

GASB 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, FAQs

Will I report under GASB Statement 74 or 75?

GASB Statement 74 provides guidance for OPEB plans and is applicable if you have assets set aside in a trust to pay current and future OPEB obligations. GASB Statement 75 is applicable for all units that offer an OPEB benefit, regardless of whether a trust has been established or not. If you have assets set aside in a trust to pay current and future OPEB obligations, you will report for the plan under Statement 74 and employer reporting will follow Statement 75 guidance.

We have amounts dedicated to pay the OPEB liability. Will GASB Statement 74 apply to us?

GASB has established criteria that any trust or trust-like arrangement should meet for GASB Statement 74 to apply. They are summarized below.

- *Contributions to the OPEB plan and earnings on those contributions are irrevocable*
- *OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms*
- *OPEB plan assets are legally protected from creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and if a defined benefit plan, from creditors of plan members*

If assets have been set aside in an arrangement that does not meet these criteria, GASB Statement 74 will not apply. However, some units will choose to present fund balance dedicated to funding OPEB liabilities as either committed or assigned, depending on the unit's management.

What benefits fall under the guidance of GASB Statements 74 and 75?

These statements provide guidance on reporting for postemployment benefits other than pensions (OPEB). These will include, but are not limited to, health benefits, death benefits, and disability. Termination benefits are not covered by these standards. These standards provide guidance on both defined benefit and defined contribution OPEB plans.

Do I need an actuarial valuation?

It depends. Units that provide their retiree health benefits through the State Health Plan (schools, some charters, and a very other few local governments) do not need a valuation because they will get their information from the NC Department of State Treasurer (DST). The State Health Plan retiree benefits are provided through the Retiree Health Benefit Fund (RHBF). Generally speaking, any other unit that offers an OPEB will need a valuation because there will be no other way to determine the liability. However, if a unit can present a reasonable case for not needing a valuation, they can get a pass with WRITTEN approval from the State and Local Government Finance Division (SLGFD). As was the case with GASBs 43 and 45, GASB is still allowing units with OPEB plans that have less than 100 members to utilize an alternative measurement method rather than having a full blown actuarial study completed. Again, as was the case previously, SLGFD also is allowing the use of the alternative measurement method for qualifying units if the OPEB is an implicit rate subsidy plan only. If the unit is offering any other type of plan, SLGFD policy is that an actuarial study should be completed.

Please note that SLGFD will not be able to provide an alternative method Excel workbook for GASB 75. Units will need to find commercial assistance to utilize this method. Our understanding is that there are several companies that can provide this assistance.

Will the SLGFD provide a template for journal entries?

A journal entry template will be provided for units with single-employer plans; however, the SLGFD will not provide numbers for each unit. Each unit will have to rely on the numbers provided in the actuarial valuation to prepare its journal entry and may have to customize the template to meet their individual needs. For units that participate in the RHBF, the SLGFD will provide a template that closely resembles the template provided for the cost-sharing pension plans that will provide each unit's proportionate share of the liability, deferrals, and OPEB expense.

What measurement date should I choose for GASB 74?

Paragraph 39 of GASB 74 requires that the "net OPEB liability should be measured as of the OPEB plan's most recent fiscal year-end."

When should I have my actuarial valuation for GASB 75?

As with the pension standards, there are some constraints on the timing of the actuarial valuations. The valuation cannot be dated more than 30 months and 1 day prior to the reporting date for which it is being used and the measurement date should be no earlier than 12 months prior to the reporting date for which it is being used. For example, for June 30, 2017 financial reports, the oldest valuation report that can be used is one dated December 31, 2014. The oldest measurement date that can be used is June 30, 2016.

What measurement date should I choose for GASB 75?

The SLGFD is not prescribing any measurement date; units can choose what measurement date best suits their needs as long as it meets the criteria outlined in the statement.

What do we do if the effect of implementation is clearly immaterial to our financials?

