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Standards Board

Accounting and Financial Reporting for
Postemployment Benefits Other Than Pensions



GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

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Summary

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities 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 the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

Defined Benefit OPEB

Defined Benefit OPEB That Is Provided through OPEB Plans That Are Administered through Trusts That Meet the Specified Criteria

For OPEB that is administered through a trust that meets the specified criteria, requirements differ based on the number of employers whose employees are provided with OPEB through the OPEB plan and whether OPEB obligations and OPEB plan assets are shared by the employers. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit OPEB through single-employer OPEB plans—OPEB plans in which OPEB is provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit OPEB through agent multiple-employer OPEB plans—OPEB plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit OPEB through cost-sharing multiple-employer OPEB plans—OPEB plans in which the OPEB obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides OPEB through the OPEB plan.

Measurement of the OPEB Liability to Employees for Benefits

This Statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

The total OPEB liability generally is required to be determined through an actuarial valuation. However, if fewer than 100 employees (active and inactive) are provided with OPEB through the plan, use of a specified alternative measurement method in place of an actuarial valuation is permitted. An actuarial valuation or a calculation using the specified alternative measurement method of the total OPEB liability is required to be performed at least every two years, with more frequent valuations or calculations encouraged. If an actuarial valuation or a calculation using the alternative measurement method is not performed as of the measurement date, the total OPEB liability is required to be based on update procedures to roll forward amounts from an earlier actuarial valuation or alternative measurement method calculation (performed as of a date no more than 30 months and 1 day prior to the employer's most recent fiscal year-end). Unless otherwise specified by this Statement, all assumptions underlying the determination of the total OPEB liability and related measures set forth by this Statement are required to be made in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

Projections of benefit payments are required to be based on claims costs, or age-adjusted premiums approximating claims costs, and the benefit terms and legal agreements existing at the measurement date. For purposes of evaluating the benefit terms, consideration is required to be given to the written plan document, as well as other information, including other communications between the employer and employees and an established pattern of practice with regard to the sharing of benefit-related costs with inactive employees. Certain legal or contractual caps on benefit payments to be provided are required to be considered in projections of benefit payments.

This Statement requires that projections of benefit payments incorporate the effects of projected salary changes (if the OPEB formula incorporates future compensation levels) and service credits (if the OPEB formula incorporates periods of service), as well as projected automatic postemployment benefit changes, including automatic cost-of-living-adjustments (COLAs). The effects of ad hoc postemployment benefit changes (including ad hoc COLAs), if they

are considered to be substantively automatic, also are required to be included in the projections. This Statement also requires that projections of benefit payments include certain taxes or other assessments expected to be imposed on the benefit payments.

Projected benefit payments are required to be discounted to their actuarial present value using the single rate that reflects (1) a long-term expected rate of return on OPEB plan investments 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 tax-exempt, high-quality municipal bond rate to the extent that the conditions for use of the long-term expected rate of return are not met.

This Statement requires that the actuarial present value of projected benefit payments be attributed to periods of employee service using the entry age actuarial cost method with each period's service cost determined as a level percentage of pay. The actuarial present value is required to be attributed for each employee individually, from the first period in which the employee provides service under the benefit terms, through the period in which the employee exits active service.

Alternative measurement method

This Statement includes an option for the use of a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through an OPEB plan in which fewer than 100 employees (active and inactive) are provided with OPEB through the plan. The alternative measurement method is an approach that includes the same broad measurement steps as an actuarial valuation (projecting benefit payments, discounting projected benefit payments to a present value, and attributing the present value of projected benefit payments to periods using an actuarial cost method). However, it permits simplification of certain assumptions.

Single and Agent Employers

In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a single or agent employer that does not have a special funding situation is required to recognize a liability equal to the net OPEB liability. The net OPEB liability is required to be measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the end of the employer's current fiscal year (the measurement date), consistently applied from period to period.

The OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB that are required to be reported by an employer primarily result from changes in the components of the net OPEB liability—that is, changes in the total OPEB liability and in the OPEB plan’s fiduciary net position.

This Statement requires that most changes in the net OPEB liability be included in OPEB expense in the period of the change. For example, changes in the total OPEB liability resulting from current-period service cost, interest on the total OPEB liability, and changes of benefit terms are required to be included in OPEB expense immediately. Projected earnings on the OPEB plan’s investments also are required to be included in the determination of OPEB expense immediately.

In circumstances in which the net OPEB liability is determined based on the results of an actuarial valuation, the effects of certain other changes in the net OPEB liability are required to be included in OPEB expense over the current and future periods. The effects on the total OPEB liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in OPEB expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning in the current period.

Under all means of determining the net OPEB liability, the effect on the net OPEB liability of differences between the projected earnings on OPEB plan investments and actual experience with regard to those earnings is required to be included in OPEB expense in a systematic and rational manner over a closed period of five years, beginning in the current period.

Changes in the net OPEB liability that have not been included in OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEB.

Employer contributions subsequent to the measurement date of the net OPEB liability are required to be reported as deferred outflows of resources.

In governmental fund financial statements, a net OPEB liability is required to be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. OPEB expenditures are required to be recognized equal to the total of (1) amounts paid by the employer to the OPEB plan, including amounts paid for OPEB as the benefits come due, and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.

Notes to financial statements

This Statement requires that notes to financial statements of single and agent employers include descriptive information, such as the types of benefits provided and the number and classes of employees covered by the benefit terms. Single and agent employers also are required to disclose information that includes the following, as applicable:

- For the current year, sources of changes in the net OPEB liability
- Significant assumptions and other inputs used to calculate the total OPEB liability, including those about inflation, the healthcare cost trend rate, salary changes, ad hoc postemployment benefit changes (including ad hoc COLAs), and inputs to the discount rate, as well as certain information about mortality assumptions and the dates of experience studies
- The date of the actuarial valuation or calculation using the alternative measurement method used to determine the total OPEB liability, information about changes of assumptions or other inputs and benefit terms, the basis for determining employer contributions to the OPEB plan, and information about the purchase of allocated insurance contracts, if any.

Required supplementary information

This Statement requires single and agent employers to present in required supplementary information the following information, determined as of the measurement date, for each of the 10 most recent fiscal years:

- Sources of changes in the net OPEB liability
- The components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percentage of covered-employee payroll.

If an actuarially determined contribution is calculated for a single or agent employer, the employer is required to present in required supplementary information a schedule covering each of the 10 most recent fiscal years that includes information about the actuarially determined contribution, contributions to the OPEB plan, and related ratios. If a single or agent employer does not have information about an actuarially determined contribution but has a contribution requirement that is established by statute or contract, the employer is required to present a schedule covering each of the 10 most recent fiscal years that includes information about the statutorily or contractually required contribution rates, contributions to the OPEB plan, and related ratios.

Significant methods and assumptions used in calculating the actuarially determined contributions, if applicable, are required to be presented as notes to required supplementary information. In addition, the employer is required to explain certain factors that significantly affect trends in the amounts reported in the schedules.

Cost-Sharing Employers

In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net OPEB liability (of all employers for benefits provided through the OPEB plan)—the collective net OPEB liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the OPEB plan are determined. The use of the employer's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers as the basis for determining an employer's proportion is encouraged.

A cost-sharing employer is required to recognize OPEB expense and report deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB.

In addition, the effects of (1) a change in the employer's proportion of the collective net OPEB liability and (2) differences during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability are required to be determined. These effects are required to be recognized in the employer's OPEB expense in a systematic and rational manner 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 employees and inactive employees). The portions of the effects not recognized in the employer's OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEB. Employer contributions to the OPEB plan subsequent to the measurement date of the collective net OPEB liability also are required to be reported as deferred outflows of resources related to OPEB.

In governmental fund financial statements, the cost-sharing employer's proportionate share of the collective net OPEB liability is required to be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. OPEB expenditures are required to be recognized equal to the total of (1) amounts paid by the employer to the OPEB plan,

including amounts paid for OPEB as the benefits come due, and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.

This Statement requires that notes to financial statements of cost-sharing employers include descriptive information about the OPEB plans through which the OPEB is provided. Cost-sharing employers are required to identify the discount rate and assumptions made in the measurement of their proportionate shares of net OPEB liabilities, similar to the disclosures about those items that should be made by single and agent employers. Cost-sharing employers, like single and agent employers, also are required to disclose information about how their contributions to the OPEB plan are determined.

This Statement requires cost-sharing employers to present in required supplementary information 10-year schedules containing (1) the net OPEB liability and certain related ratios and (2) if applicable, information about statutorily or contractually required contributions, contributions to the OPEB plan, and related ratios.

Defined Benefit OPEB That Is Provided through OPEB Plans That Are Not Administered through Trusts That Meet the Specified Criteria

For employers that provide insured benefits—defined benefit OPEB through an arrangement whereby premiums are paid or other payments are made to an insurance company while employees are in active service, in return for which the insurance company unconditionally undertakes an obligation to pay the OPEB of those employees—this Statement requires recognition of OPEB expense/expenditures equal to the amount of premiums or other payments required in accordance with their agreement with the insurance company. In addition to the amount of OPEB expense/expenditures recognized in the current period, a brief description of the benefits provided through the arrangement is required to be disclosed.

For defined benefit OPEB, other than insured benefits, that are provided through OPEB plans that are not administered through trusts that meet the specified criteria, this Statement requires an approach to measurement of OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB parallel to that which is required for OPEB provided through OPEB plans that are administered through trusts that meet the specified criteria. Similar note disclosures and required supplementary information are required to be presented. However, the requirements incorporate modifications to reflect the absence of OPEB plan assets for financial reporting purposes.

Defined Contribution OPEB

This Statement requires an employer whose employees are provided with defined contribution OPEB to recognize OPEB expense for the amount of contributions or credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period, net of forfeited amounts that are removed from employees' accounts. A change in the OPEB liability is required to be recognized for the difference between amounts recognized in expense and amounts paid by the employer to (or benefit payments through) a defined contribution OPEB plan. In governmental fund financial statements, OPEB expenditures are required to be recognized equal to the total of (1) amounts paid by the employer to (or benefit payments through) an OPEB plan and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. An OPEB liability is required to be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. Notes to financial statements of an employer with a defined contribution plan are required to include descriptive information about the OPEB plan and benefit terms, contribution rates and how they are determined, and amounts attributed to employee service and forfeitures in the current period.

Special Funding Situations

In this Statement, special funding situations are defined as circumstances in which a nonemployer entity is legally responsible for providing certain forms of financial support for OPEB of the employees of another entity. Relevant forms of financial support are contributions directly to an OPEB plan that is administered through a trust that meets the specified criteria, including benefit payments as OPEB comes due for OPEB provided through such a plan, or making benefit payments directly as the OPEB comes due in circumstances in which OPEB is provided through an OPEB plan that is not administered through a trust that meets the specified criteria. Such support is a special funding situation if either (1) the amount of contributions or benefit payments, as applicable, for which the nonemployer entity legally is responsible is not dependent upon one or more events unrelated to the OPEB or (2) the nonemployer entity is the only entity with a legal obligation to make contributions directly to an OPEB plan or to make benefit payments as OPEB comes due, as applicable.

This Statement requires an employer that has a special funding situation for defined benefit OPEB to recognize an OPEB liability and deferred outflows of resources and deferred inflows of resources related to OPEB with adjustments for the involvement of nonemployer contributing entities. The employer is

required to recognize its proportionate share of the collective OPEB expense, as well as additional OPEB expense and revenue for the OPEB support of the nonemployer contributing entities. This Statement requires that the employer disclose in notes to financial statements information about the amount of support provided by nonemployer contributing entities and present similar information about the involvement of those entities in 10-year schedules of required supplementary information.

The approach that is required by this Statement for measurement and recognition of liabilities, deferred outflows of resources and deferred inflows of resources, and expense by a governmental nonemployer contributing entity in a special funding situation for defined benefit OPEB is similar to the approach required for cost-sharing employers.

The information that is required to be disclosed in notes to financial statements and presented in required supplementary information of a governmental nonemployer contributing entity in a special funding situation depends on the proportion of the collective net OPEB liability that it recognizes. In circumstances in which a governmental nonemployer contributing entity recognizes a substantial proportion of the collective net OPEB liability, requirements for note disclosures and required supplementary information are similar to those for cost-sharing employers. Reduced note disclosures and required supplementary information are required for governmental nonemployer contributing entities that recognize a less-than-substantial portion of the collective net OPEB liability.

This Statement also establishes requirements related to special funding situations for defined contribution OPEB.

Effective Date

This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information, as follows:

- More robust disclosures of assumptions will allow for better informed assessments of the reasonableness of OPEB measurements.
- Explanations of how and why the OPEB liability changed from year to year will improve transparency.
- The summary OPEB liability information, including ratios, will offer an indication of the extent to which the total OPEB liability is covered by resources held by the OPEB plan, if any.
- For employers that provide benefits through OPEB plans that are administered through trusts that meet the specified criteria, the contribution schedules will provide measures to evaluate decisions related to contributions.

The consistency, comparability, and transparency of the information reported by employers and governmental nonemployer contributing entities about OPEB transactions will be improved by requiring:

- The use of a discount rate that considers the availability of the OPEB plan's fiduciary net position associated with the OPEB of current active and inactive employees and the investment horizon of those resources, rather than utilizing only the long-term expected rate of return regardless of whether the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and is expected to be invested using a strategy to achieve that return
- A single method of attributing the actuarial present value of projected benefit payments to periods of employee service, rather than allowing a choice among six methods with additional variations
- Immediate recognition in OPEB expense, rather than a choice of recognition periods, of the effects of changes of benefit terms
- Recognition of OPEB expense that incorporates deferred outflows of resources and deferred inflows of resources related to OPEB over a defined, closed period, rather than a choice between an open or closed period.

Unless otherwise specified, pronouncements of the GASB apply to financial reports of all state and local governmental entities, including general purpose governments; public benefit corporations and authorities; public employee retirement systems; and public utilities, hospitals and other healthcare providers, and colleges and universities. Paragraph 6 discusses the applicability of this Statement.

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June 2015

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Statement No. 75 of the Governmental Accounting Standards Board

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

June 2015

INTRODUCTION

1. The principal objective of this Statement is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports (financial reports) of governments whose employees—both **active employees**¹ and **inactive employees**—are provided with **postemployment** benefits other than **pensions**. *These benefits are referred to as other postemployment benefits (OPEB).* One aspect of that objective is to provide information about the effects of OPEB-related transactions and other events on the elements of the basic financial statements. This information will assist users in assessing accountability and the relationship between a government's inflows of resources and its total cost (including OPEB expense) of providing government services each period. Another aspect of that objective is to provide users with information about the government's OPEB obligations and the resources, if any, available to satisfy those obligations.

2. An additional objective of this Statement is to improve the information provided in government financial reports about OPEB-related financial support provided by certain nonemployer entities for OPEB that is provided to the employees of other entities.

3. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes standards of financial reporting for **defined benefit OPEB plans** and **defined contribution OPEB plans**. The two Statements are closely related in some areas, and certain provisions of this Statement refer to Statement 74.

¹Terms defined in the Glossary are shown in **boldface type** the first time they appear in this Statement.

STANDARDS OF GOVERNMENTAL ACCOUNTING AND FINANCIAL REPORTING

Scope and Applicability of This Statement

4. This Statement establishes standards of accounting and financial reporting for **defined benefit OPEB** and **defined contribution OPEB** that are provided to the employees of state and local governmental employers through **OPEB plans** that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) in which:

- a. **Contributions** from employers² and **nonemployer contributing entities** to the OPEB plan and earnings on those contributions are irrevocable.³
- b. OPEB plan assets are dedicated to providing OPEB to **plan members** in accordance with the benefit terms.⁴
- c. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

5. This Statement also establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employers through OPEB plans that are not administered through trusts that meet the criteria in paragraph 4.

6. The requirements of this Statement apply to the financial statements of all state and local governmental employers whose employees are provided with OPEB and to the financial statements of state and local governmental nonem-

²In some circumstances, contributions are made by the employer to satisfy employee contribution requirements. If the contribution amounts are recognized by the employer as salary expense, those contributions should be classified as employee contributions for purposes of this Statement. Otherwise, those contributions should be classified as employer contributions.

³For purposes of this Statement, refunds to an employer or nonemployer contributing entity of the nonvested portion of its contributions that are forfeited by employees in a defined contribution OPEB plan are consistent with this criterion.

⁴For purposes of this Statement, the use of OPEB plan assets to pay OPEB plan administrative costs or to refund employee contributions in accordance with benefit terms is consistent with this criterion.

ployer contributing entities that have a legal obligation to provide financial support for OPEB of the employees of another entity by (a) making contributions directly to an OPEB plan that is administered through a trust that meets the criteria in paragraph 4 (including making benefit payments as the OPEB comes due for benefits provided through such a plan) or (b) making benefit payments directly as the OPEB comes due in circumstances in which the OPEB is provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 (including amounts paid using nonemployer contributing entity assets held by others). References in this Statement to employees include volunteers that provide services to state and local governments. The requirements of this Statement apply whether the government's financial statements are presented in a stand-alone financial report or are included in the financial report of another government.

7. This Statement supersedes Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*; Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*; Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers*, paragraphs 2–4, 10, and 11; and Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*. In addition, this Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, paragraph 2; Statement No. 14, *The Financial Reporting Entity*, paragraph 63; Statement No. 16, *Accounting for Compensated Absences*, footnote 7; Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, paragraphs 3 and 8; Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, paragraph 5; Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, paragraph 129 and footnote 47; Statement No. 38, *Certain Financial Statement Note Disclosures*, paragraph 13; Statement No. 47, *Accounting for Termination Benefits*, paragraphs 4, 17, and 19; Statement No. 68, *Accounting and Financial Reporting for Pensions*, footnote 6; Technical Bulletin 2004-2, paragraphs 1 and 5–7; and Technical Bulletin No. 2006-1, *Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D*, paragraphs 3, 7, and 8.

General Requirements

Types of OPEB

8. As used in this Statement, the term *OPEB* includes the following:
- a. **Postemployment healthcare benefits**—including medical, dental, vision, hearing, and other health-related benefits—whether provided separately from or provided through a **pension plan**
 - b. Other forms of postemployment benefits—for example, death benefits, life insurance, disability, and long-term care—when provided separately from a pension plan.

OPEB does not include **termination benefits** or termination payments for sick leave.⁵ However, the effects of a termination benefit on liabilities for defined benefit OPEB should be accounted for in conformity with this Statement.⁶ Similarly, when a terminating employee's unused sick leave credits are converted to provide or enhance defined benefit OPEB, the resulting benefit or increase in benefit should be accounted for in conformity with this Statement. When provided through a pension plan, postemployment benefits other than postemployment healthcare benefits should be accounted for and reported as pensions, separate from OPEB.⁷

9. The requirements of paragraphs 21–229 of this Statement address accounting and financial reporting for defined benefit OPEB. Defined benefit OPEB is OPEB for which the benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The OPEB may be stated as (a) a specified dollar amount; (b) an amount that is calculated based

⁵Termination payments for sick leave are addressed in Statement 16 and include conversion of a terminating employee's unused sick leave credits to an individual account to be used for payment of postemployment benefits on that employee's behalf.

⁶Termination benefits primarily are addressed in Statement 47, as amended. Statement 47 includes disclosure requirements applicable to all termination benefits, regardless of the manner in which they are provided.

⁷Employer accounting and financial reporting for pensions that are provided through a pension plan that is administered through a trust that meets the criteria in paragraph 4 of Statement 68, primarily is addressed in Statement 68. Employer accounting and financial reporting for other pensions primarily is addressed in Statement 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*.

on one or more factors such as age, years of service, and compensation; or (c) a type or level of coverage such as prescription drug coverage or a percentage of health insurance premiums.

10. Accounting and financial reporting requirements for defined contribution OPEB are set forth in paragraphs 230–242. Defined contribution OPEB is OPEB having terms that:

- a. Provide an individual account for each employee
- b. Define the contributions that an employer or nonemployer contributing entity is required to make (or credits that it is required to provide) to an active employee's account for periods in which that employee renders service
- c. Provide that the OPEB 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 for other employees, as well as OPEB plan administrative costs, that are allocated to the employee's account.

If the OPEB to be provided has all of the terms identified in (a)–(c) above, the requirements of this Statement for defined contribution OPEB apply. If the OPEB to be provided does not have all of the above terms—for example, if the OPEB is a function of factors other than those identified in (c) above—the requirements of this Statement for defined benefit OPEB apply.

Types of Defined Benefit OPEB Plans and Employers

11. Defined benefit OPEB plans in which benefits are financed through an arrangement whereby premiums are paid to an insurance company while employees are in active service, in return for which the insurance company unconditionally undertakes an obligation to pay the OPEB of those employees as defined in the OPEB plan terms, are **insured plans**, and the OPEB provided through those plans is classified as **insured benefits**. An employer that provides insured benefits should apply the requirements of paragraphs 227–229 of this Statement.

12. Defined benefit OPEB plans other than insured plans are classified first according to the number of employers whose employees are provided with OPEB through the OPEB plan. For purposes of this classification, a primary government and its component units are considered to be one employer. If a defined benefit OPEB plan is used to provide OPEB to the employees of only

General Requirements

one employer, the OPEB plan should be classified for financial reporting purposes as a **single-employer defined benefit OPEB plan (single-employer OPEB plan)**. If a defined benefit OPEB plan is used to provide OPEB to the employees of more than one employer, the OPEB plan should be classified for financial reporting purposes as a **multiple-employer defined benefit OPEB plan**.

13. If a multiple-employer defined benefit OPEB plan is administered through a trust that meets the criteria in paragraph 4, the OPEB plan is then classified according to whether OPEB obligations and OPEB plan assets are shared by employers. In a multiple-employer defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 4, if the assets of the OPEB plan are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees, the OPEB plan should be classified as an **agent multiple-employer defined benefit OPEB plan (agent OPEB plan)**.

14. In a multiple-employer defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 4, if the OPEB obligations to the employees of more than one employer are pooled and OPEB plan assets can be used to pay the benefits of the employees of any employer that provides OPEB through the OPEB plan, the OPEB plan should be classified as a **cost-sharing multiple-employer defined benefit OPEB plan (cost-sharing OPEB plan)**.

15. For employers that provide OPEB through defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 4, each employer that provides OPEB through a single-employer OPEB plan (**single employer**) or agent OPEB plan (**agent employer**) should apply the requirements of paragraphs 21–58, 99–108, 138, and 140–142 of this Statement, as applicable, and each employer that provides OPEB through a cost-sharing OPEB plan (**cost-sharing employer**) should apply the requirements of paragraphs 21–26, 59–98, 109–115, 138, and 140–142 of this Statement, as applicable. For agent employers, the provisions of this Statement apply to the OPEB provided to the employer's own employees.

16. For employers that provide OPEB other than insured benefits through defined benefit OPEB plans that are not administered through trusts that meet the criteria in paragraph 4, each employer should apply the requirements of paragraphs 21, 22, 143–202, and 222 of this Statement, as applicable. For

employers that provide benefits through multiple-employer defined benefit OPEB plans that are not administered through trusts that meet the criteria in paragraph 4, the provisions of this Statement apply to the OPEB provided to the employer's own employees.

