q4.493–Q4.494]

8.440 *Notes to Financial Statements*

8.441 Defined Contribution OPEB

See also Questions 8.187.1–8.187.4 addressing the classification of OPEB as defined benefit or defined contribution.

8.442 *Employers That Do Not Have a Special Funding Situation*

8.442.1. [GASBIG 2017-3, Q4.495]

- 8.443 Notes to financial statements
- 8.444 *Special Funding Situations*
- 8.445 Employers
- 8.446 Governmental nonemployer contributing entities
- 8.447 *Notes to financial statements*
- 8.448 *Circumstances in Which a Nonemployer Entity’s Legal Obligation for Contributions Directly to or Benefit Payments Directly through a Defined Contribution OPEB Plan Does Not Meet the Definition of a Special Funding Situation*
- 8.449 Employers
- 8.450 Governmental nonemployer contributing entities
- 8.451 Other Issues
- 8.451.1. [GASBIG 2017-3, Q4.496]
- 8.452 Effective Date and Transition of Statement 75
- 8.452.1–8.452.6. [GASBIG 2017-3, Q4.497–Q4.502]

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Comprehensive Implementation Guide—June 2018 Update

C5. The instructions that follow update the June 30, 2017 *Comprehensive Implementation Guide* for the provisions of this Implementation Guide that are effective for periods beginning after June 15, 2018. Only the question number from this Implementation Guide is listed if the question and answer will be cited in full in the *Comprehensive Implementation Guide*.

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8.430.1. [Insert the following at the end of the answer:] (See Question 8.431.1 for information about the required calculations.)

[Insert new Question 8.431.1 as follows:]

8.431.1. [GASBIG 2017-3, Q4.484]

8.438.1. [Replace *Question number not used* with GASBIG 2017-3, Q4.491.]

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Comprehensive Implementation Guide—June 2019 Update

C6. The instructions that follow update paragraph C4 of this Implementation Guide to remove transition guidance included in this Implementation Guide.

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[In the June 30, 2019 edition, delete Questions 8.452.1–8.452.6.]