GASB has been clear that if something is immaterial it can be omitted and should not be referenced in the report at all. If after considering all factors, you and your auditor agree to exclude the GASB 74 and/or 75 disclosures due to immateriality, please contact us to discuss. If after talking it through you still believe the effect is immaterial and you do not plan to incorporate GASB 74 and/or 75 disclosures into the financial statements, we will make a note of this in the unit's file in our review system. This will inform our review team that we should not expect to see OPEB disclosures in the audited financials.

Will a restatement for these standards be necessary in the implementation year?

GASB 74 is a disclosure only standard, so a restatement will not be necessary for that. A restatement will be required in the GASB 75 implementation year, in part because the OPEB liability or asset will be calculated differently than under current standards. This restatement will be due to a change in accounting principal.

Our employees are receiving OPEB but we are not making payments; another entity is making payments on our behalf. Need we record anything in our financial statements?

Yes. If employees of a unit are receiving OPEB, the audit report should disclose this if it is material to the financial statements. There are situations in which employees of one entity are receiving OPEB benefits but another entity is making payments or contributions to a plan on its

behalf. If payments for OPEB are made by a unit other than the one whose employees are receiving benefits, the costs to the unit making the payments should be appropriately allocated to the unit whose employees are receiving a benefit but not making a payment. The unit should determine the basis of allocation; the SLGFD recommends that it be based on a rational and systematic approach that can be replicated from year to year.

For example, assume that Carolina County's TDA is a component unit and the TDA's employees are receiving OPEB. For convenience, Carolina County makes payments for OPEB for both the County and the TDA. Even though the TDA is not directly making payments in their name to pay for OPEB, because their employees are receiving a benefit, the TDA's audited financial statements should include all required reporting and disclosures for OPEB.

What investment options are available to my unit if we choose to establish a trust to set assets aside to pay this benefit?

With one exception, the AGPIP, units must abide by the usual requirements of G.S. 159-30 for investing their funds set aside to address both OPEB and LEOSSA liabilities. Several years ago, the General Assembly gave DST the ability to set up investment funds for local governments to utilize for monies dedicated to funding OPEB liabilities. More recently, these funds have been opened up to allow units to utilize them for monies dedicated to funding LEOSSA liabilities as well. The AGPIP funds are the only avenue that most local governments have to access long-term equity markets. There are three investment options in the AGPIP – 1) Short Term Investment Fund (STIF), the Bond Index Fund (BIF) and the Equity Index Fund (EIF). Each unit decides the percentage

allocation of its investments across the three funds. Each unit must have a STIF account to utilize as a means to receive and disburse cash in and out of the AGPIP program but there is no requirement that funds remain in STIF long term. The minimum investment in BIF and EIF is \$100,000 each and withdrawals are limited in number each year. Funds deposited in AGPIP are intended to be for the long-term; this program is not intended to serve as a disbursing account for regular benefit payments.

In order to comply with the requirements of GASB, the participating unit must establish a trust. The unit's board also must adopt a resolution authorizing participation in the AGPIP. The application packet, which includes a template trust agreement and board resolution, as well as all required account agreements, is available on the website [here](#).

How do I establish an AGPIP account?

Units that want to invest in the AGPIP should contact the Investment Management Division (IMD) of DST at AGPIP@nctreasurer.com . Units are also encouraged to visit the [AGPIP page](#). We recommend that units start the process of establishing an account at least two months before the end of a fiscal year if they want the assets to offset the liability as of that fiscal year end. This will give IMD enough time to process your application, establish your account, and allow for any time should obstacles arise.

As a cost-sharing employer who participates in the Retiree Health Benefit Fund (RHBF) plan, what can I expect?

Units who provide health care benefits for their retirees through the State's RHBF plan will receive information and guidance similar to the pension information that was provided with the implementation of GASB Statement 68. Because it is a cost-sharing plan, the State will provide

each unit's proportionate share of the net OPEB liability, collective plan expense, and deferred outflows or inflows of resources.

I am an AGPIP participant. Where can I find the money-weighted rate of return that I need to disclose in my audited financial statements?

Units that are participating in the AGPIP should send a request to IMD at AGPIP@nctreasurer.com. IMD will run the report and email you the information you need.