17. If OPEB is provided through an OPEB plan in which assets are accumulated in a trust that meets the criteria in paragraph 4 and OPEB provided through the same OPEB plan also is paid with assets other than those from that trust, the OPEB should be accounted for and reported as OPEB provided through an OPEB plan administered through a trust that meets the criteria in paragraph 4.

Special Funding Situations

18. For purposes of this Statement, **special funding situations** are circumstances in which a nonemployer entity is legally responsible for providing financial support for OPEB of the employees of another entity by making contributions *directly* to an OPEB plan that is administered through a trust that meets the criteria in paragraph 4 (including making benefit payments as the OPEB comes due for benefits provided through such a plan), or by making benefit payments directly as the OPEB comes due in circumstances in which the OPEB is provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 (including amounts paid using nonemployer contributing entity assets held by others), *and* either of the following criteria is met:

- a. The amount of contributions or benefit payments for which the nonemployer entity legally is responsible is *not* dependent upon one or more events or circumstances unrelated to the OPEB. Examples of conditions in which such an amount is not dependent include (1) a circumstance in which the nonemployer entity is required by statute to contribute a defined percentage of an employer's payroll directly to an OPEB plan that is administered through a trust that meets the criteria in paragraph 4, (2) a circumstance in which the nonemployer entity is required to pay retiree health insurance premiums as the premiums come due, and (3) a circumstance in which the nonemployer entity is required by the terms of an OPEB plan to contribute directly to the OPEB plan a statutorily defined proportion of the employer's required contributions to the OPEB plan. In contrast, examples of situations in which the amount of contributions is dependent upon an event or circumstance that is unrelated to OPEB include (i) a circumstance in which the nonemployer

General Requirements

entity is required to make contributions to an OPEB plan that is administered through a trust that meets the criteria in paragraph 4 based on a specified percentage of a given revenue source or equal to the amount by which the nonemployer entity's ending fund balance exceeds a defined threshold amount and (ii) a circumstance in which the amount of benefit payments required to be made by the nonemployer entity as OPEB comes due is limited by a given revenue source or by the amount by which the nonemployer entity's fund balance exceeds a defined threshold.

- b. The nonemployer entity is the only entity with a legal obligation to provide financial support directly to an OPEB plan that is used to provide OPEB to employees of another entity.

Special funding situations do not include circumstances in which resources are provided *to the employer*, regardless of the purpose for which those resources are provided.

19. For defined benefit OPEB, requirements for accounting and financial reporting by employers and by governmental nonemployer contributing entities with special funding situations are presented in paragraphs 21–26, 99–137, 140–145, and 172–221 of this Statement. Requirements for governmental nonemployer entities that have a legal obligation to provide financial support directly to a defined benefit OPEB plan that is used to provide OPEB to employees of another entity but do not meet the criterion in either paragraph 18a or paragraph 18b, and for the employers to which they provide support are presented in paragraphs 138, 139, 222, and 223.

20. For defined contribution OPEB, requirements for accounting and financial reporting by employers and by governmental nonemployer contributing entities with special funding situations are presented in paragraphs 234–240. Requirements for governmental nonemployer contributing entities that have a legal obligation to provide financial support directly to a defined contribution OPEB plan that is used to provide OPEB to employees of another entity but do not meet the criterion in either paragraph 18a or paragraph 18b, and for the employers to which they provide support, are presented in paragraphs 241 and 242.

Defined Benefit OPEB Other Than Insured Benefits

21. Liabilities, expense/expenditures, deferred outflows of resources, and deferred inflows of resources should be reported as required by this Statement for the following, as applicable:

- a. Liabilities to employees for OPEB
- b. Payables to a defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 4.

22. Liabilities to employees for defined benefit OPEB provided through different OPEB plans may be displayed in the aggregate, and net OPEB assets for defined benefit OPEB provided through different OPEB plans that are administered through trusts that meet the criteria in paragraph 4 may be displayed in the aggregate. Aggregated OPEB liabilities should be displayed separately from aggregated net OPEB assets.

OPEB Provided through OPEB Plans That Are Administered through Trusts That Meet the Criteria in Paragraph 4

Number of OPEB Plans

23. 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 for the payment of benefits may legally be used to pay benefits (including refunds of employee contributions) 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 (for example, a reserve for employee contributions, a reserve for disability benefits, or separate accounts for the contributions of state government versus local government employers) or separate **actuarial valuations** are performed for different classes of employees (for example, general employees and public safety employees) or different groups of employees because different contribution rates may apply for each class or group depending on the applicable benefit structures, benefit formulas, or other factors. A separate defined benefit OPEB plan should be reported for a portion of the total assets, even if the assets are pooled with other assets for investment purposes, if that portion of assets meets both of the following criteria:

Defined Benefit—Meets Paragraph 4

- a. The portion of assets is accumulated solely for the payment of benefits to certain classes or groups of employees or to the active or inactive employees of certain entities (for example, state government employees)
- b. The portion of assets may not legally be used to pay benefits to other classes or groups of employees or other entities' employees (for example, local government employees).

Liabilities to Employees for OPEB

24. The requirements of paragraphs 25–139, as applicable, should be applied separately to the OPEB provided through each separate defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 4. If a primary government and its component units provide OPEB through the same single-employer or agent OPEB plan, in the reporting entity's financial report, the requirements of paragraphs 47–58 of this Statement for note disclosures and required supplementary information for a single or agent employer should be applied. In that circumstance, in stand-alone financial statements, each government should apply the requirements of paragraphs 59–98 to account for and report its participation in the single-employer or agent OPEB plan as if it were a cost-sharing employer.

25. For purposes of applying the requirements of paragraphs 26–139, contributions include amounts that (a) are paid by (or payable from) an employer or nonemployer contributing entity for OPEB as the benefits come due and (b) will not be reimbursed to the employer or nonemployer contributing entity using OPEB plan assets.

26. If within one OPEB plan, determined in conformity with paragraph 23, 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, the measurement requirements of this Statement may be applied for each class or group. However, in this circumstance, the separate measures for the classes and groups should be recognized and reported in the aggregate.

Single and agent employers

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 Liability⁸

27. A liability should be recognized for the **net OPEB liability**. The net OPEB liability should be measured as the portion of the **actuarial present value of projected benefit payments** that is attributed to past periods of employee service in conformity with the requirements of paragraphs 28–42 (**total OPEB liability**), net of the OPEB plan's fiduciary net position. However, if the criterion in paragraph 224 is met, the total OPEB liability may be measured in conformity with the requirements in paragraphs 225 and 226 for the alternative measurement method. The OPEB plan's fiduciary net position should be determined using the same valuation methods that are used by the OPEB plan for purposes of preparing its statement of fiduciary net position. The net OPEB liability should be measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year and no later than the end of the employer's current fiscal year, consistently applied from period to period.

Timing and Frequency of Actuarial Valuations

28. The total OPEB liability should be determined by (a) an actuarial valuation as of the measurement date or (b) the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. If update procedures are used and significant changes occur between the **actuarial valuation date** and the measurement date, professional judgment should be used to determine the extent of procedures needed to roll forward the measurement from the actuarial valuation to the measurement date, and consideration should be given to whether a new actuarial valuation is needed. For purposes of this determination, the effects of changes in the

⁸Unless otherwise indicated, references to **net OPEB liability** also apply to the situation in which the OPEB plan's fiduciary net position exceeds the total OPEB liability, resulting in a net OPEB asset. For benefits provided by a single or agent employer that has a special funding situation, the net OPEB liability, measured in conformity with this paragraph, is referred to as the **collective net OPEB liability**.

Defined Benefit—Meets Paragraph 4
Single/Agent Employers

discount rate resulting from changes in the OPEB plan's fiduciary net position or from changes in the municipal bond rate, if applicable (see paragraphs 36–41), should be among the factors evaluated. For accounting and financial reporting purposes, an actuarial valuation of the total OPEB liability should be performed at least biennially. More frequent actuarial valuations are encouraged.

Selection of Assumptions

29. Unless otherwise specified by this Statement, the selection of all assumptions used in determining the total OPEB liability and related measures should be made in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board. For this purpose, a *deviation*, as the term is used in Actuarial Standards of Practice, from the guidance in an Actuarial Standard of Practice should not be considered to be in conformity with the requirement in this paragraph. The OPEB plan, employer, and, if any, governmental nonemployer contributing entities that make contributions to the OPEB plan, should use the same assumptions when measuring similar or related OPEB information.

Projection of Benefit Payments

30. **Projected benefit payments** should include all benefits (including refunds of employee contributions) to be provided to current active and inactive employees through the OPEB plan (including amounts for OPEB to be paid by employers or nonemployer contributing entities as the benefits come due) in accordance with the benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Usually, a written document is the best evidence of the benefit terms. However, in some cases, the substantive plan may differ from the written document. Accordingly, other information also should be taken into consideration in determining the benefits to be provided, including other communications between the employer and employees (active and inactive) and an established pattern of practice with regard to the sharing of benefit-related costs with inactive employees.

31. Projected benefit payments should include the effects of **automatic post-employment benefit changes**, including **automatic cost-of-living adjustments (automatic COLAs)**. In addition, projected benefit payments should include the effects of (a) projected **ad hoc postemployment benefit changes**, including **ad hoc cost-of-living adjustments (ad hoc COLAs)**, to the extent

Defined Benefit—Meets Paragraph 4
Single/Agent Employers

that they are considered to be substantively automatic;⁹ (b) projected salary changes (in circumstances in which the OPEB formula incorporates future compensation levels); and (c) projected service credits (both in determining an employee's probable eligibility for benefits and in the projection of benefit payments in circumstances in which the OPEB formula incorporates years of service). Administrative costs associated with providing OPEB should be excluded from projected benefit payments.

32. Projected benefit payments also should include taxes or other assessments expected to be imposed on benefit payments using the rates in effect at the measurement date or, if different rates have been approved by the assessing government to be applied in future periods, the rates approved by the assessing government associated with the periods in which the assessments on the benefit payments will be imposed.

33. Projected benefit payments should be based on claims costs, or age-adjusted premiums approximating claims costs, in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board. For this purpose, a *deviation*, as the term is used in Actuarial Standards of Practice, from the guidance in an Actuarial Standard of Practice should not be considered to be in conformity with the requirement in this paragraph.

34. A legal or contractual cap on benefit payments for OPEB each period should be considered in projecting benefit payments, if the cap is assumed to be effective taking into consideration whether the cap has been enforced in the past and other relevant factors and circumstances.

35. Benefit payments to be provided by means of an **allocated insurance contract** should be excluded from projected benefit payments if (a) the contract irrevocably transfers to the insurer the responsibility for providing the benefits, (b) all required payments to acquire the contract have been made, and (c) the likelihood is remote that the employer, nonemployer contributing entities, if any, or OPEB plan will be required to make additional payments to satisfy the benefit payments covered by the contract.

⁹Considerations that might be relevant to determining whether such changes are substantively automatic include 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.

Defined Benefit—Meets Paragraph 4
Single/Agent Employers

Discount Rate

36. The discount rate should be the single rate that reflects the following:

- a. 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 (1) the OPEB plan's fiduciary net position is projected (in conformity with paragraphs 37–39) to be sufficient to make projected benefit payments (determined in conformity with paragraphs 30–35) and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return
- b. 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 rating scale), to the extent that the conditions in (a) are not met.

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

37. For purposes of applying paragraph 36, the amount of the OPEB plan's projected fiduciary net position and the amount of projected benefit payments should be compared in each period of projected benefit payments. Projections of the OPEB plan's fiduciary net position should incorporate all cash flows for contributions from the employer and nonemployer contributing entities, if any, intended to finance benefits of current active and inactive employees (status at the measurement date) and all cash flows for contributions from current active employees. It should not include (a) cash flows for contributions from the employer or nonemployer contributing entities intended to finance the **service costs** of future employees or (b) cash flows for contributions from future employees, unless those contributions are projected to exceed service costs for those employees. In each period, contributions from the employer and nonemployer contributing entities should be considered to apply, first, to service costs of employees in the period and, second, to past service costs, unless the effective OPEB plan terms related to contributions indicate that a different relationship between contributions to the OPEB plan from nonemployer contributing entities and service costs should be applied. Contributions from active employees should be considered to be applied to service costs before contributions from the employer and nonemployer contributing entities.

38. Professional judgment should be applied to project cash flows for contributions from the employer and nonemployer contributing entities in circumstances in which (a) those contribution amounts are established by statute or contract or (b) a formal, written policy related to those contributions exists.

***Defined Benefit—Meets Paragraph 4
Single/Agent Employers***

Application of professional judgment should consider the most recent five-year contribution history of the employer and nonemployer contributing entities as a key indicator of future contributions from those sources and should reflect all other known events and conditions. In circumstances other than those described in (a) and (b), the amount of projected cash flows for contributions from the employer and nonemployer contributing entities should be limited to an average of contributions from those sources over the most recent five-year period and may be modified based on consideration of subsequent events. For this purpose, the basis for the average (for example, percentage of the payroll contributed or percentage of the **actuarially determined contribution** made) should be a matter of professional judgment.

39. If the evaluations required by paragraph 37 can be made with sufficient reliability without a separate projection of cash flows into and out of the OPEB plan, alternative methods may be applied in making the evaluations.

Calculating the discount rate

40. For each future period, if the amount of the OPEB plan's fiduciary net position is projected to be greater than or equal to the benefit payments that are projected to be made in that period and OPEB plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, the actuarial present value of benefit payments projected to be made in the period should be determined using the long-term expected rate of return on those investments. The long-term expected rate of return should be based on the nature and mix of current and expected OPEB plan investments over a period representative of the expected length of time between (a) the point at which an employee begins to provide service to the employer and (b) the point at which all benefits to the employee have been paid. For this purpose, the long-term expected rate of return should be determined net of OPEB plan investment expense but without reduction for OPEB plan administrative expense. The municipal bond rate discussed in paragraph 36 should be used to calculate the actuarial present value of all other benefit payments.

41. For purposes of this Statement, the discount rate is the single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the actuarial present values determined in conformity with paragraph 40.

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Attribution of the Actuarial Present Value of Projected Benefit Payments to Periods

42. The **entry age actuarial cost method** should be used to attribute the actuarial present value of projected benefit payments of each employee to periods in conformity with the following:

- a. Attribution should be made on an individual employee-by-employee basis.
- b. Each employee's service costs should be level as a percentage of that employee's projected pay. For purposes of this calculation, if an employee does not have projected pay, the projected inflation rate should be used in place of the projected rate of change in salary.
- c. The beginning of the attribution period should be the first period in which the employee provides service under the benefit terms, notwithstanding vesting or other similar terms.
- d. The service costs of all OPEB should be attributed through all assumed ages of exit from active service.
- e. Each employee's service costs should be determined based on the same benefit terms reflected in that employee's actuarial present value of projected benefit payments.

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, and Support of Nonemployer Contributing Entities

43. Changes in the net OPEB liability¹⁰ should be recognized in OPEB expense in the current reporting period except as indicated below:¹¹

- a. If the alternative measurement method is not used to measure the total OPEB liability, each of the following should be 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

¹⁰For purposes of applying paragraph 43 in conformity with paragraph 101, 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**.

¹¹The period for determining changes in the net OPEB liability is the measurement period applied to the net OPEB liability that is recognized in the current reporting period.

OPEB plan (active employees and inactive employees) determined as of the beginning of the **measurement period**:

- (1) Differences between expected and actual experience with regard to economic or demographic factors (differences between expected and actual experience) in the measurement of the total OPEB liability
- (2) Changes of assumptions about future economic or demographic factors or of other inputs (changes of assumptions or other inputs).

The portion of (1) and (2) not recognized in OPEB expense should be reported as deferred outflows of resources or deferred inflows of resources related to OPEB.

- b. The difference between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense using a systematic and rational method over a closed five-year period, beginning in the current reporting period. The amount not recognized in OPEB expense should be reported as deferred outflows of resources or deferred inflows of resources related to OPEB. Deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual OPEB plan investment earnings in different measurement periods should be aggregated and reported as a net deferred outflow of resources related to OPEB or a net deferred inflow of resources related to OPEB.
- c. Contributions to the OPEB plan from the employer should not be recognized in OPEB expense.¹²
- d. Contributions to the OPEB plan from nonemployer contributing entities that are not in a special funding situation should be recognized as revenue.

44. 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) should be reported as a deferred outflow of resources related to OPEB.

¹²For purposes of applying paragraph 43c in conformity with paragraph 101, changes in the collective net OPEB liability arising from contributions to the OPEB plan from nonemployer contributing entities that are in a special funding situation also should not be included in collective OPEB expense.

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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

45. An employer that has a special funding situation should apply the requirements of paragraphs 99–107.

Recognition in financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting—all single and agent employers

46. In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, a net OPEB liability¹³ should be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. OPEB expenditures should be recognized equal to the total of (a) amounts paid by the employer to the OPEB plan, including amounts paid for OPEB as the benefits come due, and (b) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. A net OPEB liability is normally expected to be liquidated with expendable available financial resources to the extent that benefit payments have matured—that is, benefit payments are due and payable and the OPEB plan’s fiduciary net position is not sufficient for payment of those benefits.

Notes to financial statements—all single and agent employers

47. The total (aggregate for all OPEB, regardless of the type of OPEB plans through which the OPEB is provided and whether the OPEB plans are administered through a trust that meets the criteria in paragraph 4 of this Statement) of the employer’s OPEB liabilities, net OPEB assets, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB

¹³For purposes of applying paragraphs 46–58 in conformity with paragraph 108, unless otherwise indicated, the term *net OPEB liability* applies to the proportionate share of the collective net OPEB liability of a single or agent employer that has a special funding situation. (See paragraph 99.)

expense/expenditures for the period associated with defined benefit OPEB liabilities to employees, as applicable, should be disclosed if the total amounts are not otherwise identifiable from information presented in the financial statements.

48. The information identified in paragraphs 49–56 should be disclosed for benefits provided through each single-employer or agent OPEB plan in which the employer participates. Disclosures related to more than one OPEB plan should be combined in a manner that avoids unnecessary duplication.

49. In circumstances in which the employees of a primary government and its component units are provided with OPEB through the same single-employer or agent OPEB plan, the note disclosures in the reporting entity's financial statements should separately identify amounts associated with the primary government (including its blended component units) and those associated with its discretely presented component units.

OPEB Plan Description

50. The following information should be disclosed about the OPEB plan through which benefits are provided:

- a. The name of the OPEB plan, identification of the entity that administers the OPEB plan, and identification of the OPEB plan as a single-employer or agent OPEB plan.
- b. A brief description of the benefit terms, including (1) the classes of employees covered; (2) the types of benefits; (3) the key elements of the OPEB formulas; (4) the terms or policies, if any, with respect to automatic post-employment benefit changes, including automatic COLAs, ad hoc post-employment benefit changes, including ad hoc COLAs, and the sharing of benefit-related costs with inactive employees; and (5) the authority under which benefit terms are established or may be amended. If the OPEB plan is closed to new entrants, that fact should be disclosed.
- c. The number of employees covered by the benefit terms, separately identifying numbers of the following:
 - (1) Inactive employees currently receiving benefit payments
 - (2) Inactive employees entitled to but not yet receiving benefit payments
 - (3) Active employees.
- d. A brief description of contribution requirements, including (1) the basis for determining the employer's contributions to the OPEB plan (for example, statute, contract, an actuarial basis, or some other manner); (2) identification

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of the authority under which contribution requirements of the employer, nonemployer contributing entities, if any, and employees are established or may be amended; (3) legal or contractual maximum contribution rates, if applicable; and (4) the contribution rates (in dollars or as a percentage of covered payroll) of the employer, nonemployer contributing entities, if any, and employees for the reporting period. Also, the amount of contributions recognized by the OPEB plan from the employer during the reporting period, excluding amounts resulting from contributions recognized by the OPEB plan as noncurrent receivables, if not otherwise disclosed.

- e. Whether the OPEB plan issues a stand-alone financial report (or the OPEB plan is included in the report of another government) that is available to the public and, if so, how to obtain the report (for example, a link to the OPEB plan report on the employer's website).

Information about the Net OPEB Liability

Assumptions and Other Inputs

51. Significant assumptions and other inputs used to measure the total OPEB liability, including assumptions about inflation, **healthcare cost trend rates**, salary changes, ad hoc postemployment benefit changes (including ad hoc COLAs), and the sharing of benefit-related costs with inactive employees, should be disclosed, as applicable. For all significant assumptions, if different rates are assumed for different periods, information should be disclosed about what rates are applied to the different periods of the measurement.

52. In addition, the following information related to assumptions and other inputs should be disclosed, as applicable:

- a. The fact that projections of the sharing of benefit-related costs are based on an established pattern of practice
- b. The source of the mortality assumptions (for example, the published tables on which the assumptions are based or that the assumptions are based on a study of the experience of the covered group)
- c. The dates of experience studies on which significant assumptions are based
- d. If the alternative measurement method is used to measure the total OPEB liability, the source of or basis for all significant assumptions selected in conformity with paragraph 225

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- e. Measures of the net OPEB liability calculated using (1) a healthcare cost trend rate that is 1-percentage-point higher than the assumed healthcare cost trend rate and (2) a healthcare cost trend rate that is 1-percentage-point lower than the assumed healthcare cost trend rate.

53. The following information should be disclosed about the discount rate:

- a. The discount rate applied in the measurement of the total OPEB liability and the change in the discount rate since the prior measurement date, if any
- b. Assumptions made about projected cash flows into and out of the OPEB plan, such as contributions from the employer, nonemployer contributing entities, and employees
- c. The long-term expected rate of return on OPEB plan investments and a brief description of how it was determined, including significant methods and assumptions used for that purpose
- d. If the discount rate incorporates a municipal bond rate, the municipal bond rate used and the source of that rate
- e. The periods of projected benefit payments to which the long-term expected rate of return and, if used, the municipal bond rate are applied in determining the discount rate
- f. The assumed asset allocation of the OPEB plan's portfolio, the long-term expected **real rate of return** for each major asset class, and whether the expected rates of return are presented as arithmetic or geometric means, if not otherwise disclosed
- g. Measures of the net OPEB liability calculated using (1) a discount rate that is 1-percentage-point higher than that required by paragraph 36 and (2) a discount rate that is 1-percentage-point lower than that required by paragraph 36.

The OPEB Plan's Fiduciary Net Position

54. All information required by this and other financial reporting standards about the elements of the OPEB plan's basic financial statements (that is, all information about the OPEB plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position) should be disclosed. However, if (a) a financial report that includes disclosure about the elements of the OPEB plan's basic financial statements is available on the Internet, either as a stand-alone financial report or included as a fiduciary fund in the financial report of another government, and (b) information is provided about how to obtain the report, reference may instead be made to the other report for these disclosures. In this circumstance, it also should be disclosed

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that the OPEB plan's fiduciary net position has been determined on the same basis used by the OPEB plan, and a brief description of the OPEB plan's basis of accounting, including the policies with respect to benefit payments (including refunds of employee contributions) and the valuation of OPEB plan investments should be included. If significant changes have occurred that indicate that the disclosures included in the OPEB plan's financial report generally do not reflect the facts and circumstances at the measurement date, information about the substance and the magnitude of the changes should be disclosed.

Changes in the Net OPEB Liability

55. For the current reporting period, a schedule of changes in the net OPEB liability should be presented. The schedule should separately include the information indicated in subparagraphs (a)–(d) below. If the alternative measurement method is used to measure the total OPEB liability, the information indicated in subparagraphs (b)(4) and (b)(5) may be presented as a single amount. If the employer has a special funding situation, the information in subparagraphs (a)–(c) should be presented for the **collective net OPEB liability**.

- a. The beginning balances of the total OPEB liability, the OPEB plan's fiduciary net position, and the net OPEB liability
- b. The effects during the period of the following items, if applicable, on the balances in subparagraph (a):
 - (1) Service cost
 - (2) Interest on the total OPEB liability
 - (3) Changes of benefit terms
 - (4) Differences between expected and actual experience in the measurement of the total OPEB liability
 - (5) Changes of assumptions or other inputs
 - (6) Contributions from the employer
 - (7) Contributions from nonemployer contributing entities
 - (8) Contributions from active employees and inactive employees not yet receiving benefit payments
 - (9) OPEB plan net investment income
 - (10) Benefit payments (including refunds of employee contributions and amounts from employers or nonemployer contributing entities for OPEB as the benefits came due)
 - (11) OPEB plan administrative expense
 - (12) Other changes, separately identified if individually significant

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- c. The ending balances of the total OPEB liability, the OPEB plan's fiduciary net position, and the net OPEB liability
- d. If the employer has a special funding situation:
 - (1) The nonemployer contributing entities' total proportionate share of the collective net OPEB liability
 - (2) The employer's proportionate share of the collective net OPEB liability.

56. In addition to the information required by paragraph 55, the following information should be disclosed, if applicable:

- a. The measurement date of the net OPEB liability; the date of the actuarial valuation or alternative measurement method calculation on which the total OPEB liability is based; and, if applicable, the fact that update procedures were used to roll forward the total OPEB liability to the measurement date. If the alternative measurement method permitted by this Statement is used to measure the total OPEB liability, the fact that this alternative method was used in place of an actuarial valuation also should be disclosed.
- b. If the employer has a special funding situation, the employer's proportion (percentage) of the collective net OPEB liability, the basis on which its proportion was determined, and the change in its proportion since the prior measurement date.
- c. A brief description of changes of assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement date.
- d. A brief description of changes of benefit terms that affected measurement of the total OPEB liability since the prior measurement date.
- e. The amount of benefit payments in the measurement period attributable to the purchase of allocated insurance contracts, a brief description of the benefits for which allocated insurance contracts were purchased in the measurement period, and the fact that the obligation for the payment of benefits covered by allocated insurance contracts has been transferred from the employer to one or more insurance companies.
- f. A brief description of the nature of changes between the measurement date of the net OPEB liability and the employer's reporting date that are expected to have a significant effect on the net OPEB liability, and the amount of the expected resultant change in the net OPEB liability, if known.
- g. The amount of OPEB expense recognized by the employer in the reporting period.
- h. The employer's balances of deferred outflows of resources and deferred inflows of resources related to OPEB, classified as follows, if applicable:
 - (1) Differences between expected and actual experience in the measurement of the total OPEB liability

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- (2) Changes of assumptions or other inputs
 - (3) Net difference between projected and actual earnings on OPEB plan investments
 - (4) If the employer has a special funding situation, changes in the employer's proportion (paragraph 102) and differences between (a) the employer's contributions (other than those associated with the individual employer's **separately financed specific liabilities to the OPEB plan**) and (b) the employer's proportionate share of certain contributions (paragraph 103)
 - (5) The employer's contributions to the OPEB plan subsequent to the measurement date of the net OPEB liability.
- i. A schedule presenting the following:
- (1) For each of the subsequent five years, and in the aggregate thereafter, the net amount of the employer's balances of deferred outflows of resources and deferred inflows of resources in subparagraph (h) that will be recognized in the employer's OPEB expense
 - (2) If the employer does not have a special funding situation, the amount of the employer's balance of deferred outflows of resources in subparagraph (h) that will be recognized as a reduction of the net OPEB liability
 - (3) If the employer has a special funding situation, the amount of the employer's balance of deferred outflows of resources in subparagraph (h) that will be included as a reduction of the collective net OPEB liability.
- j. The amount of revenue recognized for the support provided by nonemployer contributing entities (see paragraph 43d or paragraphs 106 and 107), if any.

Required supplementary information—all single and agent employers

57. The required supplementary information identified in subparagraphs (a)–(d), as applicable, should be presented separately for each single-employer and agent OPEB plan through which OPEB is provided. The information indicated in subparagraphs (a) and (b) should be determined as of the measurement date of the net OPEB liability and may be presented in a single schedule. The information in subparagraphs (c) and (d) should be determined as of the employer's most recent fiscal year-end. If a primary government and one or more of its component units provide OPEB through the same single-employer or agent OPEB plan, required supplementary information in the reporting entity's financial statements should present information for all benefits provided by the reporting entity through the single-employer or agent OPEB plan.

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- a. A 10-year schedule of changes in the net OPEB liability that separately presents the information required by paragraph 55 for each year.
- b. A 10-year schedule presenting the following for each year:
 - (1) If the employer does not have a special funding situation:
 - (a) The total OPEB liability
 - (b) The OPEB plan's fiduciary net position
 - (c) The net OPEB liability
 - (d) The OPEB plan's fiduciary net position as a percentage of the total OPEB liability
 - (e) The **covered-employee payroll**
 - (f) The net OPEB liability as a percentage of covered-employee payroll.
 - (2) If the employer has a special funding situation, information about the collective net OPEB liability:
 - (a) The total OPEB liability
 - (b) The OPEB plan's fiduciary net position
 - (c) The collective net OPEB liability
 - (d) The nonemployer contributing entities' total proportionate share (amount) of the collective net OPEB liability
 - (e) The employer's proportionate share (amount) of the collective net OPEB liability
 - (f) The covered-employee payroll
 - (g) The employer's proportionate share (amount) of the collective net OPEB liability as a percentage of covered-employee payroll
 - (h) The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.
- c. If an actuarially determined contribution is calculated, a 10-year schedule presenting the following for each year:
 - (1) The actuarially determined contribution of the employer. For purposes of this schedule, actuarially determined contributions should exclude amounts, if any, associated with payables to the OPEB plan that arose in a prior fiscal year and those associated with separately financed specific liabilities of the individual employer to the OPEB plan.
 - (2) The amount of contributions recognized by the OPEB plan in relation to the actuarially determined contribution of the employer. For purposes of this schedule, contributions should exclude amounts resulting from contributions recognized by the OPEB plan as noncurrent receivables.
 - (3) The difference between the actuarially determined contribution of the employer and the amount of contributions recognized by the OPEB plan in relation to the actuarially determined contribution of the employer.
 - (4) The covered-employee payroll.

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- (5) The amount of contributions recognized by the OPEB plan in relation to the actuarially determined contribution of the employer as a percentage of covered-employee payroll.
- d. If an actuarially determined contribution is not calculated and the contribution requirements of the employer are statutorily or contractually established, a 10-year schedule presenting the following for each year:
 - (1) The statutorily or contractually required employer contribution. For purposes of this schedule, statutorily or contractually required contributions should exclude amounts, if any, associated with payables to the OPEB plan that arose in a prior fiscal year and those associated with separately financed specific liabilities of the individual employer to the OPEB plan.
 - (2) The amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution. For purposes of this schedule, contributions should exclude amounts resulting from contributions recognized by the OPEB plan as noncurrent receivables.
 - (3) The difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution.
 - (4) The covered-employee payroll.
 - (5) The amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution as a percentage of covered-employee payroll.

Notes to Required Schedules

58. Significant methods and assumptions used in calculating the actuarially determined contributions, if any, should be presented as notes to the schedule required by paragraph 57c. In addition, for each of the schedules required by paragraph 57, information should be presented about factors that significantly affect trends in the amounts reported (for example, changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions). Information about investment-related factors that significantly affect trends in the amounts reported should be limited to those factors over which the OPEB plan or the participating governments have influence (for example, changes in investment policies). Information about external, economic factors (for example, changes in market prices)

should not be presented. (The amounts presented for prior years should not be restated for the effects of changes—for example, changes of benefit terms or changes of assumptions—that occurred subsequent to the measurement date of that information.)

Cost-sharing employers

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 Liability¹⁴

59. A liability should be recognized for the employer's proportionate share of the collective net OPEB liability, measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year and no later than the end of the employer's current fiscal year, consistently applied from period to period. The employer's proportionate share of the collective net OPEB liability should be measured by:

- a. Determining the employer's proportion—a measure of the proportionate relationship of (1) the employer (and, to the extent associated with the employer, nonemployer contributing entities, if any, that provide support for the employer but that are not in a special funding situation) to (2) all employers and all nonemployer contributing entities. The basis for the employer's proportion should be consistent with the manner in which contributions to the OPEB plan, excluding those associated with separately financed specific liabilities of an individual employer to the OPEB plan, are determined. The use of the employer's projected long-term contribution effort to the OPEB plan (including that of nonemployer contributing entities that provide support for the employer but that are not in a special funding situation) as compared to the total projected long-term contribution effort of all employers and all nonemployer contributing entities to determine the employer's proportion is encouraged.

¹⁴Unless otherwise indicated, references to *collective net OPEB liability* also apply to the situation in which the OPEB plan's fiduciary net position exceeds the total OPEB liability, resulting in a collective net OPEB asset.

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b. Multiplying the collective net OPEB liability (determined in conformity with paragraphs 70–85) by the employer’s proportion calculated in (a).

60. To the extent that different contribution rates are assessed based on separate relationships that constitute the collective net OPEB liability (for example, separate rates are calculated based on an internal allocation of liabilities and assets for different classes or groups of employees), the determination of the employer’s proportionate share of the collective net OPEB liability should be made in a manner that reflects those separate relationships.

61. The employer’s proportion should be established as of the measurement date, unless the employer’s proportion is actuarially determined, in which case a proportion established at the date of the actuarial valuation used to determine the collective net OPEB liability may be used.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

62. OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB should be recognized for the items in paragraphs 63–68, as applicable. The effects of items in paragraphs 64 and 65 may be recognized on a net basis.

Proportionate Share

63. OPEB expense, as well as deferred outflows of resources and deferred inflows of resources related to OPEB, should be recognized for the employer’s proportionate shares of **collective OPEB expense** and **collective deferred outflows of resources and deferred inflows of resources related to OPEB**. The employer’s proportionate shares should be determined using the employer’s proportion of the collective net OPEB liability.

Change in Proportion

64. If there is a change in the employer’s proportion of the collective net OPEB liability since the prior measurement date, the net effect of that change on the employer’s proportionate shares of the collective net OPEB liability and collective deferred outflows of resources and deferred inflows of resources related to OPEB, determined as of the beginning of the measurement period, should be recognized in the employer’s OPEB expense, beginning in the current reporting period, using a systematic and rational method over a closed period. For

this purpose, the length of the expense recognition period should be equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period. The amount not recognized in the employer's OPEB expense should be reported as a deferred outflow of resources or deferred inflow of resources related to OPEB.

Contributions during the Measurement Period

65. For contributions to the OPEB plan, other than those to separately finance specific liabilities of an individual employer or nonemployer contributing entity to the OPEB plan, the difference during the measurement period between (a) the total amount of such contributions from the employer (and amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation) and (b) the amount of the employer's proportionate share of the total of such contributions from all employers and all nonemployer contributing entities should be recognized in the employer's OPEB expense, beginning in the current reporting period, using a systematic and rational method over a closed period. For this purpose, the length of the expense recognition period should be equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period. The amount not recognized in the employer's OPEB expense should be reported as a deferred outflow of resources or deferred inflow of resources related to OPEB.

66. For contributions to the OPEB plan to separately finance specific liabilities of the individual employer to the OPEB plan, the difference during the measurement period between (a) the amount of such contributions from the employer (and amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation) and (b) the amount of the employer's proportionate share of the total of the contributions in (a), determined using the employer's proportion of the collective net OPEB liability, should be recognized in the employer's OPEB expense.

67. For contributions made by others to the OPEB plan during the measurement period to separately finance specific liabilities to the OPEB plan (excluding amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation), the amount of the employer's

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Cost-Sharing Employers***

proportionate share of the total of such contributions determined using the employer's proportion of the collective net OPEB liability should be recognized as a reduction of the employer's OPEB expense.

Employer Contributions Subsequent to the Measurement Date

68. Contributions to the OPEB plan from the employer subsequent to the measurement date of the collective net OPEB liability and before the end of the employer's reporting period (excluding amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation) should be reported as a deferred outflow of resources related to OPEB.

Support of Nonemployer Contributing Entities Not in a Special Funding Situation

69. Revenue should be recognized in an amount equal to (a) the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from nonemployer contributing entities that are not in a special funding situation to separately finance specific liabilities of the individual employer to the OPEB plan and (b) the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from nonemployer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan.

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

70. The collective net OPEB liability should be measured as the total OPEB liability (determined in conformity with the requirements of paragraphs 71–85), net of the OPEB plan's fiduciary net position. However, if the criterion in paragraph 224 is met, the total OPEB liability may be measured in conformity with the requirements in paragraphs 225 and 226 for the alternative measurement method. The OPEB plan's fiduciary net position should be determined using the same valuation methods that are used by the OPEB plan for purposes of preparing its statement of fiduciary net position.

Timing and frequency of actuarial valuations

71. The total OPEB liability should be determined by (a) an actuarial valuation as of the measurement date or (b) the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. If update procedures are used and significant changes occur between the actuarial valuation date and the measurement date, professional judgment should be used to determine the extent of procedures needed to roll forward the measurement from the actuarial valuation to the measurement date, and consideration should be given to whether a new actuarial valuation is needed. For purposes of this determination, the effects of changes in the discount rate resulting from changes in the OPEB plan's fiduciary net position or from changes in the municipal bond rate, if applicable (see paragraphs 79–84), should be among the factors evaluated. For accounting and financial reporting purposes, an actuarial valuation of the total OPEB liability should be performed at least biennially. More frequent actuarial valuations are encouraged.

Selection of assumptions

72. Unless otherwise specified by this Statement, the selection of all assumptions used in determining the total OPEB liability and related measures should be made in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board. For this purpose, a *deviation*, as the term is used in Actuarial Standards of Practice, from the guidance in an Actuarial Standard of Practice should not be considered to be in conformity with the requirement in this paragraph. The OPEB plan, employers, and, if any, governmental nonemployer contributing entities that make contributions to the OPEB plan should use the same assumptions when measuring similar or related OPEB information.

Projection of benefit payments

73. Projected benefit payments should include all benefits (including refunds of employee contributions) to be provided to current active and inactive employees through the OPEB plan (including amounts for OPEB to be paid by employers or nonemployer contributing entities as the benefits come due) in accordance with the benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Usually, a written document is the best evidence of the benefit terms. However, in some cases, the substantive plan may differ from the written document. Accordingly, other

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information also should be taken into consideration in determining the benefits to be provided, including other communications between the employer and employees (active and inactive) and an established pattern of practice with regard to the sharing of benefit-related costs with inactive employees.

74. Projected benefit payments should include the effects of automatic post-employment benefit changes, including automatic COLAs. In addition, projected benefit payments should include the effects of (a) projected ad hoc postemployment benefit changes, including ad hoc COLAs, to the extent that they are considered to be substantively automatic;¹⁵ (b) projected salary changes (in circumstances in which the OPEB formula incorporates future compensation levels); and (c) projected service credits (both in determining an employee's probable eligibility for benefits and in the projection of benefit payments in circumstances in which the OPEB formula incorporates years of service). Administrative costs associated with providing OPEB should be excluded from projected benefit payments.

75. Projected benefit payments also should include taxes or other assessments expected to be imposed on benefit payments using the rates in effect at the measurement date or, if different rates have been approved by the assessing government to be applied in future periods, the rates approved by the assessing government associated with the periods in which the assessments on the benefit payments will be imposed.

76. Projected benefit payments should be based on claims costs, or age-adjusted premiums approximating claims costs, in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board. For this purpose, a *deviation*, as the term is used in Actuarial Standards of Practice, from the guidance in an Actuarial Standard of Practice should not be considered to be in conformity with the requirement in this paragraph.

¹⁵Considerations that might be relevant to determining whether such changes are substantively automatic include 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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77. A legal or contractual cap on benefit payments for OPEB each period should be considered in projecting benefit payments, if the cap is assumed to be effective taking into consideration whether the cap has been enforced in the past and other relevant factors and circumstances.

78. Benefit payments to be provided by means of an allocated insurance contract should be excluded from projected benefit payments if (a) the contract irrevocably transfers to the insurer the responsibility for providing the benefits, (b) all required payments to acquire the contract have been made, and (c) the likelihood is remote that the employers, nonemployer contributing entities, if any, or OPEB plan will be required to make additional payments to satisfy the benefit payments covered by the contract.

Discount rate

79. The discount rate should be the single rate that reflects the following:

- a. 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 (1) the OPEB plan's fiduciary net position is projected (in conformity with paragraphs 80–82) to be sufficient to make projected benefit payments (determined in conformity with paragraphs 73–78) and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return
- b. 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 rating scale), to the extent that the conditions in (a) are not met.

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

80. For purposes of applying paragraph 79, the amount of the OPEB plan's projected fiduciary net position and the amount of projected benefit payments should be compared in each period of projected benefit payments. Projections of the OPEB plan's fiduciary net position should incorporate all cash flows for contributions from employers and nonemployer contributing entities, if any, intended to finance benefits of current active and inactive employees (status at the measurement date) and all cash flows for contributions from current active employees. It should not include (a) cash flows for contributions from employers or nonemployer contributing entities intended to finance the service costs of future employees or (b) cash flows for contributions from future employees, unless those contributions are projected to exceed service costs for those

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employees. In each period, contributions from employers and nonemployer contributing entities should be considered to apply, first, to service costs of employees in the period and, second, to past service costs, unless the effective OPEB plan terms related to contributions indicate that a different relationship between contributions to the OPEB plan from nonemployer contributing entities and service costs should be applied. Contributions from active employees should be considered to be applied to service costs before contributions from employers and nonemployer contributing entities.

81. Professional judgment should be applied to project cash flows for contributions from employers and nonemployer contributing entities in circumstances in which (a) those contribution amounts are established by statute or contract or (b) a formal, written policy related to those contributions exists. Application of professional judgment should consider the most recent five-year contribution history of the employers and nonemployer contributing entities as a key indicator of future contributions from those sources and should reflect all other known events and conditions. In circumstances other than those described in (a) and (b), the amount of projected cash flows for contributions from employers and nonemployer contributing entities should be limited to an average of contributions from those sources over the most recent five-year period and may be modified based on consideration of subsequent events. For this purpose, the basis for the average (for example, percentage of the payroll contributed or percentage of the actuarially determined contribution made) should be a matter of professional judgment.

82. If the evaluations required by paragraph 80 can be made with sufficient reliability without a separate projection of cash flows into and out of the OPEB plan, alternative methods may be applied in making the evaluations.

Calculating the discount rate

83. For each future period, if the amount of the OPEB plan's fiduciary net position is projected to be greater than or equal to the benefit payments that are projected to be made in that period and OPEB plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, the actuarial present value of benefit payments projected to be made in the period should be determined using the long-term expected rate of return on those investments. The long-term expected rate of return should be based on the nature and mix of current and expected OPEB plan investments over a period representative of the expected length of time between (a) the point at which an employee begins to provide service to the employer and (b) the point

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at which all benefits to the employee have been paid. For this purpose, the long-term expected rate of return should be determined net of OPEB plan investment expense but without reduction for OPEB plan administrative expense. The municipal bond rate discussed in paragraph 79 should be used to calculate the actuarial present value of all other benefit payments.

84. For purposes of this Statement, the discount rate is the single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the actuarial present values determined in conformity with paragraph 83.

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

85. The entry age actuarial cost method should be used to attribute the actuarial present value of projected benefit payments of each employee to periods in conformity with the following:

- a. Attribution should be made on an individual employee-by-employee basis.
- b. Each employee's service costs should be level as a percentage of that employee's projected pay. For purposes of this calculation, if an employee does not have projected pay, the projected inflation rate should be used in place of the projected rate of change in salary.
- c. The beginning of the attribution period should be the first period in which the employee provides service under the benefit terms, notwithstanding vesting or other similar terms.
- d. The service costs of all OPEB should be attributed through all assumed ages of exit from active service.
- e. Each employee's service costs should be determined based on the same benefit terms reflected in that employee's actuarial present value of projected benefit payments.

Collective OPEB Expense and Collective Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

86. Changes in the collective net OPEB liability should be included in collective OPEB expense in the current measurement period except as indicated below:

- a. If the alternative measurement method is not used to measure the total OPEB liability, each of the following 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

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expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period:

- (1) Differences between expected and actual experience with regard to economic or demographic factors (differences between expected and actual experience) in the measurement of the total OPEB liability
- (2) Changes of assumptions about future economic or demographic factors or of other inputs (changes of assumptions or other inputs).

The portion of (1) and (2) not included in collective OPEB expense should be included in collective deferred outflows of resources or deferred inflows of resources related to OPEB.

- b. The difference 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 amount not included in collective OPEB expense should be included in collective deferred outflows of resources or deferred inflows of resources related to OPEB. Collective deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual OPEB plan investment earnings in different measurement periods should be aggregated and included as a net collective deferred outflow of resources related to OPEB or a net collective deferred inflow of resources related to OPEB.
- c. Contributions to the OPEB plan from employers or nonemployer contributing entities should not be included in collective OPEB expense.

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

87. An employer that has a special funding situation should apply the requirements of paragraphs 109–114.

Recognition in financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting—all cost-sharing employers

88. In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, an employer's proportionate share of the collective net OPEB liability should be recognized to

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the extent the liability is normally expected to be liquidated with expendable available financial resources. OPEB expenditures should be recognized equal to the total of (a) amounts paid by the employer to the OPEB plan, including amounts paid for OPEB as the benefits come due, and (b) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. A net OPEB liability is normally expected to be liquidated with expendable available financial resources to the extent that benefit payments have matured—that is, benefit payments are due and payable and the OPEB plan’s fiduciary net position is not sufficient for payment of those benefits.

Notes to financial statements—all cost-sharing employers

89. The total (aggregate for all OPEB, regardless of the type of OPEB plans through which the OPEB is provided and whether the OPEB plans are administered through a trust that meets the criteria in paragraph 4 of this Statement) of the employer’s OPEB liabilities, net OPEB assets, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense/expenditures for the period associated with OPEB liabilities to employees, as applicable, should be disclosed if the total amounts are not otherwise identifiable from information presented in the financial statements.

90. The information identified in paragraphs 91–96 should be disclosed for benefits provided through each cost-sharing OPEB plan in which the employer participates. Disclosures related to more than one OPEB plan should be combined in a manner that avoids unnecessary duplication.

OPEB Plan Description

91. The following information should be disclosed about the OPEB plan through which benefits are provided:

- a. The name of the OPEB plan, identification of the entity that administers the OPEB plan, and identification of the OPEB plan as a cost-sharing OPEB plan.
- b. A brief description of the benefit terms, including (1) the classes of employees covered; (2) the types of benefits; (3) the key elements of the OPEB formulas; (4) the terms or policies, if any, with respect to automatic post-employment benefit changes, including automatic COLAs, ad hoc post-employment benefit changes, including ad hoc COLAs, and the sharing of benefit-related costs with inactive employees; and (5) the authority under

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which benefit terms are established or may be amended. If the OPEB plan is closed to new entrants, that fact should be disclosed.

- c. A brief description of contribution requirements, including (1) the basis for determining the employer's contributions to the OPEB plan (for example, statute, contract, an actuarial basis, or some other manner); (2) identification of the authority under which contribution requirements of employers, non-employer contributing entities, if any, and employees are established or may be amended; (3) legal or contractual maximum contribution rates, if applicable; and (4) the contribution rates (in dollars or as a percentage of covered payroll) of employers, nonemployer contributing entities, if any, and employees for the reporting period. Also, the amount of contributions recognized by the OPEB plan from the employer during the reporting period, excluding amounts resulting from contributions recognized by the OPEB plan as noncurrent receivables, if not otherwise disclosed.
- d. Whether the OPEB plan issues a stand-alone financial report (or the OPEB plan is included in the report of another government) that is available to the public and, if so, how to obtain the report (for example, a link to the OPEB plan report on the employer's website).

Information about the Employer's Proportionate Share of the Collective Net OPEB Liability

Assumptions and Other Inputs

92. Significant assumptions and other inputs used to measure the total OPEB liability, including assumptions about inflation, healthcare cost trend rates, salary changes, ad hoc postemployment benefit changes (including ad hoc COLAs), and the sharing of benefit-related costs with inactive employees, should be disclosed, as applicable. For all significant assumptions, if different rates are assumed for different periods, information should be disclosed about what rates are applied to the different periods of the measurement.

93. In addition, the following information related to assumptions and other inputs should be disclosed, as applicable:

- a. The fact that projections of the sharing of benefit-related costs are based on an established pattern of practice
- b. The source of the mortality assumptions (for example, the published tables on which the assumptions are based or that the assumptions are based on a study of the experience of the covered group)
- c. The dates of experience studies on which significant assumptions are based

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- d. If the alternative measurement method is used to measure the total OPEB liability, the source of or basis for all significant assumptions selected in conformity with paragraph 225
- e. Measures of the employer's proportionate share of the collective net OPEB liability calculated using (1) a healthcare cost trend rate that is 1-percentage-point higher than the assumed healthcare cost trend rate and (2) a healthcare cost trend rate that is 1-percentage-point lower than the assumed healthcare cost trend rate.

94. The following information should be disclosed about the discount rate:

- a. The discount rate applied in the measurement of the total OPEB liability and the change in the discount rate since the prior measurement date, if any
- b. Assumptions made about projected cash flows into and out of the OPEB plan, such as contributions from employers, nonemployer contributing entities, and employees
- c. The long-term expected rate of return on OPEB plan investments and a brief description of how it was determined, including significant methods and assumptions used for that purpose
- d. If the discount rate incorporates a municipal bond rate, the municipal bond rate used and the source of that rate
- e. The periods of projected benefit payments to which the long-term expected rate of return and, if used, the municipal bond rate are applied in determining the discount rate
- f. The assumed asset allocation of the OPEB plan's portfolio, the long-term expected real rate of return for each major asset class, and whether the expected rates of return are presented as arithmetic or geometric means, if not otherwise disclosed
- g. Measures of the employer's proportionate share of the collective net OPEB liability calculated using (1) a discount rate that is 1-percentage-point higher than that required by paragraph 79 and (2) a discount rate that is 1-percentage-point lower than that required by paragraph 79.

The OPEB Plan's Fiduciary Net Position

95. All information required by this and other financial reporting standards about the elements of the OPEB plan's basic financial statements (that is, all information about the OPEB plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position) should be disclosed. However, if (a) a financial report that includes disclosure about the elements of the OPEB plan's basic financial statements is available on the

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Internet, either as a stand-alone financial report or included as a fiduciary fund in the financial report of another government and (b) information is provided about how to obtain the report, reference may instead be made to the other report for these disclosures. In this circumstance, it also should be disclosed that the OPEB plan's fiduciary net position has been determined on the same basis used by the OPEB plan, and a brief description of the OPEB plan's basis of accounting, including the policies with respect to benefit payments (including refunds of employee contributions) and the valuation of OPEB plan investments should be included. If significant changes have occurred that indicate that the disclosures included in the OPEB plan's financial report generally do not reflect the facts and circumstances at the measurement date, information about the substance and the magnitude of the changes should be disclosed.

Additional Information

96. The following additional information should be disclosed, if applicable:

- a. The employer's proportionate share (amount) of the collective net OPEB liability and, if an employer has a special funding situation, (1) the portion of the nonemployer contributing entities' total proportionate share (amount) of the collective net OPEB liability that is associated with the employer¹⁶ and (2) the total of the employer's proportionate share (amount) of the collective net OPEB liability and the portion of the nonemployer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the employer.
- b. The employer's proportion (percentage) of the collective net OPEB liability, the basis on which its proportion was determined, and the change in its proportion since the prior measurement date.
- c. The measurement date of the collective net OPEB liability; the date of the actuarial valuation or alternative measurement method calculation on which the total OPEB liability is based; and, if applicable, the fact that update procedures were used to roll forward the total OPEB liability to the measurement date. If the alternative measurement method permitted by this Statement is used to measure the total OPEB liability, the fact that this alternative method was used in place of an actuarial valuation also should be disclosed.

¹⁶The requirements of paragraphs 116–118 address measurement by *governmental* nonemployer contributing entities. For purposes of paragraph 96, the requirements of those paragraphs also apply to the determination of the proportionate share of the net OPEB liability attributed to a *nongovernmental* nonemployer contributing entity in a special funding situation.

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Cost-Sharing Employers***

- d. A brief description of changes of assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement date.
- e. A brief description of changes of benefit terms that affected measurement of the total OPEB liability since the prior measurement date.
- f. A brief description of the nature of changes between the measurement date of the collective net OPEB liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective net OPEB liability, and the amount of the expected resultant change in the employer's proportionate share of the collective net OPEB liability, if known.
- g. The amount of OPEB expense recognized by the employer in the reporting period.
- h. The employer's balances of deferred outflows of resources and deferred inflows of resources related to OPEB, classified as follows, if applicable:
 - (1) Differences between expected and actual experience in the measurement of the total OPEB liability
 - (2) Changes of assumptions or other inputs
 - (3) Net difference between projected and actual earnings on OPEB plan investments
 - (4) Changes in the employer's proportion (paragraph 64) and differences between (a) the employer's contributions (other than those associated with the individual employer's separately financed specific liabilities to the OPEB plan) and (b) the employer's proportionate share of certain contributions (paragraph 65)
 - (5) The employer's contributions to the OPEB plan subsequent to the measurement date of the collective net OPEB liability.
- i. A schedule presenting the following:
 - (1) For each of the subsequent five years, and in the aggregate thereafter, the net amount of the employer's balances of deferred outflows of resources and deferred inflows of resources in subparagraph (h) that will be recognized in the employer's OPEB expense
 - (2) The amount of the employer's balance of deferred outflows of resources in subparagraph (h) that will be included as a reduction of the collective net OPEB liability.
- j. The amount of revenue recognized for the support provided by nonemployer contributing entities (see paragraph 69 or paragraphs 113 and 114), if any.

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Cost-Sharing Employers

Required supplementary information—all cost-sharing employers

97. The required supplementary information identified in subparagraphs (a) and (b), as applicable, should be presented separately for each cost-sharing OPEB plan through which OPEB is provided. The information indicated in subparagraph (a) should be determined as of the measurement date of the collective net OPEB liability. The information in subparagraph (b) should be determined as of the employer's most recent fiscal year-end.

- a. A 10-year schedule presenting the following for each year:
 - (1) If the employer does not have a special funding situation:
 - (a) The employer's proportion (percentage) of the collective net OPEB liability
 - (b) The employer's proportionate share (amount) of the collective net OPEB liability
 - (c) The employer's covered-employee payroll
 - (d) The employer's proportionate share (amount) of the collective net OPEB liability as a percentage of the employer's covered-employee payroll
 - (e) The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.
 - (2) If the employer has a special funding situation:
 - (a) The employer's proportion (percentage) of the collective net OPEB liability
 - (b) The employer's proportionate share (amount) of the collective net OPEB liability
 - (c) The portion of the nonemployer contributing entities' total proportionate share (amount) of the collective net OPEB liability that is associated with the employer¹⁷
 - (d) The total of (b) and (c)
 - (e) The employer's covered-employee payroll
 - (f) The employer's proportionate share (amount) of the collective net OPEB liability as a percentage of the employer's covered-employee payroll
 - (g) The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.

¹⁷The requirements of paragraphs 116–118 address measurement by *governmental* nonemployer contributing entities. For purposes of paragraph 97, the requirements of those paragraphs also apply to the determination of the proportionate share of the net OPEB liability attributed to a *nongovernmental* nonemployer contributing entity in a special funding situation.

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- b. If the contribution requirements of the employer are statutorily or contractually established, a 10-year schedule presenting the following for each year:
- (1) The statutorily or contractually required employer contribution. For purposes of this schedule, statutorily or contractually required contributions should exclude amounts, if any, associated with payables to the OPEB plan that arose in a prior fiscal year and those associated with separately financed specific liabilities of the individual employer to the OPEB plan.
 - (2) The amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution. For purposes of this schedule, contributions should exclude amounts resulting from contributions recognized by the OPEB plan as noncurrent receivables.
 - (3) The difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution.
 - (4) The employer's covered-employee payroll.
 - (5) The amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution as a percentage of the employer's covered-employee payroll.

Notes to Required Schedules

98. Information about factors that significantly affect trends in the amounts reported in the schedules required by paragraph 97 (for example, changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions) should be presented as notes to the schedules. Information about investment-related factors that significantly affect trends in the amounts reported should be limited to those factors over which the OPEB plan or the participating governments have influence (for example, changes in investment policies). Information about external, economic factors (for example, changes in market prices) should not be presented. (The amounts presented for prior years should not be restated for the effects of changes—for example, changes of benefit terms or changes of assumptions—that occurred subsequent to the measurement date of that information.)

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Special Funding Situations***

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

99. A liability should be recognized for the employer's proportionate share of the collective net OPEB liability. The employer's proportionate share of the collective net OPEB liability should be measured as the collective net OPEB liability (determined in conformity with paragraphs 27–42), net of the nonemployer contributing entities' total proportionate share of the collective net OPEB liability (determined in conformity with paragraphs 116–118).¹⁸

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

100. OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB should be recognized for the items in paragraphs 101–105, as applicable. The effects of items in paragraphs 102 and 103 may be recognized on a net basis.

Proportionate share

101. OPEB expense should be recognized in an amount equal to collective OPEB expense. Deferred outflows of resources and deferred inflows of resources related to OPEB should be recognized for the employer's proportionate shares of collective deferred outflows of resources and deferred inflows of resources related to OPEB. Collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB should be determined in conformity with paragraph 43, excluding subparagraph (d). The employer's proportionate shares should be determined using the employ-

¹⁸The requirements of paragraphs 116–118 address measurement by *governmental* nonemployer contributing entities. For purposes of paragraph 99, the requirements of those paragraphs also apply to the determination of the proportionate share of the collective net OPEB liability attributed to a *nongovernmental* nonemployer contributing entity in a special funding situation.

er's proportion of the collective net OPEB liability—the ratio of (a) the employer's proportionate share of the collective net OPEB liability (paragraph 99) to (b) the collective net OPEB liability (paragraphs 27–42).

Change in proportion

102. If there is a change in the employer's proportion of the collective net OPEB liability since the prior measurement date, the net effect of that change on the employer's proportionate shares of the collective net OPEB liability and the collective deferred outflows of resources and deferred inflows of resources related to OPEB, determined as of the beginning of the measurement period, should be recognized in the employer's OPEB expense, beginning in the current reporting period, using a systematic and rational method over a closed period. For this purpose, the length of the expense recognition period should be equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period. The amount not recognized in the employer's OPEB expense should be reported as a deferred outflow of resources or deferred inflow of resources related to OPEB.

Contributions during the measurement period

103. For contributions to the OPEB plan other than those to separately finance specific liabilities of an individual employer or nonemployer contributing entity to the OPEB plan, the difference during the measurement period between (a) the total amount of such contributions from the employer (and amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation) and (b) the amount of the employer's proportionate share of the total of such contributions from the employer and all nonemployer contributing entities should be recognized in the employer's OPEB expense beginning in the current reporting period, using a systematic and rational method over a closed period. For this purpose, the length of the expense recognition period should be equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period. The amount not recognized in the employer's OPEB expense should be reported as a deferred outflow of resources or deferred inflow of resources related to OPEB.

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Special Funding Situations**

104. For contributions to the OPEB plan to separately finance specific liabilities of the individual employer to the OPEB plan, the difference during the measurement period between (a) the amount of such contributions from the employer (and amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation) and (b) the amount of the employer's proportionate share of the contributions in (a), determined using the employer's proportion of the collective net OPEB liability, should be recognized in the employer's OPEB expense.

Employer contributions subsequent to the measurement date

105. Contributions to the OPEB plan from the employer subsequent to the measurement date of the collective net OPEB liability and before the end of the employer's reporting period (excluding amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation) should be reported as a deferred outflow of resources related to OPEB.

Support of Nonemployer Contributing Entities in a Special Funding Situation

106. Revenue should be recognized in an amount equal to the total of the following:¹⁹

- a. The nonemployer contributing entities' total proportionate share of collective OPEB expense (measured in conformity with paragraph 120), reduced by the total of amounts, if any, recognized by nonemployer contributing entities as reductions of expense measured in conformity with paragraph 124
- b. The nonemployer contributing entities' total additional expense recognized for contributions to the OPEB plan to separately finance specific liabilities of the individual governmental nonemployer contributing entity to the OPEB plan (measured in conformity with paragraph 123).

¹⁹The requirements of paragraphs 120, 123, and 124 address measurement by *governmental* nonemployer contributing entities. For purposes of paragraph 106, the requirements of paragraphs 120, 123, and 124 also apply to the determination of expense attributed to a *nongovernmental* nonemployer contributing entity in a special funding situation.

Support of Nonemployer Contributing Entities Not in a Special Funding Situation

107. If an employer that has a special funding situation also receives support from nonemployer contributing entities that are not in a special funding situation, revenue should be recognized for contributions to the OPEB plan during the measurement period from nonemployer contributing entities that are not in a special funding situation.

Additional Requirements

108. The requirements in paragraphs 46–58 for recognition in financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, notes to financial statements, and required supplementary information should be applied.

Cost-sharing 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

109. A liability should be recognized for the employer's proportionate share of the collective net OPEB liability determined in conformity with paragraphs 59–61. For purposes of applying those paragraphs, if the effective OPEB plan terms define a specific relationship of the contribution requirements of a nonemployer contributing entity to those of the employer and other contributing entities, the employer's proportion should be established in a manner consistent with those terms, notwithstanding differences between the measurement basis used to determine contributions and the measurement basis used to determine the collective net OPEB liability. For example, if the governmental nonemployer contributing entity's contribution requirements are defined by the plan terms to be 25 percent of the employers' total actuarially determined contribution, each employer's proportion of the collective net OPEB liability should be based on 75 percent of its total individual actuarially determined contribution. For another example, if (a) the governmental nonemployer contributing entity's required contribution, consistently contributed, is defined in the OPEB plan terms to be the amount necessary to finance 100 percent of past service cost on the actuarial funding basis used by the employers and nonem-

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ployer contributing entities and (b) the employers' required contribution rate is defined in the OPEB plan terms to be an amount to satisfy the portion of the actuarially determined service cost of each period that is not offset by active employee contributions, the employer's proportion of the collective net OPEB liability should be considered to be zero percent.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

110. OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB should be recognized in conformity with paragraphs 62–66 and 68.

111. OPEB expense also should be recognized for the following amounts:²⁰

- a. The portion of the following amount that is associated with the employer: the nonemployer contributing entities' total proportionate share of collective OPEB expense (measured in conformity with paragraph 120), reduced by the total of amounts, if any, recognized by nonemployer contributing entities as reductions of expense measured in conformity with paragraph 124
- b. The portion of the following amount that is associated with the employer, if any: the nonemployer contributing entities' total additional expense recognized for contributions to the OPEB plan to separately finance specific liabilities of the individual governmental nonemployer contributing entity to the OPEB plan (measured in conformity with paragraph 123).

112. For contributions made by others to the OPEB plan during the measurement period to separately finance specific liabilities to the OPEB plan (excluding amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation), the amount of the employer's proportionate share of the total of such contributions determined using the employer's proportion of the collective net OPEB liability should be recognized as a reduction of the employer's OPEB expense.

²⁰The requirements of paragraphs 120, 123, and 124 address measurement by *governmental* nonemployer contributing entities. For purposes of paragraph 111, the requirements of paragraphs 120, 123, and 124 also apply to the determination of the expense attributed to a *nongovernmental* nonemployer contributing entity in a special funding situation.

Support of Nonemployer Contributing Entities in a Special Funding Situation

113. Revenue should be recognized in an amount equal to the total of the following amounts:²¹

- a. The portion of the following amount that is associated with the employer: the nonemployer contributing entities' total proportionate share of the collective OPEB expense (measured in conformity with paragraph 120), reduced by the total of amounts, if any, recognized by nonemployer contributing entities as reductions of expense measured in conformity with paragraph 124
- b. The portion of the following amount that is associated with the employer, if any: the nonemployer contributing entities' total additional expense recognized for contributions to the OPEB plan to separately finance specific liabilities of the individual governmental nonemployer contributing entity to the OPEB plan (measured in conformity with paragraph 123).

Support of Nonemployer Contributing Entities Not in a Special Funding Situation

114. If an employer that has a special funding situation also receives support from nonemployer contributing entities that are not in a special funding situation, revenue should be recognized in an amount equal to (a) the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from nonemployer contributing entities that are not in a special funding situation to separately finance specific liabilities of the individual employer to the OPEB plan and (b) the portion of the change in the collective net OPEB liability arising from contributions to the OPEB plan that is associated with the government during the measurement period from nonemployer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan.

²¹The requirements of paragraphs 120, 123, and 124 address measurement by *governmental* nonemployer contributing entities. For purposes of paragraph 113, the requirements of paragraphs 120, 123, and 124 also apply to the determination of the expense attributed to a *nongovernmental* nonemployer contributing entity in a special funding situation.

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Special Funding Situations***

Additional Requirements

115. The requirements in paragraphs 88–98 for recognition in financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, notes to financial statements, and required supplementary information should be applied.

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

116. A liability should be recognized for the governmental nonemployer contributing entity's proportionate share of the collective net OPEB liability. The governmental nonemployer contributing entity's proportionate share of the collective net OPEB liability should be measured as of a date (measurement date) no earlier than the end of the governmental nonemployer contributing entity's prior fiscal year and no later than the end of the governmental nonemployer contributing entity's current fiscal year, consistently applied from period to period. The governmental nonemployer contributing entity's proportionate share of the collective net OPEB liability should be measured by:

- a. Determining the governmental nonemployer contributing entity's proportion—a measure of the proportionate relationship of (1) the governmental nonemployer contributing entity to (2) all employers and all nonemployer contributing entities. The basis for the governmental nonemployer contributing entity's proportion should be consistent with the manner in which contributions to the OPEB plan, excluding those to separately finance specific liabilities of an individual employer or nonemployer contributing entity to the OPEB plan, are determined. The use of the governmental nonemployer contributing entity's projected long-term contribution effort to the OPEB plan as compared to the total projected long-term contribution effort of all employers and all nonemployer contributing entities to determine the governmental nonemployer contributing entity's proportion is encouraged.
- b. Multiplying the collective net OPEB liability (determined in conformity with paragraphs 27–42 or paragraphs 70–85, as applicable) by the governmental nonemployer contributing entity's proportion calculated in (a).

117. To the extent that different contribution rates are assessed based on separate relationships that constitute the collective net OPEB liability (for example, separate rates are calculated based on an internal allocation of liabilities and assets for different classes or groups of employees), the determination of the governmental nonemployer contributing entity's proportionate share of the collective net OPEB liability should be made in a manner that reflects those separate relationships. In addition, for this purpose, if the effective OPEB plan terms define a specific relationship of the contribution requirements of the nonemployer contributing entity to those of other contributing entities, the governmental nonemployer contributing entity's proportion should be established in a manner consistent with those terms, notwithstanding differences between the measurement basis used to determine contributions and the measurement basis used to determine the collective net OPEB liability. For example, if the governmental nonemployer contributing entity's contribution requirements are defined by the plan terms to be 25 percent of the employers' total actuarially determined contribution, the governmental nonemployer contributing entity's proportion of the collective net OPEB liability should be considered to be 25 percent. For another example, if (a) the governmental nonemployer contributing entity's required contribution, consistently contributed, is defined in the OPEB plan terms to be the amount necessary to finance 100 percent of past service cost on the actuarial funding basis used by the employers and nonemployer contributing entities and (b) the employers' required contribution rate is defined in the OPEB plan terms to be an amount to satisfy the portion of the actuarially determined service cost of each period that is not offset by active employee contributions, the governmental nonemployer contributing entity's proportion of the collective net OPEB liability should be considered to be 100 percent.

118. The governmental nonemployer contributing entity's proportion should be established as of the measurement date, unless its proportion is actuarially determined, in which case a proportion established at the date of the actuarial valuation used to determine the collective net OPEB liability may be used.

Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

119. Expense and deferred outflows of resources and deferred inflows of resources should be recognized for the items in paragraphs 120–125, as applicable. The effects of items in paragraphs 121 and 122 may be recognized

Defined Benefit—Meets Paragraph 4 Special Funding Situations

on a net basis. A governmental nonemployer contributing entity should classify its expense as a result of a special funding situation in the same manner as it classifies similar grants to other entities.

Proportionate share

120. Expense, as well as deferred outflows of resources and deferred inflows of resources, should be recognized for the governmental nonemployer contributing entity's proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB. The governmental nonemployer contributing entity's proportionate shares should be determined using the governmental nonemployer contributing entity's proportion of the collective net OPEB liability.

Change in proportion

121. If there is a change in the governmental nonemployer contributing entity's proportion of the collective net OPEB liability since the prior measurement date, the net effect of that change on the governmental nonemployer contributing entity's proportionate shares of the collective net OPEB liability and collective deferred outflows of resources and deferred inflows of resources related to OPEB, determined as of the beginning of the measurement period, should be recognized in the governmental nonemployer contributing entity's expense, beginning in the current reporting period, using a systematic and rational method over a closed period. For this purpose, the length of the expense recognition period should be equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period. The amount not recognized in the governmental nonemployer contributing entity's expense should be reported as a deferred outflow of resources or deferred inflow of resources.

Contributions during the measurement period

122. For contributions to the OPEB plan other than those to separately finance specific liabilities of an individual employer or nonemployer contributing entity to the OPEB plan, the difference during the measurement period between (a) the total amount of such contributions from the governmental nonemployer contributing entity and (b) the amount of the entity's proportionate share of the total of such contributions from all employers and all nonemployer contributing entities should be recognized in the governmental nonemployer contributing

***Defined Benefit—Meets Paragraph 4
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entity's expense, beginning in the current reporting period, using a systematic and rational method over a closed period. For this purpose, the length of the expense recognition period should be equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period. The amount not recognized in the governmental nonemployer contributing entity's expense should be reported as a deferred outflow of resources or deferred inflow of resources.

123. For contributions to the OPEB plan to separately finance specific liabilities of the individual governmental nonemployer contributing entity to the OPEB plan, the difference during the measurement period between (a) the amount of such contributions from the governmental nonemployer contributing entity and (b) the amount of the governmental nonemployer contributing entity's proportionate share of the contributions in (a), determined using the governmental nonemployer contributing entity's proportion of the collective net OPEB liability, should be recognized in the governmental nonemployer contributing entity's expense.

124. For contributions made by others to the OPEB plan to separately finance specific liabilities to the OPEB plan, the amount of the governmental nonemployer contributing entity's proportionate share of the total of such contributions determined using the governmental nonemployer contributing entity's proportion of the collective OPEB liability should be recognized as a reduction of the governmental nonemployer contributing entity's expense.

Governmental nonemployer contributing entity contributions subsequent to the measurement date

125. Contributions to the OPEB plan from the governmental nonemployer contributing entity subsequent to the measurement date of the collective net OPEB liability and before the end of the governmental nonemployer contributing entity's reporting period should be reported as a deferred outflow of resources.

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Special Funding Situations***

**Recognition in Financial Statements Prepared Using the Current
Financial Resources Measurement Focus and Modified Accrual Basis of
Accounting**

126. In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, a governmental nonemployer contributing entity's proportionate share of the collective net OPEB liability should be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. Expenditures should be recognized equal to the total of (a) amounts paid by the governmental nonemployer contributing entity to the OPEB plan, including amounts paid by the governmental nonemployer contributing entity for OPEB as the benefits come due, and (b) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. A net OPEB liability is normally expected to be liquidated with expendable available financial resources to the extent that benefit payments have matured—that is, benefit payments are due and payable and the OPEB plan's fiduciary net position is not sufficient for payment of those benefits. Expenditures should be classified in the same manner as the governmental nonemployer contributing entity classifies similar grants to other entities.

Notes to Financial Statements and Required Supplementary Information

***Governmental Nonemployer Contributing Entities That Recognize a
Substantial Proportion of the Collective Net OPEB Liability***

127. The information identified in paragraphs 128–133 should be disclosed, and information required in paragraphs 134 and 135 should be presented as required supplementary information, 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. Disclosures related to more than one OPEB plan should be combined in a manner that avoids unnecessary duplication.

Notes to financial statements

OPEB plan description

128. The following information should be disclosed about the OPEB plan through which benefits are provided:

- a. The name of the OPEB plan, identification of the entity that administers the OPEB plan, and identification of the OPEB plan as a single-employer, agent, or cost-sharing OPEB plan.
- b. A brief description of the benefit terms, including (1) the classes of employees covered; (2) the types of benefits; (3) the key elements of the OPEB formulas; (4) the terms or policies, if any, with respect to automatic post-employment benefit changes, including automatic COLAs, and ad hoc post-employment benefit changes, including ad hoc COLAs, and the sharing of benefit-related costs with inactive employees; and (5) the authority under which benefit terms are established or may be amended. If the OPEB plan is closed to new entrants, that fact should be disclosed.
- c. A brief description of contribution requirements, including (1) the basis for determining the governmental nonemployer contributing entity's contributions to the OPEB plan (for example, statute, contract, an actuarial basis, or some other manner); (2) identification of the authority under which contribution requirements of employers, nonemployer contributing entities, and employees are established or may be amended; (3) legal or contractual maximum contribution rates, if applicable; and (4) the contribution rates (in dollars or as a percentage of covered payroll) of employers, nonemployer contributing entities, and employees for the reporting period. Also, the amount of contributions recognized by the OPEB plan from the governmental nonemployer contributing entity during the reporting period, excluding amounts resulting from contributions recognized by the OPEB plan as noncurrent receivables, if not otherwise disclosed.
- d. Whether the OPEB plan issues a stand-alone financial report (or the OPEB plan is included in the report of another government) that is available to the public and, if so, how to obtain the report (for example, a link to the OPEB plan report on the employer's website).

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

Assumptions and other inputs

129. Significant assumptions and other inputs used to measure the total OPEB liability, including assumptions about inflation, healthcare cost trend rates, salary changes, ad hoc postemployment benefit changes (including ad hoc COLAs), and the sharing of benefit-related costs with inactive employees, should be disclosed, as applicable. For all significant assumptions, if different rates are assumed for different periods, information should be disclosed about what rates are applied to the different periods of the measurement.

130. In addition, the following information related to assumptions and other inputs should be disclosed, as applicable:

- a. The fact that projections are based on an established pattern of practice
- b. The source of the mortality assumptions (for example, the published tables on which the assumptions are based or that the assumptions are based on a study of the experience of the covered group)
- c. The dates of experience studies on which significant assumptions are based
- d. If the alternative measurement method is used to measure the total OPEB liability, the source of or basis for all significant assumptions selected in conformity with paragraph 225
- e. Measures of the governmental nonemployer contributing entity's proportionate share of the collective net OPEB liability calculated using (1) a healthcare cost trend rate that is 1-percentage-point higher than the assumed healthcare cost trend rate and (2) a healthcare cost trend rate that is 1-percentage-point lower than the assumed healthcare cost trend rate.

131. The following information should be disclosed about the discount rate:

- a. The discount rate applied in the measurement of the total OPEB liability and the change in the discount rate since the prior measurement date, if any
- b. Assumptions made about projected cash flows into and out of the OPEB plan, such as contributions from employers, nonemployer contributing entities, and employees
- c. The long-term expected rate of return on OPEB plan investments and a brief description of how it was determined, including significant methods and assumptions used for that purpose

***Defined Benefit—Meets Paragraph 4
Special Funding Situations***

- d. If the discount rate incorporates a municipal bond rate, the municipal bond rate used and the source of that rate
- e. The periods of projected benefit payments to which the long-term expected rate of return and, if used, the municipal bond rate are applied in determining the discount rate
- f. The assumed asset allocation of the OPEB plan's portfolio, the long-term expected real rate of return for each major asset class, and whether the expected rates of return are presented as arithmetic or geometric means, if not otherwise disclosed
- g. Measures of the governmental nonemployer contributing entity's proportionate share of the collective net OPEB liability calculated using (1) a discount rate that is 1-percentage-point higher than that required by paragraph 36 or paragraph 79, as applicable, and (2) a discount rate that is 1-percentage-point lower than that required by paragraph 36 or paragraph 79, as applicable.

The OPEB plan's fiduciary net position

132. All information required by this and other financial reporting standards about the elements of the OPEB plan's basic financial statements (that is, all information about the OPEB plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position) should be disclosed. However, if (a) a financial report that includes disclosure about the elements of the OPEB plan's basic financial statements is available on the Internet, either as a stand-alone financial report or included as a fiduciary fund in the financial report of another government and (b) information is provided about how to obtain the report, reference may instead be made to the other report for these disclosures. In this circumstance, it also should be disclosed that the OPEB plan's fiduciary net position has been determined on the same basis used by the OPEB plan, and a brief description of the OPEB plan's basis of accounting, including the policies with respect to benefit payments (including refunds of employee contributions) and the valuation of OPEB plan investments should be included. If significant changes have occurred that indicate that the disclosures included in the OPEB plan's financial report generally do not reflect the facts and circumstances at the measurement date, information about the substance and the magnitude of the changes should be disclosed.

***Defined Benefit—Meets Paragraph 4
Special Funding Situations***

Additional information

133. The following additional information should be disclosed, if applicable:

- a. The governmental nonemployer contributing entity's proportionate share (amount) of the collective net OPEB liability; its proportion (percentage) of the collective net OPEB liability; the basis on which its proportion was determined; and the change in its proportion since the prior measurement date.
- b. The measurement date of the collective net OPEB liability; the date of the actuarial valuation or alternative measurement method calculation on which the total OPEB liability is based; and, if applicable, the fact that update procedures were used to roll forward the total OPEB liability to the measurement date. If the alternative measurement method permitted by this Statement is used to measure the total OPEB liability, the fact that this alternative method was used in place of an actuarial valuation also should be disclosed.
- c. A brief description of changes of assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement date.
- d. A brief description of changes of benefit terms that affected measurement of the total OPEB liability since the prior measurement date.
- e. A brief description of the nature of changes between the measurement date of the collective net OPEB liability and the governmental nonemployer contributing entity's reporting date that are expected to have a significant effect on the governmental nonemployer contributing entity's proportionate share of the collective net OPEB liability and the amount of the expected resultant change in the governmental nonemployer contributing entity's proportionate share of the collective net OPEB liability, if known.
- f. The amount of expense recognized by the governmental nonemployer contributing entity in the reporting period as a result of the special funding situation.
- g. The governmental nonemployer contributing entity's balances of deferred outflows of resources and deferred inflows of resources as a result of the special funding situation, classified as follows, if applicable:
 - (1) Differences between expected and actual experience in the measurement of the total OPEB liability
 - (2) Changes of assumptions or other inputs
 - (3) Net difference between projected and actual earnings on OPEB plan investments
 - (4) Changes in the governmental nonemployer contributing entity's proportion (paragraph 121) and differences between (a) the governmental

***Defined Benefit—Meets Paragraph 4
Special Funding Situations***

nonemployer contributing entity's contributions (other than those associated with the individual nonemployer contributing entity's separately financed specific liabilities to the OPEB plan) and (b) the governmental nonemployer contributing entity's proportionate share of certain contributions (paragraph 122)

- (5) The governmental nonemployer contributing entity's contributions to the OPEB plan subsequent to the measurement date of the collective net OPEB liability.
- h. A schedule presenting the following:
 - (1) For each of the subsequent five years, and in the aggregate thereafter, the net amount of the governmental nonemployer contributing entity's balances of deferred outflows of resources and deferred inflows of resources in subparagraph (g) that will be recognized in the governmental nonemployer contributing entity's expense
 - (2) The amount of the governmental nonemployer contributing entity's balance of deferred outflows of resources in subparagraph (g) that will be included as a reduction of the collective net OPEB liability.

Required supplementary information

134. The required supplementary information identified in subparagraphs (a) and (b), as applicable, should be presented separately for each defined benefit OPEB plan for which the governmental nonemployer contributing entity recognizes a substantial proportion of the collective net OPEB liability. The information indicated in subparagraph (a) should be determined as of the measurement date of the collective net OPEB liability. The information in subparagraph (b) should be determined as of the governmental nonemployer contributing entity's most recent fiscal year-end.

- a. A 10-year schedule presenting the following for each year:
 - (1) The governmental nonemployer contributing entity's proportion (percentage) of the collective net OPEB liability
 - (2) The governmental nonemployer contributing entity's proportionate share (amount) of the collective net OPEB liability
 - (3) The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.
- b. If the contribution requirements of the governmental nonemployer contributing entity are statutorily or contractually established, a 10-year schedule presenting the following for each year:
 - (1) The governmental nonemployer contributing entity's statutorily or contractually required contribution. For purposes of this schedule, statutorily

***Defined Benefit—Meets Paragraph 4
Special Funding Situations***

or contractually required contributions should exclude amounts, if any, associated with payables to the OPEB plan that arose in a prior fiscal year and those associated with separately financed specific liabilities of the individual governmental nonemployer contributing entity to the OPEB plan.

- (2) The amount of contributions recognized by the OPEB plan in relation to the governmental nonemployer contributing entity's statutorily or contractually required contribution. For purposes of this schedule, contributions should exclude amounts resulting from contributions recognized by the OPEB plan as noncurrent receivables.
- (3) The difference between the governmental nonemployer contributing entity's statutorily or contractually required contribution and the amount of contributions recognized by the OPEB plan in relation to its statutorily or contractually required contribution.

Notes to required schedules

135. Information about factors that significantly affect trends in the amounts reported in the schedules required by paragraph 134 (for example, changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions) should be presented as notes to the schedules. Information about investment-related factors that significantly affect trends in the amounts reported should be limited to those factors over which the OPEB plan or the participating governments have influence (for example, changes in investment policies). Information about external, economic factors (for example, changes in market prices) should not be presented. (The amounts presented for prior years should not be restated for the effects of changes—for example, changes of benefit terms or changes of assumptions—that occurred subsequent to the measurement date of that information.)

***Governmental Nonemployer Contributing Entities That Recognize a
Less-Than-Substantial Proportion of the Collective Net OPEB Liability***

Notes to financial statements

136. The information identified in this paragraph should be disclosed for benefits provided through each defined benefit OPEB plan for which the governmental nonemployer contributing entity recognizes a less-than-substantial proportion of the collective net OPEB liability. If the governmental nonemployer contributing entity recognizes more than one such liability, information may be presented in the aggregate for all such liabilities.

***Defined Benefit—Meets Paragraph 4
Special Funding Situations***

- a. The name of the OPEB plan through which benefits are provided, identification of the entity that administers the OPEB plan, and identification of the OPEB plan as a single-employer, agent, or cost-sharing OPEB plan
- b. A brief description of contribution requirements, including (1) the basis for determining the governmental nonemployer contributing entity's contributions to the OPEB plan (for example, statute, contract, an actuarial basis, or some other manner); (2) identification of the authority under which the governmental nonemployer contributing entity's contribution requirements are established or may be amended; (3) legal or contractual maximum contribution rates for the governmental nonemployer contributing entity, if applicable; and (4) the amount of contributions recognized by the OPEB plan from the governmental nonemployer contributing entity during the reporting period, excluding amounts resulting from contributions recognized by the OPEB plan as noncurrent receivables
- c. The governmental nonemployer contributing entity's proportionate share (amount) of the collective net OPEB liability; its proportion (percentage) of the collective net OPEB liability; the basis on which its proportion was determined; and the change, if any, in its proportion since the prior measurement date
- d. The amount of expense recognized by the governmental nonemployer contributing entity in the reporting period as a result of the special funding situation, and its balances of deferred outflows of resources and deferred inflows of resources as a result of the special funding situation.

Required supplementary information

137. For benefits provided through each defined benefit OPEB plan for which the governmental nonemployer contributing entity recognizes a less-than-substantial proportion of the collective net OPEB liability, the required supplementary information indicated in subparagraphs (a) and (b) should be presented in a 10-year schedule. If a governmental nonemployer contributing entity recognizes more than one such liability, the information for each year may be presented in the aggregate for all such liabilities.

- a. The governmental nonemployer contributing entity's proportionate share (amount) of the collective net OPEB liability
- b. The amount of contributions recognized by the OPEB plan from the governmental nonemployer contributing entity during the governmental nonemployer contributing entity's fiscal year.

***Defined Benefit—Meets Paragraph 4
Other***

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

138. In circumstances in which a nonemployer entity has a legal obligation to make contributions directly to a defined benefit OPEB plan but that entity's involvement does not meet the criterion in either paragraph 18a or paragraph 18b, the employer should apply the requirements of paragraphs 24–98, as applicable.

Governmental nonemployer contributing entities

139. Expense/expenditures for contributions to a defined benefit OPEB plan should be classified in the same manner as the entity classifies similar grants to other entities.

Payables to a Defined Benefit OPEB Plan—All Employers and Governmental Nonemployer Contributing Entities

140. Payables to a defined benefit OPEB plan include short-term payables for legally or contractually required contributions outstanding as of the end of the reporting period, as well as long-term payables, such as those arising from amounts assessed to an individual employer upon joining a multiple-employer OPEB plan. In the reporting period in which any payable to the OPEB plan arises, the full amount of the payable should be recognized as a contribution to the OPEB plan. In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a payable to a defined benefit OPEB plan should be recognized separately from liabilities for a net OPEB liability, if any.

141. In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, a payable to a defined benefit OPEB plan should be recognized to the extent it is normally expected to be liquidated with expendable available financial resources. A

payable to a defined benefit OPEB plan is normally expected to be liquidated with expendable available financial resources to the extent that amounts are due and payable pursuant to legal requirements, including contractual arrangements.

Notes to financial statements

142. The amount of payables to a defined benefit OPEB plan outstanding at the end of the reporting period, significant terms related to the payables, and a description of what gave rise to the payable (for example, legally required contributions to the OPEB plan, a contractual arrangement for contributions to a cost-sharing OPEB plan related to past service cost upon entrance into the arrangement, or a contractual arrangement for contributions to the OPEB plan related to a change of benefit terms enacted by an individual cost-sharing employer) should be included in notes to financial statements.

OPEB Provided through OPEB Plans That Are Not Administered through Trusts That Meet the Criteria in Paragraph 4

Liabilities to Employees for OPEB

143. The requirements of paragraphs 144–223, as applicable, should be applied separately to OPEB provided through separate defined benefit OPEB plans, other than insured plans, that are not administered through trusts that meet the criteria in paragraph 4. If a primary government and its component units provide OPEB through the same OPEB plan, in the reporting entity's financial report, the requirements of paragraphs 162–171 of this Statement for note disclosures and required supplementary information should be applied. In that circumstance, in stand-alone financial statements, each government should apply the requirements of paragraphs 172–192 to account for and report its participation in the OPEB plan.

144. The measurement requirements of this Statement may be applied individually for differently defined benefit payments, for example, for benefit payments to different classes or groups that are provided with OPEB through the same OPEB plan. However, in this circumstance, the separate measures should be recognized and reported in the aggregate.

Defined Benefit—Does Not Meet Paragraph 4

145. For purposes of applying paragraphs 146–223, benefit payments are amounts paid for OPEB as the benefits come due, including those paid using employer or nonemployer contributing entity assets held by others for purposes of providing OPEB through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4.

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 Liability²²

146. A liability should be recognized for the total OPEB liability. The total OPEB liability should be measured as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of paragraphs 147–156. However, if the criterion in paragraph 224 is met, the total OPEB liability may be measured in conformity with the requirements in paragraphs 225 and 226 for the alternative measurement method. The total OPEB liability should be measured as of a date (measurement date) no earlier than the end of the employer’s prior fiscal year and no later than the end of the employer’s current fiscal year, consistently applied from period to period.

Timing and Frequency of Actuarial Valuations

147. The total OPEB liability should be determined by (a) an actuarial valuation as of the measurement date or (b) the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer’s most recent fiscal year-end. If update procedures are used and significant changes occur between the actuarial valuation date and the measurement date, professional judgment should be used to determine the extent of procedures needed to roll forward the measurement from the actuarial valuation to the measurement date, and

²²For purposes of applying paragraphs 146–156 in conformity with paragraph 172, paragraph 193, or paragraph 203, the term *total OPEB liability* applies to the **collective total OPEB liability**.

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consideration should be given to whether a new actuarial valuation is needed. For purposes of this determination, the effects of changes in the discount rate (see paragraph 155) should be among the factors evaluated. For accounting and financial reporting purposes, an actuarial valuation of the total OPEB liability should be performed at least biennially. More frequent actuarial valuations are encouraged.

Selection of Assumptions

148. Unless otherwise specified by this Statement, the selection of all assumptions used in determining the total OPEB liability and related measures should be made in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board. For this purpose, a *deviation*, as the term is used in Actuarial Standards of Practice, from the guidance in an Actuarial Standard of Practice should not be considered to be in conformity with the requirement in this paragraph. The employer and, if any, governmental nonemployer contributing entities that make payments for OPEB as benefits come due should use the same assumptions when measuring similar or related OPEB information.

Projection of Benefit Payments

149. Projected benefit payments should include all benefits to be provided to current active and inactive employees through the OPEB plan in accordance with the benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Usually, a written document is the best evidence of the benefit terms. However, in some cases, the substantive plan may differ from the written document. Accordingly, other information also should be taken into consideration in determining the benefits to be provided, including other communications between the employer and employees (active and inactive) and an established pattern of practice with regard to the sharing of benefit-related costs with inactive employees.

150. Projected benefit payments should include the effects of automatic post-employment benefit changes, including automatic cost-of-living adjustments (automatic COLAs). In addition, projected benefit payments should include the effects of (a) projected ad hoc postemployment benefit changes, including ad hoc cost-of-living adjustments (ad hoc COLAs), to the extent that they are

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considered to be substantively automatic;²³ (b) projected salary changes (in circumstances in which the OPEB formula incorporates future compensation levels); and (c) projected service credits (both in determining an employee's probable eligibility for benefits and in the projection of benefit payments in circumstances in which the OPEB formula incorporates years of service). Administrative costs associated with providing OPEB should be excluded from projected benefit payments.

151. Projected benefit payments also should include taxes or other assessments expected to be imposed on benefit payments using the rates in effect at the measurement date or, if different rates have been approved by the assessing government to be applied in future periods, the rates approved by the assessing government associated with the periods in which the assessments on the benefit payments will be imposed.

152. Projected benefit payments should be based on claims costs, or age-adjusted premiums approximating claims costs, in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board. For this purpose, a *deviation*, as the term is used in Actuarial Standards of Practice, from the guidance in an Actuarial Standard of Practice should not be considered to be in conformity with the requirement in this paragraph.

153. A legal or contractual cap on benefit payments for OPEB each period should be considered in projecting benefit payments, if the cap is assumed to be effective taking into consideration whether the cap has been enforced in the past and other relevant factors and circumstances.

154. Benefit payments to be provided by means of an allocated insurance contract should be excluded from projected benefit payments if (a) the contract irrevocably transfers to the insurer the responsibility for providing the benefits, (b) all required payments to acquire the contract have been made, and (c) the likelihood is remote that the employer, nonemployer contributing entities, if any,

²³Considerations that might be relevant to determining whether such changes are substantively automatic include 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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or the entity administering the OPEB plan will be required to make additional payments to satisfy the benefit payments covered by the contract. Insured benefits also should be excluded from projected benefit payments.

Discount Rate

155. The discount rate should be 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 rating scale).

Attribution of the Actuarial Present Value of Projected Benefit Payments to Periods

156. The entry age actuarial cost method should be used to attribute the actuarial present value of projected benefit payments of each employee to periods in conformity with the following:

- a. Attribution should be made on an individual employee-by-employee basis.
- b. Each employee's service costs should be level as a percentage of that employee's projected pay. For purposes of this calculation, if an employee does not have projected pay, the projected inflation rate should be used in place of the projected rate of change in salary.
- c. The beginning of the attribution period should be the first period in which the employee provides service under the benefit terms, notwithstanding vesting or other similar terms.
- d. The service costs of all OPEB should be attributed through all assumed ages of exit from active service.
- e. Each employee's service costs should be determined based on the same benefit terms reflected in that employee's actuarial present value of projected benefit payments.

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OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, and Support of Nonemployer Contributing Entities

157. Changes in the total OPEB liability²⁴ should be recognized in OPEB expense in the current reporting period except as indicated below:²⁵

- a. If the alternative measurement method is not used to measure the total OPEB liability, each of the following should be 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 (active employees and inactive employees) determined as of the beginning of the measurement period:
 - (1) Differences between expected and actual experience with regard to economic or demographic factors (differences between expected and actual experience) in the measurement of the total OPEB liability
 - (2) Changes of assumptions about future economic or demographic factors or of other inputs (changes of assumptions or other inputs).The portion of (1) and (2) not recognized in OPEB expense should be reported as deferred outflows of resources or deferred inflows of resources related to OPEB.
- b. Amounts paid by the employer for OPEB as the benefits come due should not be recognized in OPEB expense.²⁶
- c. Amounts paid by nonemployer contributing entities that are not in a special funding situation for OPEB as the benefits come due should be recognized as revenue.

²⁴For purposes of applying paragraph 157 in conformity with paragraph 176, paragraph 195, or paragraph 207, 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.

²⁵The period for determining changes in the total OPEB liability is the measurement period applied to the total OPEB liability that is recognized in the current reporting period.

²⁶For purposes of applying paragraph 157b in conformity with paragraph 176, paragraph 195, or paragraph 207, changes in the collective total OPEB liability arising from amounts paid by nonemployer contributing entities that are in a special funding situation also should not be included in collective OPEB expense.

158. OPEB expense also should be recognized in the current reporting period for costs incurred by the employer related to the administration of OPEB. The measurement period for these costs should be the same as the measurement period applied to changes in the total OPEB liability for purposes of paragraph 157.²⁷

159. Deferred outflows of resources related to OPEB should be reported for (a) 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 (b) amounts incurred by the employer for OPEB administrative expenses subsequent to the measurement date of the total OPEB liability and before the end of the reporting period.

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

160. An employer that has a special funding situation should apply the requirements of paragraphs 193–201.

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

161. In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, a total OPEB liability (or, if an employer has a special funding situation, a proportionate share of the **collective total OPEB liability**) should be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. OPEB expenditures should be recognized equal to the total of (a) amounts paid by the employer for OPEB as the benefits come due and (b) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. A total OPEB liability (or, if an employer has a special funding situation, a

²⁷For purposes of applying paragraph 158 in conformity with paragraph 198, the term *total OPEB liability* applies to the collective total OPEB liability.

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proportionate share of the collective total OPEB liability) is normally expected to be liquidated with expendable available financial resources to the extent that benefit payments have matured—that is, benefit payments are due and payable.

Notes to financial statements—all employers

162. The total (aggregate for all OPEB, regardless of the type of OPEB plans through which the OPEB is provided and whether the OPEB plans are administered through a trust that meets the criteria in paragraph 4 of this Statement) of the employer's OPEB liabilities, net OPEB assets,²⁸ deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense/expenditures for the period associated with defined benefit OPEB liabilities to employees, as applicable, should be disclosed if the total amounts are not otherwise identifiable from information presented in the financial statements.

163. The information identified in paragraphs 164–169 should be disclosed for benefits provided through each OPEB plan in which the employer participates. Disclosures related to more than one OPEB plan should be combined in a manner that avoids unnecessary duplication.

164. In circumstances in which the employees of a primary government and its component units are provided with OPEB through the same OPEB plan, the note disclosures in the reporting entity's financial statements should separately identify amounts associated with the primary government (including its blended component units) and those associated with its discretely presented component units.

OPEB Plan Description

165. The following information should be disclosed about the OPEB plan through which benefits are provided:

- a. The name of the OPEB plan, identification of the entity that administers the OPEB plan, and identification of the OPEB plan as a single-employer or multiple-employer defined benefit plan.

²⁸The total of net OPEB assets should include only amounts in relation to OPEB that is provided through OPEB plans that are administered through trusts that meet the criteria in paragraph 4 of this Statement.

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- b. A brief description of the benefit terms, including (1) the classes of employees covered; (2) the types of benefits; (3) the key elements of the OPEB formulas; (4) the terms or policies, if any, with respect to automatic post-employment benefit changes, including automatic COLAs, and ad hoc post-employment benefit changes, including ad hoc COLAs, and the sharing of benefit-related costs with inactive employees; and (5) the authority under which benefit terms are established or may be amended. If the OPEB plan is closed to new entrants, that fact should be disclosed.
- c. The number of employees covered by the benefit terms, separately identifying numbers of the following:
 - (1) Inactive employees currently receiving benefit payments
 - (2) Inactive employees entitled to but not yet receiving benefit payments
 - (3) Active employees.
- d. The fact that there are no assets accumulated in a trust that meets the criteria in paragraph 4. If OPEB is provided through an OPEB plan that is administered through a trust and that trust does not meet the criteria in paragraph 4, each criterion in paragraph 4 that the trust does not meet should be disclosed.
- e. Identification of the authority under which requirements for the employer and nonemployer contributing entities, if any, to pay OPEB as the benefits come due are established or may be amended. Also, the amount paid by the employer for OPEB as the benefits came due during the reporting period, if not otherwise disclosed.

Information about the Total OPEB Liability²⁹

Assumptions and Other Inputs

166. Significant assumptions and other inputs used to measure the total OPEB liability, including assumptions about inflation, healthcare cost trend rates, salary changes, ad hoc postemployment benefit changes (including ad hoc COLAs), and the sharing of benefit-related costs with inactive employees, should be disclosed, as applicable. With regard to the sharing of benefit-related costs, if projections are based on an established pattern of practice, that fact should be disclosed. With regard to mortality assumptions, the source of the assumptions (for example, the published tables on which the assumptions are

²⁹For purposes of applying paragraphs 166–171 in conformity with paragraph 202, unless otherwise indicated, the term *total OPEB liability* applies to the collective total OPEB liability for OPEB provided through an OPEB plan in which there is a special funding situation. (See paragraph 193.)

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based or that the assumptions are based on a study of the experience of the covered group) should be disclosed. The dates of experience studies on which significant assumptions are based also should be disclosed. For all significant assumptions, if different rates are assumed for different periods, information should be disclosed about what rates are applied to the different periods of the measurement. With regard to the discount rate, the rate applied in the measurement and the source of that rate should be disclosed. In addition, if the alternative measurement method is used to measure the total OPEB liability, the source of or basis for all significant assumptions selected in conformity with paragraph 225 should be disclosed.

167. Measures of the total OPEB liability (or, if an employer has a special funding situation, the employer's proportionate share of the total OPEB liability), calculated using each of the following rates, should be disclosed:

- a. If applicable, a healthcare cost trend rate that is 1-percentage-point higher than the assumed healthcare cost trend rate, and a healthcare cost trend rate that is 1-percentage-point lower than the assumed healthcare cost trend rate
- b. A discount rate that is 1-percentage-point higher than that required by paragraph 155, and a discount rate that is 1-percentage-point lower than that required by paragraph 155.

Changes in the Total OPEB Liability

168. For the current reporting period, a schedule of changes in the total OPEB liability should be presented. The schedule should separately include the information indicated in subparagraphs (a)–(d) below. If the alternative measurement method is used to measure the total OPEB liability, the information indicated in subparagraphs (b)(4) and (b)(5) may be presented as a single amount.

- a. The beginning balance of the total OPEB liability
- b. The effects during the period of the following items, if applicable, on the total OPEB liability:
 - (1) Service cost
 - (2) Interest on the total OPEB liability
 - (3) Changes of benefit terms
 - (4) Differences between expected and actual experience in the measurement of the total OPEB liability
 - (5) Changes of assumptions or other inputs

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- (6) Benefit payments
- (7) Other changes, separately identified if individually significant
- c. The ending balance of the total OPEB liability
- d. If the employer has a special funding situation:
 - (1) The nonemployer contributing entities' total proportionate share of the total OPEB liability
 - (2) The employer's proportionate share of the total OPEB liability.

169. In addition to the information required by paragraph 168, the following information should be disclosed, if applicable:

- a. The measurement date of the total OPEB liability; the date of the actuarial valuation or alternative measurement method calculation on which the total OPEB liability is based; and, if applicable, the fact that update procedures were used to roll forward the total OPEB liability to the measurement date. If the alternative measurement method permitted by this Statement is used to measure the total OPEB liability, the fact that this alternative method was used in place of an actuarial valuation also should be disclosed.
- b. If the employer has a special funding situation, the employer's proportion (percentage) of the total OPEB liability, the basis on which its proportion was determined, and the change in its proportion since the prior measurement date.
- c. A brief description of changes of assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement date.
- d. A brief description of changes of benefit terms that affected measurement of the total OPEB liability since the prior measurement date.
- e. The amount of benefit payments in the measurement period attributable to the purchase of allocated insurance contracts, a brief description of the benefits for which allocated insurance contracts were purchased in the measurement period, and the fact that the obligation for the payment of benefits covered by allocated insurance contracts has been transferred from the employer to one or more insurance companies.
- f. A brief description of the nature of changes between the measurement date of the total OPEB liability and the employer's reporting date that are expected to have a significant effect on the total OPEB liability (or, if an employer has a special funding situation, on the employer's proportionate share of the total OPEB liability) and the amount of the expected resultant change in the total OPEB liability (or, if an employer has a special funding situation, on the employer's proportionate share of the total OPEB liability), if known.

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- g. The amount of OPEB expense recognized by the employer in the reporting period.
- h. The employer's balances of deferred outflows of resources and deferred inflows of resources related to OPEB, classified as follows, if applicable:
 - (1) Differences between expected and actual experience in the measurement of the total OPEB liability
 - (2) Changes of assumptions or other inputs
 - (3) If the employer has a special funding situation, changes in the employer's proportion (paragraph 196) and differences between (a) the amounts paid by the employer for OPEB as the benefits came due and (b) the employer's proportionate share of the total of certain amounts paid by the employer and nonemployer contributing entities for OPEB as the benefits came due (paragraph 197)
 - (4) Amounts associated with transactions subsequent to the measurement date of the total OPEB liability.
- i. A schedule presenting the following:
 - (1) For each of the subsequent five years, and in the aggregate thereafter, the net amount of the employer's balances of deferred outflows of resources and deferred inflows of resources in subparagraph (h) that will be recognized in the employer's OPEB expense
 - (2) If the employer does not have a special funding situation, the amount of the employer's balance of deferred outflows of resources in subparagraph (h) that will be recognized as a reduction of the total OPEB liability
 - (3) If the employer has a special funding situation, the amount of the employer's balance of deferred outflows of resources in subparagraph (h) that will be included as a reduction of the total OPEB liability.
- j. The amount of revenue recognized for the support provided by nonemployer contributing entities (see paragraph 157c or paragraphs 200 and 201), if any.

Required supplementary information—all employers

170. The required supplementary information identified in subparagraphs (a) and (b), as applicable, should be presented separately for each OPEB plan through which OPEB is provided. The information should be determined as of the measurement date of the total OPEB liability and may be presented in a single schedule. If a primary government and one or more of its component units provide OPEB through the same OPEB plan, required supplementary

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information in the reporting entity's financial statements should present information for all benefits provided by the reporting entity through the OPEB plan.

- a. A 10-year schedule of changes in the total OPEB liability that separately presents the information required by paragraph 168 for each year
- b. A 10-year schedule presenting the following for each year:
 - (1) If the employer does not have a special funding situation:
 - (a) The total OPEB liability
 - (b) The covered-employee payroll
 - (c) The total OPEB liability as a percentage of covered-employee payroll
 - (2) If the employer has a special funding situation:
 - (a) The total OPEB liability
 - (b) The nonemployer contributing entities' total proportionate share (amount) of the total OPEB liability
 - (c) The employer's proportionate share (amount) of the total OPEB liability
 - (d) The covered-employee payroll
 - (e) The employer's proportionate share (amount) of the total OPEB liability as a percentage of covered-employee payroll.

Notes to Required Schedules

171. The fact that no assets are accumulated in a trust that meets the criteria in paragraph 4 of this Statement to pay related benefits should be presented as a note to the schedule required by paragraph 170b. In addition, for each of the schedules required by paragraph 170, information should be presented about factors that significantly affect trends in the amounts reported—for example, changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions. (The amounts presented for prior years should not be restated for the effects of changes—for example, changes of benefit terms or changes of assumptions—that occurred subsequent to the measurement date of that information.)

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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

Proportionate Share of the Collective Total OPEB Liability

172. A liability should be recognized for the government's (primary government's or component unit's) proportionate share of the collective total OPEB liability, measured as of a date (measurement date) no earlier than the end of the government's prior fiscal year and no later than the end of the government's current fiscal year, consistently applied from period to period. The government's proportionate share of the collective total OPEB liability should be measured by:

- a. Determining the government's proportion—a measure of the proportionate relationship of (1) the government (and, to the extent associated with the government, nonemployer contributing entities, if any, that provide support for the government but that are not in a special funding situation) to (2) all entities that make benefit payments. The basis for the government's proportion should be consistent with the manner in which the amounts that are paid as benefits come due are determined. The use of the government's projected payments as benefits come due over the long term as compared to the total projected payments of all entities that make benefit payments as benefits come due over the long term to determine the government's proportion is encouraged.
- b. Multiplying the collective total OPEB liability (determined in conformity with paragraphs 146–156) by the government's proportion calculated in (a).

173. To the extent that there are different financing responsibilities for differently defined benefit payments (for example, payments to different classes or groups of employees), the determination of the government's proportionate share of the collective total OPEB liability should be made in a manner that reflects those separate relationships.

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174. The government's proportion should be established as of the measurement date unless its proportion is actuarially determined, in which case, a proportion established at the measurement date of the actuarial valuation used to determine the collective total OPEB liability may be used.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

175. OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB should be recognized for the items in paragraphs 176–181, as applicable. The effects of items in paragraphs 178 and 179 may be recognized on a net basis.

Proportionate Share

176. OPEB expense, as well as deferred outflows of resources and deferred inflows of resources related to OPEB, should be recognized for the government's proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB. Collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB should be determined in conformity with paragraph 157, excluding subparagraph (c). The government's proportionate share should be determined using the government's proportion of the collective total OPEB liability.

177. If the government has a special funding situation, OPEB expense should be recognized for the portion of the nonemployer contributing entities' total proportionate share of collective OPEB expense (measured in conformity with paragraph 207)³⁰ that is associated with the government.

Change in Proportion

178. If there is a change in the government's proportion of the collective total OPEB liability since the prior measurement date, the net effect of that change on the government's proportionate shares of the collective total OPEB liability and collective deferred outflows and deferred inflows of resources related to

³⁰The requirements of paragraph 207 address measurement by *governmental* nonemployer contributing entities. For purposes of paragraph 177, the requirements of paragraph 207 also apply to the determination of expense attributed to a *nongovernmental* nonemployer contributing entity in a special funding situation.

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OPEB, determined as of the beginning of the measurement period, should be recognized in the government's OPEB expense, beginning in the current reporting period, using a systematic and rational method over a closed period. For this purpose, the length of the expense recognition period should be equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period. The amount not recognized in the government's OPEB expense should be reported as a deferred outflow of resources or deferred inflow of resources related to OPEB.

Amounts for OPEB during the Measurement Period

179. For amounts that are paid for OPEB as the benefits come due, the difference during the measurement period between (a) the total amount of such payments from the government (and amounts associated with the government from nonemployer contributing entities that are not in a special funding situation) and (b) the amount of the government's proportionate share of the total of such payments from all entities that make benefit payments should be recognized in the government's OPEB expense, beginning in the current reporting period, using a systematic and rational method over a closed period. For this purpose, the length of the expense recognition period should be equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period. The amount not recognized in the government's OPEB expense should be reported as a deferred outflow of resources or deferred inflow of resources related to OPEB.

180. OPEB expense also should be recognized in the current reporting period for (a) costs incurred by the government related to the administration of OPEB and (b) the total of nonemployer contributing entities' expenses for costs incurred related to the administration of OPEB (measured in conformity with paragraph 210)³¹ that are associated with the government. The measurement

³¹The requirements of paragraph 210 address measurement by *governmental* nonemployer contributing entities. For purposes of paragraph 180, the requirements of paragraph 210 also apply to the determination of expense attributed to a *nongovernmental* nonemployer contributing entity in a special funding situation.

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period for these costs should be the same as the measurement period applied to changes in the collective total OPEB liability for purposes of determining collective OPEB expense in conformity with paragraph 176.

Amounts for OPEB Subsequent to the Measurement Date

181. Deferred outflows of resources related to OPEB should be reported for (a) amounts paid by the government for OPEB as the benefits come due subsequent to the measurement date of the collective total OPEB liability and before the end of the government's reporting period (excluding amounts associated with the government from nonemployer contributing entities that are not in a special funding situation) and (b) amounts incurred by the government for OPEB administrative expenses subsequent to the measurement date of the collective total OPEB liability and before the end of the government's reporting period.

Support of Nonemployer Contributing Entities in a Special Funding Situation

182. Revenue should be recognized by the government in an amount equal to the total of the following:³²

- a. The portion of the nonemployer contributing entities' total proportionate share of collective OPEB expense (measured in conformity with paragraph 207) that is associated with the government.
- b. The portion of the total of nonemployer contributing entities' expenses measured in conformity with paragraph 210 that is associated with the government.

³²The requirements of paragraphs 207 and 210 address measurement by *governmental* nonemployer contributing entities. For purposes of paragraph 182, the requirements of paragraphs 207 and 210 also apply to the determination of expense attributed to a *nongovernmental* nonemployer contributing entity in a special funding situation.

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Support of Nonemployer Contributing Entities Not in a Special Funding Situation

183. For benefit payments made as OPEB comes due by nonemployer contributing entities that are not in a special funding situation, revenue should be recognized in an amount 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.

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

184. In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, the government's proportionate share of the collective total OPEB liability should be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. OPEB expenditures should be recognized equal to the total of (a) amounts paid by the government for OPEB as the benefits come due and (b) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. A total OPEB liability is normally expected to be liquidated with expendable available financial resources to the extent that benefit payments have matured—that is, benefit payments are due and payable.

Notes to financial statements

185. The total (aggregate for all OPEB, regardless of the type of OPEB plans through which the OPEB is provided and whether the OPEB plans are administered through trusts that meet the criteria in paragraph 4 of this Statement) of the government's OPEB liabilities, net OPEB assets,³³ deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB

³³The total of net OPEB assets should include only amounts in relation to OPEB that are provided through OPEB plans that are administered through trusts that meet the criteria in paragraph 4 of this Statement.

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expense/expenditures for the period associated with defined benefit OPEB liabilities to employees, as applicable, should be disclosed if the total amounts are not otherwise identifiable from information presented in the financial statements.

186. The information in paragraphs 187–189 should be disclosed for benefits provided through each defined benefit OPEB plan in which the government participates. Disclosures related to more than one OPEB plan should be combined in a manner that avoids unnecessary duplication.

OPEB Plan Description

187. The following information should be disclosed about the OPEB plan through which benefits are provided:

- a. The name of the OPEB plan, identification of the entity that administers the OPEB plan, and identification of the OPEB plan as a single-employer or multiple-employer defined benefit OPEB plan.
- b. A brief description of the benefit terms, including (1) the classes of employees covered; (2) the types of benefits; (3) the key elements of the OPEB formulas; (4) the terms or policies, if any, with respect to automatic post-employment benefit changes, including automatic COLAs, ad hoc post-employment benefit changes, including ad hoc COLAs, and the sharing of benefit-related costs with inactive employees; and (5) the authority under which benefit terms are established or may be amended. If the OPEB plan is closed to new entrants, that fact should be disclosed.
- c. The fact that there are no assets accumulated in a trust that meets the criteria in paragraph 4. If OPEB is provided through an OPEB plan that is administered through a trust and that trust does not meet the criteria in paragraph 4, each criterion in paragraph 4 that the trust does not meet should be disclosed.
- d. Identification of the authority under which requirements for the government and nonemployer contributing entities to pay OPEB as the benefits come due are established or may be amended. Also, the amount paid by the governmental nonemployer contributing entity for OPEB as the benefits came due during the reporting period, if not otherwise disclosed.

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Additional Information

188. Significant assumptions and other inputs used to measure the collective total OPEB liability, including assumptions about inflation, healthcare cost trend rates, salary changes, ad hoc postemployment benefit changes (including ad hoc COLAs), and the sharing of benefit-related costs with inactive employees, should be disclosed, as applicable. With regard to the sharing of benefit-related costs, if projections are based on an established pattern of practice, that fact should be disclosed. With regard to mortality assumptions, the source of the assumptions (for example, the published tables on which the assumption is based or that the assumptions are based on a study of the experience of the covered group) should be disclosed. The dates of experience studies on which significant assumptions are based also should be disclosed. For all significant assumptions, if different rates are assumed for different periods, information should be disclosed about what rates are applied to the different periods of the measurement. With regard to the discount rate, the rate applied in the measurement and the source of that rate should be disclosed. In addition, if the alternative measurement method is used to measure the collective total OPEB liability, the source of or basis for all significant assumptions selected in conformity with paragraph 225 should be disclosed.

189. Measures of the government's proportionate share of the collective total OPEB liability calculated using each of the following rates should be disclosed:

- a. If applicable, a healthcare cost trend rate that is 1-percentage-point higher than the assumed healthcare cost trend rate and a healthcare cost trend rate that is 1-percentage-point lower than the assumed healthcare cost trend rate
- b. A discount rate that is 1-percentage-point higher than that required by paragraph 155, and a discount rate that is 1-percentage-point lower than that required by paragraph 155.

190. The following additional information should be disclosed, if applicable:

- a. The government's proportionate share (amount) of the collective total OPEB liability, and, if the government has a special funding situation, (1) the portion of the nonemployer contributing entities' total proportionate share (amount)

**Defined Benefit—Does Not Meet Paragraph 4
Stand-Alone Statements**

of the collective total OPEB liability³⁴ that is associated with the government and (2) the total of the government's proportionate share (amount) of the collective total OPEB liability and the portion of the nonemployer contributing entities' total proportionate share of the collective total OPEB liability that is associated with the government.

- b. The government's proportion (percentage) of the collective total OPEB liability, the basis on which its proportion was determined, and the change in its proportion since the prior measurement date.
- c. The measurement date of the collective total OPEB liability; the date of the actuarial valuation or alternative measurement method calculation on which the collective total OPEB liability is based; and, if applicable, the fact that update procedures were used to roll forward the collective total OPEB liability to the measurement date. If the alternative measurement method permitted by this Statement is used to measure the collective total OPEB liability, the fact that this alternative method was used in place of an actuarial valuation also should be disclosed.
- d. A brief description of changes of assumptions or other inputs that affected measurement of the collective total OPEB liability since the prior measurement date.
- e. A brief description of changes of benefit terms that affected measurement of the collective total OPEB liability since the prior measurement date.
- f. A brief description of the nature of changes between the measurement date of the collective total OPEB liability and the government's reporting date that are expected to have a significant effect on the government's proportionate share of the collective total OPEB liability, and the amount of the expected resultant change in the government's proportionate share of the collective total OPEB liability, if known.
- g. The amount of expense recognized by the government in the reporting period.
- h. The government's balances of deferred outflows of resources and deferred inflows of resources related to OPEB, classified as follows, if applicable:
 - (1) Differences between expected and actual experience in the measurement of the collective total OPEB liability
 - (2) Changes of assumptions or other inputs
 - (3) Changes in the government's proportion (paragraph 178) and differ-

³⁴The requirements of paragraphs 203–205 address measurement by *governmental* nonemployer contributing entities. For purposes of paragraph 190, the requirements of those paragraphs also apply to the determination of the proportionate share of the collective total OPEB liability attributed to a *nongovernmental* nonemployer contributing entity in a special funding situation.

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- ences between (a) the amounts paid by the government for OPEB as the benefits came due and (b) the government's proportionate share of the total of certain payments by all entities that make benefit payments (paragraph 179)
- (4) Amounts associated with transactions subsequent to the measurement date of the collective total OPEB liability.
 - i. A schedule presenting the following:
 - (1) For each of the subsequent five years, and in the aggregate thereafter, the net amount of the government's balances of deferred outflows of resources and deferred inflows of resources in subparagraph (h) that will be recognized in the government's expense
 - (2) The amount of the government's balance of deferred outflows of resources in subparagraph (h) that will be included as a reduction of the collective total OPEB liability.
 - j. The amount of revenue recognized for the support provided by nonemployer contributing entities (see paragraphs 182 and 183), if any.

Required supplementary information

191. A 10-year schedule with the information identified in subparagraphs (a) and (b), as applicable, should be presented in required supplementary information. Information should be presented separately for each defined benefit OPEB plan in which the government participates. The information should be determined as of the measurement date of the collective total OPEB liability.

- a. If the government does not have a special funding situation:
 - (1) The government's proportion (percentage) of the collective total OPEB liability
 - (2) The government's proportionate share (amount) of the collective total OPEB liability
 - (3) The government's covered-employee payroll
 - (4) The government's proportionate share (amount) of the collective total OPEB liability as a percentage of the government's covered-employee payroll
- b. If the government has a special funding situation:
 - (1) The government's proportion (percentage) of the collective total OPEB liability
 - (2) The government's proportionate share (amount) of the collective total OPEB liability

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- (3) The portion of the nonemployer contributing entities' total proportionate share (amount) of the collective total OPEB liability³⁵ that is associated with the government
- (4) The total of (2) and (3)
- (5) The government's covered-employee payroll
- (6) The government's proportionate share (amount) of the collective total OPEB liability as a percentage of the government's covered-employee payroll.

Notes to the Required Schedule

192. The following information should be presented as notes to the schedule required by paragraph 191a or paragraph 191b:

- a. The fact that there are no assets accumulated in a trust that meets the criteria in paragraph 4 to pay related benefits.
- b. Information about factors that significantly affect trends in the amounts reported—for example, changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions. (The amounts presented for prior years should not be restated for the effects of changes—for example, changes of benefit terms or changes of assumptions—that occurred subsequent to the measurement date of that information.)

³⁵The requirements of paragraphs 203–205 address measurement by *governmental* nonemployer contributing entities. For purposes of paragraph 191, the requirements of those paragraphs also apply to the determination of the proportionate share of the collective total OPEB liability attributed to a *nongovernmental* nonemployer contributing entity in a special funding situation.

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Special Funding Situations***

Special funding situations³⁶

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

193. A liability should be recognized for the employer's proportionate share of the collective total OPEB liability. The employer's proportionate share of the collective total OPEB liability should be measured as the collective total OPEB liability (determined in conformity with paragraphs 146–156), net of the non-employer contributing entities' total proportionate share of the collective total OPEB liability (determined in conformity with paragraphs 203–205).³⁷

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

194. OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB should be recognized for the items in paragraphs 195–199, as applicable. The effects of items in paragraphs 196 and 197 may be recognized on a net basis.

Proportionate share

195. OPEB expense should be recognized in an amount equal to collective OPEB expense. Deferred outflows of resources and deferred inflows of resources related to OPEB should be recognized for the employer's proportionate shares of collective deferred outflows of resources and deferred inflows of resources related to OPEB. Collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB should

³⁶Employers that are required to apply paragraphs 172–192 should not apply paragraphs 193–202.

³⁷The requirements of paragraphs 203–205 address measurement by *governmental* nonemployer contributing entities. For purposes of paragraph 193, the requirements of those paragraphs also apply to the determination of the proportionate share of the collective total OPEB liability attributed to a *nongovernmental* nonemployer contributing entity in a special funding situation.

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Special Funding Situations***

be determined in conformity with paragraph 157, excluding subparagraph (c). The employer's proportionate shares should be determined using the employer's proportion of the collective total OPEB liability—the ratio of (a) the employer's proportionate share of the collective total OPEB liability (paragraph 193) to (b) the collective total OPEB liability (paragraphs 146–156).

Change in proportion

196. If there is a change in the employer's proportion of the collective total OPEB liability since the prior measurement date, the net effect of that change on the employer's proportionate shares of the collective total OPEB liability and collective deferred outflows of resources and deferred inflows of resources related to OPEB, determined as of the beginning of the measurement period, should be recognized in the employer's OPEB expense, beginning in the current reporting period, using a systematic and rational method over a closed period. For this purpose, the length of the expense recognition period should be equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period. The amount not recognized in the employer's OPEB expense should be reported as a deferred outflow of resources or deferred inflow of resources related to OPEB.

Amounts for OPEB during the measurement period

197. For amounts that are paid for OPEB as the benefits come due, the difference during the measurement period between (a) the total amount of such payments from the employer (and amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation) and (b) the amount of the employer's proportionate share of the total of such payments from the employer and all nonemployer contributing entities should be recognized in the employer's OPEB expense beginning in the current reporting period, using a systematic and rational method over a closed period. For this purpose, the length of the expense recognition period should be equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period. The amount not recognized in the employer's OPEB expense should be reported as a deferred outflow of resources or deferred inflow of resources related to OPEB.

Defined Benefit—Does Not Meet Paragraph 4 Special Funding Situations

198. OPEB expense also should be recognized in the current reporting period for costs related to the administration of OPEB, including costs incurred by the employer (determined in conformity with paragraph 158), and costs, if any, incurred by nonemployer contributing entities (determined in conformity with paragraph 210).³⁸

Amounts for OPEB subsequent to the measurement date

199. Deferred outflows of resources related to OPEB should be reported for (a) amounts paid by the employer for OPEB as the benefits come due subsequent to the measurement date of the collective total OPEB liability and before the end of the employer's reporting period (excluding amounts associated with the employer from nonemployer contributing entities) and (b) amounts incurred by the employer for OPEB administrative expenses subsequent to the measurement date of the collective total OPEB liability and before the end of the employer's reporting period.

Support of Nonemployer Contributing Entities in a Special Funding Situation

200. Revenue should be recognized in an amount equal to the total of (a) the nonemployer contributing entities' total proportionate share of collective OPEB expense (measured in conformity with paragraph 207) and (b) the total of nonemployer contributing entities' expense measured in conformity with paragraph 210.³⁹

³⁸The requirements of paragraph 210 address measurement by *governmental* nonemployer contributing entities. For purposes of paragraph 198, the requirements of paragraph 210 also apply to the determination of expense attributed to a *nongovernmental* nonemployer contributing entity in a special funding situation.

³⁹The requirements of paragraphs 207 and 210 address measurement by *governmental* nonemployer contributing entities. For purposes of paragraph 200, the requirements of paragraphs 207 and 210 also apply to the determination of expense attributed to a *nongovernmental* nonemployer contributing entity in a special funding situation.

Support of Nonemployer Contributing Entities Not in a Special Funding Situation

201. If an employer that has a special funding situation also receives support from nonemployer contributing entities that are not in a special funding situation, revenue should be recognized in an amount equal to the amount of benefit payments made during the measurement period by nonemployer contributing entities not in a special funding situation.

Additional Requirements

202. The requirements in paragraphs 161–171 for recognition in financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, notes to financial statements, and required supplementary information should be applied.

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

203. A liability should be recognized for the governmental nonemployer contributing entity's proportionate share of the collective total OPEB liability, measured as of a date (measurement date) no earlier than the end of the governmental nonemployer contributing entity's prior fiscal year and no later than the end of the governmental nonemployer contributing entity's current fiscal year, consistently applied from period to period. The governmental nonemployer contributing entity's proportionate share of the collective total OPEB liability should be measured by:

- a. Determining the governmental nonemployer contributing entity's proportion—a measure of the proportionate relationship of (1) the governmental nonemployer contributing entity to (2) the employer and all nonemployer contributing entities. The basis for the governmental nonemployer contributing entity's proportion should be consistent with the manner in which the amounts that are paid as benefits come due are determined. The use of the governmental nonemployer contributing entity's projected payments as benefits come due over the long term as compared to the total

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Special Funding Situations***

projected payments of the employer and all nonemployer contributing entities as benefits come due over the long term to determine the governmental nonemployer contributing entity's proportion is encouraged.

- b. Multiplying the portion of the collective total OPEB liability (determined in conformity with paragraphs 146–156) by the governmental nonemployer contributing entity's proportion calculated in (a).

204. To the extent that the employer and the governmental nonemployer contributing entity have different financing responsibilities for differently defined benefit payments (for example, payments to different classes or groups of employees), the determination of the governmental nonemployer contributing entity's proportionate share of the collective total OPEB liability should be made in a manner that reflects those separate relationships.

205. The governmental nonemployer contributing entity's proportion should be established as of the measurement date, unless its proportion is actuarially determined, in which case a proportion established at the date of the actuarial valuation used to determine the collective total OPEB liability may be used.

Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

206. Expense and deferred outflows of resources and deferred inflows of resources should be recognized for the items in paragraphs 207–211, as applicable. The effects of items in paragraphs 208 and 209 may be recognized on a net basis. A governmental nonemployer contributing entity should classify its expense as a result of a special funding situation in the same manner as it classifies similar grants to other entities.

Proportionate share

207. Expense, as well as deferred outflows of resources and deferred inflows of resources, should be recognized for the governmental nonemployer contributing entity's proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB. Collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB should be determined in conformity with paragraph 157, excluding subparagraph (c). The governmental nonemployer contributing entity's proportionate shares should be determined using the governmental nonemployer contributing entity's proportion of the collective total OPEB liability.

Change in proportion

208. If there is a change in the governmental nonemployer contributing entity's proportion of the collective total OPEB liability since the prior measurement date, the net effect of that change on the governmental nonemployer contributing entity's proportionate shares of the collective total OPEB liability and collective deferred outflows of resources and deferred inflows of resources related to OPEB, determined as of the beginning of the measurement period, should be recognized in the governmental nonemployer contributing entity's expense, beginning in the current reporting period, using a systematic and rational method over a closed period. For this purpose, the length of the expense recognition period should be equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period. The amount not recognized in the governmental nonemployer contributing entity's expense should be reported as a deferred outflow of resources or deferred inflow of resources.

Amounts for OPEB during the measurement period

209. For amounts that are paid for OPEB as the benefits come due, the difference during the measurement period between (a) the total amount of such payments from the governmental nonemployer contributing entity and (b) the amount of the entity's proportionate share of the total of such payments from the employer and all nonemployer contributing entities should be recognized in the governmental nonemployer contributing entity's expense, beginning in the current reporting period, using a systematic and rational method over a closed period. For this purpose, the length of the expense recognition period should be equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period. The amount not recognized in the governmental nonemployer contributing entity's expense should be reported as a deferred outflow of resources or deferred inflow of resources.

210. Expense also should be recognized in the current reporting period for costs incurred by the governmental nonemployer contributing entity related to the administration of OPEB. The measurement period for these costs should be the same as the measurement period applied to changes in the collective total OPEB liability for purposes of determining collective OPEB expense in conformity with paragraph 207.

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Amounts for OPEB subsequent to the measurement date

211. Deferred outflows of resources should be reported for (a) amounts paid by the governmental nonemployer contributing entity for OPEB as the benefits come due subsequent to the measurement date of the collective total OPEB liability and before the end of the governmental nonemployer contributing entity's reporting period and (b) amounts incurred by the governmental nonemployer contributing entity for OPEB administrative expenses subsequent to the measurement date of the collective total OPEB liability and before the end of the governmental nonemployer contributing entity's reporting period.

Recognition in Financial Statements Prepared Using the Current Financial Resources Measurement Focus and Modified Accrual Basis of Accounting

212. In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, a governmental nonemployer contributing entity's proportionate share of the collective total OPEB liability should be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. Expenditures should be recognized equal to the total of (a) amounts paid by the governmental nonemployer contributing entity for OPEB as the benefits come due and (b) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. A total OPEB liability is normally expected to be liquidated with expendable available financial resources to the extent that benefit payments have matured—that is, benefit payments are due and payable. Expenditures should be classified in the same manner as the governmental nonemployer contributing entity classifies similar grants to other entities.

Notes to Financial Statements and Required Supplementary Information

***Governmental Nonemployer Contributing Entities That Recognize a
Substantial Proportion of the Collective Total OPEB Liability***

213. The information identified in paragraphs 214–217 should be disclosed, and information required in paragraphs 218 and 219 should be presented as required supplementary information, 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. Disclosures related to more than one OPEB plan should be combined in a manner that avoids unnecessary duplication.

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Special Funding Situations***

Notes to financial statements

OPEB plan description

214. The following information should be disclosed about the OPEB plan through which benefits are provided:

- a. The name of the OPEB plan, identification of the entity that administers the OPEB plan, and identification of the OPEB plan as a single-employer or multiple-employer defined benefit OPEB plan.
- b. A brief description of the benefit terms, including (1) the classes of employees covered; (2) the types of benefits; (3) the key elements of the OPEB formulas; (4) the terms or policies, if any, with respect to automatic post-employment benefit changes, including automatic COLAs, ad hoc post-employment benefit changes, including ad hoc COLAs, and the sharing of benefit-related costs with inactive employees; and (5) the authority under which benefit terms are established or may be amended. If the OPEB plan is closed to new entrants, that fact should be disclosed.
- c. The fact that there are no assets accumulated in a trust that meets the criteria in paragraph 4. If OPEB is provided through an OPEB plan that is administered through a trust and that trust does not meet the criteria in paragraph 4, each criterion in paragraph 4 that the trust does not meet should be disclosed.
- d. Identification of the authority under which requirements for the employer and nonemployer contributing entities to pay OPEB as the benefits come due are established or may be amended. Also, the amount paid by the governmental nonemployer contributing entity for OPEB as the benefits came due during the reporting period, if not otherwise disclosed.

Additional information

215. Significant assumptions and other inputs used to measure the collective total OPEB liability, including assumptions about inflation, healthcare cost trend rates, salary changes, ad hoc postemployment benefit changes (including ad hoc COLAs), and the sharing of benefit-related costs with inactive employees, should be disclosed, as applicable. With regard to the sharing of benefit-related costs, if projections are based on an established pattern of practice, that fact should be disclosed. With regard to mortality assumptions, the source of the assumptions (for example, the published tables on which the assumption is based or that the assumptions are based on a study of the experience of the covered group) should be disclosed. The dates of experience studies on which

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significant assumptions are based also should be disclosed. For all significant assumptions, if different rates are assumed for different periods, information should be disclosed about what rates are applied to the different periods of the measurement. With regard to the discount rate, the rate applied in the measurement and the source of that rate should be disclosed. In addition, if the alternative measurement method is used to measure the collective total OPEB liability, the source of or basis for all significant assumptions selected in conformity with paragraph 225 should be disclosed.

216. Measures of the governmental nonemployer contributing entity's proportionate share of the collective total OPEB liability calculated using each of the following rates:

- a. If applicable, a healthcare cost trend rate that is 1-percentage-point higher than the assumed healthcare cost trend rate and a healthcare cost trend rate that is 1-percentage-point lower than the assumed healthcare cost trend rate
- b. A discount rate that is 1-percentage-point higher than that required by paragraph 155, and a discount rate that is 1-percentage-point lower than that required by paragraph 155.

217. The following additional information should be disclosed, if applicable:

- a. The governmental nonemployer contributing entity's proportionate share (amount) of the collective total OPEB liability, its proportion (percentage) of the collective total OPEB liability, the basis on which its proportion was determined, and the change in its proportion since the prior measurement date.
- b. The measurement date of the collective total OPEB liability; the date of the actuarial valuation or alternative measurement method calculation on which the collective total OPEB liability is based; and, if applicable, the fact that update procedures were used to roll forward the collective total OPEB liability to the measurement date. If the alternative measurement method permitted by this Statement is used to measure the collective total OPEB liability, the fact that this alternative method was used in place of an actuarial valuation also should be disclosed.
- c. A brief description of changes of assumptions or other inputs that affected measurement of the collective total OPEB liability since the prior measurement date.
- d. A brief description of changes of benefit terms that affected measurement of the collective total OPEB liability since the prior measurement date.

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Special Funding Situations***

- e. A brief description of the nature of changes between the measurement date of the collective total OPEB liability and the governmental nonemployer contributing entity's reporting date that are expected to have a significant effect on the governmental nonemployer contributing entity's proportionate share of the collective total OPEB liability, and the amount of the expected resultant change in the governmental nonemployer contributing entity's proportionate share of the collective total OPEB liability, if known.
- f. The amount of expense recognized by the governmental nonemployer contributing entity in the reporting period as a result of the special funding situation.
- g. The governmental nonemployer contributing entity's balances of deferred outflows of resources and deferred inflows of resources as a result of the special funding situation, classified as follows, if applicable:
 - (1) Differences between expected and actual experience in the measurement of the collective total OPEB liability
 - (2) Changes of assumptions or other inputs
 - (3) Changes in the governmental nonemployer contributing entity's proportion (paragraph 208) and differences between (a) the amounts paid by the governmental nonemployer contributing entity for OPEB as the benefits came due and (b) the governmental nonemployer contributing entity's proportionate share of the total of certain payments by all employers and nonemployer contributing entities (paragraph 209)
 - (4) Amounts associated with transactions paid by the governmental nonemployer contributing entity for OPEB as the benefits came due subsequent to the measurement date of the collective total OPEB liability.
- h. A schedule presenting the following:
 - (1) For each of the subsequent five years, and in the aggregate thereafter, the net amount of the governmental nonemployer contributing entity's balances of deferred outflows of resources and deferred inflows of resources in subparagraph (g) that will be recognized in the governmental nonemployer contributing entity's expense
 - (2) The amount of the governmental nonemployer contributing entity's balance of deferred outflows of resources in subparagraph (g) that will be included as a reduction of the collective total OPEB liability.

Required supplementary information

218. A 10-year schedule with the information identified in subparagraphs (a) and (b) should be presented in required supplementary information. Information should be presented separately for each defined benefit OPEB plan for which

***Defined Benefit—Does Not Meet Paragraph 4
Special Funding Situations***

the governmental nonemployer contributing entity recognizes a substantial proportion of the collective total OPEB liability. The information should be determined as of the measurement date of the collective total OPEB liability.

- a. The governmental nonemployer contributing entity's proportion (percentage) of the collective total OPEB liability
- b. The governmental nonemployer contributing entity's proportionate share (amount) of the collective total OPEB liability.

Notes to the required schedule

219. The following information should be presented as notes to the schedule required by paragraph 218:

- a. The fact that there are no assets accumulated in a trust that meets the criteria in paragraph 4 to pay related benefits.
- b. Information about factors that significantly affect trends in the amounts reported—for example, changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions. (The amounts presented for prior years should not be restated for the effects of changes—for example, changes of benefit terms or changes of assumptions—that occurred subsequent to the measurement date of that information.)

***Governmental Nonemployer Contributing Entities That Recognize a
Less-Than-Substantial Proportion of the Collective Total OPEB Liability***

Notes to financial statements

220. The information identified in this paragraph should be disclosed for benefits provided through each defined benefit OPEB plan for which the governmental nonemployer contributing entity recognizes a less-than-substantial proportion of the collective total OPEB liability. If the governmental nonemployer contributing entity recognizes more than one such liability, information may be presented in the aggregate for all such liabilities.

- a. The name of the OPEB plan through which benefits are provided, identification of the entity that administers the OPEB plan, and identification of the OPEB plan as a single-employer or multiple-employer OPEB plan.

***Defined Benefit—Does Not Meet Paragraph 4
Special Funding Situations***

- b. The fact that there are no assets accumulated in a trust that meets the criteria in paragraph 4. If OPEB is provided through an OPEB plan that is administered through a trust and that trust does not meet the criteria in paragraph 4, each criterion in paragraph 4 that the trust does not meet should be disclosed.
- c. Identification of the authority under which requirements for the governmental nonemployer contributing entity to pay OPEB as the benefits come due are established or may be amended. Also, the amount paid by the governmental nonemployer contributing entity for OPEB as the benefits came due during the reporting period, if not otherwise disclosed.
- d. The governmental nonemployer contributing entity's proportionate share (amount) of the collective total OPEB liability, its proportion (percentage) of the collective total OPEB liability, the basis on which its proportion was determined, and the change, if any, in its proportion since the prior measurement date.
- e. The amount of expense recognized by the governmental nonemployer contributing entity in the reporting period as a result of the special funding situation, and its balances of deferred outflows of resources and deferred inflows of resources as a result of the special funding situation.

Required supplementary information

221. For benefits provided through each defined benefit OPEB plan for which the governmental nonemployer contributing entity recognizes a less-than-substantial proportion of the collective total OPEB liability, the governmental nonemployer contributing entity's proportionate share (amount) of the collective total OPEB liability should be presented in a 10-year schedule in required supplementary information. If a governmental nonemployer contributing entity recognizes more than one such liability, the information for each year may be presented in the aggregate for all such liabilities.

***Defined Benefit—Does Not Meet Paragraph 4
Special Funding Situations***

Circumstances in which a nonemployer entity's legal obligation for defined benefit payments does not meet the definition of a special funding situation

Employers

222. In circumstances in which a nonemployer entity has a legal obligation to make benefit payments directly as they come due through a defined benefit OPEB plan used to provide OPEB to employees of another entity but that entity's involvement does not meet the criterion in either paragraph 18a or paragraph 18b, the employer should apply the requirements of paragraphs 146–192, as applicable, for employers that do not have a special funding situation.

Governmental nonemployer contributing entities

223. Expense/expenditures for payments of OPEB as the benefits come due should be classified in the same manner as the entity classifies similar grants to other entities.

Alternative Measurement Method

224. In place of an actuarial valuation, the total OPEB liability⁴⁰ may be measured using the alternative measurement method discussed in paragraphs 225 and 226 if fewer than 100 employees (active and inactive) are provided with benefits through the OPEB plan as of the beginning of the measurement period.

225. If the alternative measurement method is used, one or more of the specific modifications discussed in this paragraph may be incorporated into application of the requirements of paragraphs 27–42, 70–85, or 146–156, as applicable:

⁴⁰For purposes of applying paragraphs 224–226, the term *total OPEB liability* applies to 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 and (a) is used to provide benefits to the employees of a primary government and its component units or (b) in which there is a special funding situation.

Defined Benefit—Alternative Measurement Method

- a. *General considerations.* Assumptions other than those specifically identified in this Statement might be needed depending on the benefits provided. Assumptions generally should be based on the actual experience of the covered group, to the extent that credible experience data are available, but should emphasize expected long-term future trends rather than give undue weight to recent past experience. However, grouping techniques that base the selection of assumptions on combined experience data for similar plans may be used, as discussed in subparagraph (i) of this paragraph. The reasonableness of each assumption should be considered independently based on its own merits and its consistency with each other assumption. For example, each assumption of which general inflation is a component should include the same assumption with regard to that component. In addition, consideration should be given to the reasonableness of the combined impact of all assumptions.
- b. *Expected point in time at which benefit payments will begin to be made.* The assumption should reflect past experience and future expectations for the covered group. For active employees covered under the terms of the OPEB plan, the assumption may incorporate (1) a single assumed age at which benefit payments will begin to be made or (2) an assumption that benefit payments will begin to be made upon attaining a certain number of years of service.
- c. *Marital and dependency status.* These assumptions may be based 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.
- d. *Mortality.* The assumption should be based on current published mortality tables.
- e. *Turnover.* For purposes of allocating the present value of projected benefit payments to periods, the assumed probability that an active employee covered under the terms of the OPEB plan will remain employed until the assumed age at which benefit payments will begin to be made generally should be based on the historical age-based turnover experience of the covered group, adjusted for any expected long-term future trends using the calculation method identified in paragraph 226a. However, if experience data are not available, the probability of remaining employed until the assumed age at which benefit payments will begin to be made should be assigned using the method identified in paragraph 226b.
- f. *Healthcare cost trend rate.* Assumptions about changes in healthcare cost in future periods for which benefit payments are projected should be derived from an objective source.

Defined Benefit—Alternative Measurement Method

- g. *Use of health insurance premiums.* If experience-rated healthcare benefits are provided through premium payments to an insurer or other service provider, the OPEB plan's current premium structure may be used as the initial per capita healthcare rates for the purpose of projecting healthcare benefit payments. However, if the same premium rates are given for both active employees and inactive employees, age-adjusted premium rates for inactive employees should be obtained from the insurer or, if that information cannot be obtained from the insurer, age-adjusted premiums for inactive employees should be estimated using the method identified in paragraph 226c.
- h. *Coverage options.* If the terms of an OPEB plan provide inactive employees with coverage options, assumptions regarding coverage choices should be based on the experience of the covered group, considering differences, if any, in choices of pre- and post-Medicare-eligible employees.
- i. *Use of grouping.* Grouping techniques may be used. One such technique is to group employees covered under the terms of the OPEB plan based on common demographic characteristics (for example, employees within a range of ages or years of service), when the obligation for each employee in the group is expected to be similar for commonly grouped individuals. Another technique is to group OPEB plans with similar expected costs and benefits.

226. The following calculation methods and default values should be used, if applicable, to meet the requirements of (a) paragraph 225e to determine the probability that active employees covered under the terms of the OPEB plan will remain employed until the expected point in time that benefit payments will begin to be made and (b) paragraph 225g to determine age-adjusted premiums for inactive employees receiving benefits through the OPEB plan.

- a. For purposes of applying the requirements of paragraph 225e, if historical age-based turnover experience of the covered group is used, the following

Defined Benefit—Alternative Measurement Method

methodology should be used to calculate the probability of remaining employed until the assumed age at which benefit payments will begin to be made:

Age	Probability of Termination in Next Year (a)	Probability of Remaining Employed for Next Year (b)	Probability of Remaining Employed from Earliest Entry Age to Beginning of Year (c)	Probability of Remaining Employed from Age Shown to Assumed Age at Which Benefit Payments Will Begin to Be Made (d)
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Column a: For each age (n) from the earliest entry age to assumed age at which benefit payments will begin to be made, list the age-based *probability of termination in the next year* for the covered group.

Column b: Compute the *probability at each age of remaining employed for the next year*. This value should be calculated as $1 - a$.

Column c: Set the initial value in column c to equal 1.000. For each subsequent age (n), column c values should be calculated as:
 $c_{(n-1)} \times b_{(n-1)}$.

Column d: For each age (n), these values should be calculated as the product of the values in column b from age n to the year prior to the assumed age at which benefit payments will begin to be made.

- b. For purposes of applying the requirements of paragraph 225e, if historical age-based turnover experience of the covered group is not used, historical age-based turnover should be derived from either:
 - (1) Data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System
 - (2) Data maintained by another entity, such as a public employee retirement system, which includes the covered group.
- c. For purposes of applying the requirements of paragraph 225g, when the same premiums are charged to active employees and inactive employees and age-adjusted premium information for inactive employees is not able to be obtained from the insurer or service provider, the following approach

Defined Benefit—Alternative Measurement Method

should be used to age-adjust premiums for purposes of projecting benefit payments:

- (1) To adjust premiums for ages under 65:
 - (a) Identify the premium charged for active and inactive employees under age 65.
 - (b) Calculate the average age of the employees to which the premium identified in step a applies.
 - (c) For each employee under age 65, identify the greater of expected age at which benefit payments will begin to be made or current age.
 - (d) Calculate the average of the ages identified in step c.
 - (e) Calculate the midpoint age between the result of step d and age 65: result of step d + $[0.5 (65 - \text{result of step d})]$.
 - (f) Using the results of steps b and e, calculate a factor with the following formula: $1.04^{(\text{result of step e} - \text{result of step b})}$.
 - (g) Multiply the factor identified in step f by the premium identified in step a. The result is the current-year age-adjusted premium that should be used as the basis for projecting benefit payments for ages under age 65.
- (2) To adjust premiums for ages 65 or older:⁴¹
 - (a) Identify the premium charged for active and inactive employees age 65 or older.
 - (b) Calculate the average age of the employees to which the premium identified in step a applies.
 - (c) For each employee (whether age pre-65 or age 65 or older), identify the greater of current age or age 65.
 - (d) Calculate the average of the ages identified in step c.
 - (e) Calculate the average life expectancy of all employees.
 - (f) Calculate the midpoint age between the result of step d and the result of step e: result of step d + $[0.5 \times (\text{result of step e} - \text{result of step d})]$.
 - (g) Using the results of steps b and f, calculate a factor with the following formula: $1.04^{(64 - \text{result of step b})} \times 1.03^{(\text{result of step f} - 64)}$ (for plans with no Medicare coordination) or $0.5 \times 1.04^{(64 - \text{result of step b})} \times 1.03^{(\text{result of step f} - 64)}$ (for plans with Medicare coordination).

⁴¹The procedures described in paragraph 226c(2) would be applied only in cases in which inactive employees age 65 or older are included in a single, blended premium assessed by the insurer or service provider for active and inactive employees. If separate rates are assessed for inactive employees age 65 or older, preparers would follow the steps in paragraph 226c(1) for age-adjusting blended premiums for under age 65 and would use the separately assessed premium rates (without additional age adjustment) for age 65 or older.

- (h) Multiply the factor identified in step g by the premium identified in step a. The result is the current-year age-adjusted premium that should be used as the basis for projecting benefit payments for age 65 or older.

Insured Benefits

227. In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, an employer that provides OPEB through an insured plan should recognize (a) OPEB expense equal to the amount of premiums or other payments required for the reporting period in accordance with the agreement with the insurance company for such OPEB and (b) a change in the liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer.

228. In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, OPEB expenditures related to insured benefits should be recognized equal to the total of (a) the amount of premiums paid or other payments made by the employer to the insurer and (b) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. A liability for insured benefits is normally expected to be liquidated with expendable available financial resources to the extent that the payments are due and payable pursuant to legal requirements, including contractual arrangements.

Notes to Financial Statements

229. An employer that provides OPEB through an insured plan should disclose the following information in notes to financial statements:

- a. A brief description of the insured benefits, including the benefit provisions and the authority under which the benefit provisions are established or may be amended
- b. The fact that the obligation for the payment of benefits has been effectively transferred from the employer to one or more insurance companies
- c. Whether the employer retains an obligation for benefits in the event of the insurance company's insolvency
- d. The current-year OPEB expense/expenditure for the insured benefits.

Defined Contribution OPEB

Employers That Do Not Have a Special Funding Situation

230. Except as provided in paragraph 241, in financial statements prepared using the economic resources measurement focus and accrual basis of accounting, the following should be recognized by employers that do not have a special funding situation for defined contribution OPEB:

- a. OPEB expense equal to the amount of contributions or credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period, net of forfeited amounts that are removed from employees' accounts. Amounts that are reallocated to the accounts of other employees should not be considered forfeited amounts for this purpose.
- b. A change in the OPEB liability equal to the following:
 - (1) If the OPEB is provided through a defined contribution OPEB plan that is administered through a trust that meets the criteria in paragraph 4, the difference between amounts recognized as OPEB expense and amounts paid by the employer to the OPEB plan
 - (2) If the OPEB is provided through a defined contribution OPEB plan that is not administered through a trust that meets the criteria in paragraph 4, the difference between amounts recognized as OPEB expense and amounts paid by the employer as the benefits come due during the fiscal year.

231. In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, OPEB expenditures should be recognized equal to the total of (a) amounts paid by the employer for OPEB as the benefits come due and (b) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. A liability for defined contribution OPEB should be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. A liability for defined contribution OPEB is normally expected to be liquidated with expendable available financial resources to the extent that contributions are due and payable pursuant to legal requirements, including contractual arrangements.

232. Liabilities for defined contribution OPEB provided through different OPEB plans may be displayed in the aggregate, and assets for defined contribution OPEB provided through different OPEB plans that are administered through trusts that meet the criteria in paragraph 4 may be displayed in the aggregate. Aggregated OPEB liabilities should be displayed separately from aggregated OPEB assets.

Notes to Financial Statements

233. The following information should be disclosed in notes to financial statements about each defined contribution OPEB plan to which an employer is required to contribute:

- a. The name of the OPEB plan, identification of the entity that administers the OPEB plan, and identification of the OPEB plan as a defined contribution OPEB plan.
- b. A brief description of the benefit terms (including terms, if any, related to vesting and forfeitures and the policy related to the use of forfeited amounts) and the authority under which benefit terms are established or may be amended.
- c. If the OPEB is provided through a defined contribution OPEB plan that is administered through a trust that meets the criteria in paragraph 4, the contribution (or crediting) rates (in dollars or as a percentage of salary) for employees, the employer, and nonemployer contributing entities, if any, and the authority under which those rates are established or may be amended.
- d. If the OPEB is provided through a defined contribution OPEB plan that is not administered through a trust that meets the criteria in paragraph 4:
 - (1) The fact that there are no assets accumulated in a trust that meets the criteria in paragraph 4. If OPEB is provided through an OPEB plan that is administered through a trust and that trust does not meet the criteria in paragraph 4, each criterion in paragraph 4 that the trust does not meet should be disclosed.
 - (2) Identification of the authority under which requirements for the employer and nonemployer contributing entities, if any, to pay OPEB as the benefits come due are established or may be amended. Also, the amount paid by the employer for OPEB as the benefits came due during the reporting period, if not otherwise disclosed.
- e. The amount of OPEB expense recognized by the employer in the reporting period.

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- f. The amount of forfeitures reflected in OPEB expense recognized by the employer in the reporting period.
- g. The amount of the employer's liability outstanding at the end of the period, if any.

Special Funding Situations

Employers

234. In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, the following should be recognized:

- a. OPEB expense equal to the employer's share of the amount of contributions or credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period, net of forfeited amounts that are removed from employees' accounts. Amounts that are reallocated to the accounts of other employees should not be considered forfeited amounts for this purpose.
- b. A change in the OPEB liability equal to the following:
 - (1) If the OPEB is provided through a defined contribution OPEB plan that is administered through a trust that meets the criteria in paragraph 4, the difference between amounts recognized as OPEB expense in conformity with subparagraph (a) and amounts paid by the employer to the OPEB plan
 - (2) If the OPEB is provided through a defined contribution OPEB plan that is not administered through a trust that meets the criteria in paragraph 4, the difference between amounts recognized as OPEB expense in conformity with subparagraph (a) and amounts paid by the employer for OPEB as the benefits come due during the fiscal year.
- c. Additional OPEB expense for the amount of expense recognized by non-employer contributing entities for OPEB provided through the OPEB plan, determined in conformity with paragraph 236.⁴²
- d. Revenue equal to the amount of expense recognized by nonemployer contributing entities for OPEB provided through the OPEB plan, determined in conformity with paragraph 236.

⁴²The requirements of paragraph 236 address *governmental* nonemployer contributing entities. For purposes of paragraph 234, the requirements of that paragraph also apply to the determination of the expense attributed to a *nongovernmental* nonemployer contributing entity in a special funding situation.

235. The requirements in paragraphs 231–233 for recognition in financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, financial statement display, and notes to financial statements should be applied. In addition, the employer should disclose (a) the proportion of the total OPEB expense for OPEB provided through the OPEB plan that is represented by the employer’s expense and (b) the amount of revenue recognized for the support provided by nonemployer contributing entities.

Governmental Nonemployer Contributing Entities

236. In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, the following should be recognized:

- a. Expense equal to the governmental nonemployer contributing entity’s share of the amount of contributions or credits to employees’ accounts that are defined by the benefit terms as attributed to employees’ services in the period, net of forfeited amounts that are removed from employees’ accounts. Amounts that are reallocated to the accounts of other employees should not be considered forfeited amounts for this purpose. Expense should be classified in the same manner as the governmental nonemployer contributing entity classifies similar grants to other entities.
- b. A change in the liability resulting from the special funding situation equal to the following:
 - (1) If the OPEB is provided through a defined contribution OPEB plan that is administered through a trust that meets the criteria in paragraph 4, the difference between amounts recognized as expense and amounts paid by the governmental nonemployer contributing entity to the OPEB plan
 - (2) If the OPEB is provided through a defined contribution OPEB plan that is not administered through a trust that meets the criteria in paragraph 4, the difference between amounts recognized as expense and amounts paid by the governmental nonemployer contributing entity as the benefits come due during the governmental nonemployer contributing entity’s fiscal year.

237. In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, expenditures should be recognized equal to the total of (a) amounts paid by the governmental nonemployer contributing entity for OPEB as the benefits come due and (b) the change between the beginning and ending balances of amounts normally

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expected to be liquidated with expendable available financial resources. A liability resulting from a special funding situation for defined contribution OPEB should be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. A liability for defined contribution OPEB is normally expected to be liquidated with expendable available financial resources to the extent that contributions are due and payable pursuant to legal requirements, including contractual arrangements. Expenditures should be classified in the same manner as the governmental nonemployer contributing entity classifies similar grants to other entities.

238. Liabilities resulting from special funding situations for defined contribution OPEB provided through different OPEB plans may be displayed in the aggregate, and assets resulting from special funding situations for defined contribution OPEB provided through different OPEB plans that are administered through trusts that meet the criteria in paragraph 4 may be displayed in the aggregate. Aggregated liabilities should be displayed separately from aggregated assets.

Notes to financial statements

239. The following information should be disclosed in notes to financial statements about each defined contribution OPEB plan to which a governmental nonemployer contributing entity is required to contribute a *substantial* proportion of the total contributions from the employer and nonemployer contributing entities:

- a. The name of the OPEB plan, identification of the entity that administers the OPEB plan, and identification of the OPEB plan as a defined contribution OPEB plan.
- b. A brief description of the benefit terms (including terms, if any, related to vesting and forfeitures and the policy related to the use of forfeited amounts) and the authority under which benefit terms are established or may be amended.
- c. If the OPEB is provided through a defined contribution OPEB plan that is administered through a trust that meets the criteria in paragraph 4, the contribution (or crediting) rates (in dollars or as a percentage of salary) for employees, the employer, and nonemployer contributing entities, and the authority under which those rates are established or may be amended.

- d. If the OPEB is provided through a defined contribution OPEB plan that is not administered through a trust that meets the criteria in paragraph 4:
 - (1) The fact that there are no assets accumulated in a trust that meets the criteria in paragraph 4. If OPEB is provided through an OPEB plan that is administered through a trust and that trust does not meet the criteria in paragraph 4, each criterion in paragraph 4 that the trust does not meet should be disclosed.
 - (2) Identification of the authority under which requirements for the employer and nonemployer contributing entities to pay OPEB as the benefits come due are established or may be amended. Also, the amount paid by the governmental nonemployer contributing entity for OPEB as the benefits came due during the reporting period, if not otherwise disclosed.
- e. The amount of expense recognized by the governmental nonemployer contributing entity in the reporting period as a result of the special funding situation, the amount of forfeitures reflected in expense recognized by the governmental nonemployer contributing entity, and the proportion of the total OPEB expense for OPEB provided through the OPEB plan that is represented by the governmental nonemployer contributing entity's expense.
- f. The amount of the governmental nonemployer contributing entity's liability resulting from the special funding situation outstanding at the end of the period, if any.

240. The following information should be disclosed in notes to financial statements about each defined contribution OPEB plan to which the governmental nonemployer contributing entity is required to contribute a *less-than-substantial* proportion of the total contributions from the employer and nonemployer contributing entities:

- a. The name of the OPEB plan, identification of the entity that administers the OPEB plan, and identification of the OPEB plan as a defined contribution OPEB plan.
- b. If the OPEB is provided through a defined contribution OPEB plan that is administered through a trust that meets the criteria in paragraph 4, the contribution (or crediting) rates (in dollars or as a percentage of salary) for the governmental nonemployer contributing entity and the authority under which those rates are established or may be amended.

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- c. If the OPEB is provided through a defined contribution OPEB plan that is not administered through a trust that meets the criteria in paragraph 4:
 - (1) The fact that there are no assets accumulated in a trust that meets the criteria in paragraph 4. If OPEB is provided through an OPEB plan that is administered through a trust and that trust does not meet the criteria in paragraph 4, each criterion in paragraph 4 that the trust does not meet should be disclosed.
 - (2) Identification of the authority under which requirements for the governmental nonemployer contributing entity to pay OPEB as the benefits come due are established or may be amended. Also, the amount paid by the governmental nonemployer contributing entity for OPEB as the benefits came due during the reporting period, if not otherwise disclosed.
- d. The amount of expense recognized by the governmental nonemployer contributing entity in the reporting period as a result of the special funding situation and the proportion of the total OPEB expense for OPEB provided through the OPEB plan that is represented by the governmental nonemployer contributing entity's expense.
- e. The amount of the governmental nonemployer contributing entity's liability outstanding at the end of the period, if any.

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

Employers

241. In circumstances in which a nonemployer entity has a legal obligation to make contributions directly to or benefit payments through a defined contribution OPEB plan but that entity's involvement does not meet the criterion in either paragraph 18a or paragraph 18b, the requirements of paragraphs 234 and 235 should be applied.

Governmental Nonemployer Contributing Entities

242. The requirements for recognition and measurement of liabilities and expense/expenditures in paragraphs 236–238 should be applied. In addition, the following information should be disclosed in notes to financial statements about each defined contribution OPEB plan to which it is required to contribute:

- a. The name of the OPEB plan, identification of the entity that administers the OPEB plan, and identification of the OPEB plan as a defined contribution OPEB plan
- b. The amount of expense recognized by the governmental nonemployer contributing entity in the reporting period as a result of its legal requirement to contribute to or make benefit payments through the defined contribution OPEB plan and the amount, if any, of the governmental nonemployer contributing entity's liability outstanding at the end of the period.

EFFECTIVE DATE AND TRANSITION

243. The requirements of this Statement are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

244. Changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practical, for all prior periods presented. At the beginning of the period in which the provisions of this Statement are adopted, there may be circumstances in which it is not practical for a government to determine the amounts of *all* applicable deferred inflows of resources and deferred outflows of resources related to OPEB. In such circumstances, the government should report a beginning deferred outflow of resources only for the following:

- a. In circumstances in which OPEB is provided through OPEB plans that are administered through trusts that meet the criteria in paragraph 4, OPEB contributions by the government, if any, made subsequent to the measurement date of the beginning net OPEB liability but before the beginning of the government's fiscal year

Effective Date and Transition

- b. In circumstances in which OPEB is provided through OPEB plans that are not administered through trusts that meet the criteria in paragraph 4, the amounts paid by the government for OPEB as the benefits come due, if any, subsequent to the measurement date of the beginning total OPEB liability but before the beginning of the government's fiscal year.

Additionally, in those circumstances, no other beginning balances for deferred outflows of resources and deferred inflows of resources related to OPEB should be reported. If restatement of all prior periods presented is not practical, the cumulative effect, if any, of applying this Statement should be reported as a restatement of beginning net position (or fund balance or fund net position, as applicable) for the earliest period restated. In the first period this Statement is applied, the notes to the financial statements should disclose the nature of the restatement and its effect, including whether the restatement of beginning balances included deferred outflows of resources or deferred inflows of resources, as applicable. Also, the reason for not restating prior periods presented should be disclosed.

245. The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In those cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement.

<p>The provisions of this Statement need not be applied to immaterial items.</p>

This Statement was issued by unanimous vote of the seven members of the Governmental Accounting Standards Board.

David A. Vaudt, *Chairman*
Jan I. Sylvis, *Vice-Chairman*
James E. Brown
William W. Fish
Michael H. Granof
David E. Sundstrom
Marcia L. Taylor

GLOSSARY

246. This paragraph contains definitions of certain terms *as they are used in this Statement*; the terms may have different meanings in other contexts.

Active employees

Individuals employed at the end of the reporting or measurement period, as applicable.

Actuarially determined contribution

A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

Actuarial present value of projected benefit payments

Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.

Actuarial valuation

The determination, as of a point in time (the actuarial valuation date), of the service cost, total OPEB liability, and related actuarial present value of projected benefit payments for OPEB performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.

Actuarial valuation date

The date as of which an actuarial valuation is performed.

Ad hoc cost-of-living adjustments (ad hoc COLAs)

Cost-of-living adjustments that require a decision to grant by the authority responsible for making such decisions.

Ad hoc postemployment benefit changes

Postemployment benefit changes that require a decision to grant by the authority responsible for making such decisions.

Agent employer

An employer whose employees are provided with OPEB through an agent multiple-employer defined benefit OPEB plan.

Agent multiple-employer defined benefit OPEB plan (agent OPEB plan)

A multiple-employer defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of this Statement and in which OPEB plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

Allocated insurance contract

A contract with an insurance company under which related payments to the insurance company are currently used to purchase an immediate or deferred benefit for individual employees.

Automatic cost-of-living adjustments (automatic COLAs)

Cost-of-living adjustments that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the OPEB plan) or to another variable (such as an increase in the consumer price index).

Automatic postemployment benefit changes

Postemployment benefit changes that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the OPEB plan) or to another variable (such as an increase in the consumer price index).

Closed period

A specific number of years that is counted from one date and declines to zero with the passage of time. For example, if the recognition period initially is five years on a closed basis, four years remain after the first year, three years after the second year, and so forth.

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

Deferred outflows of resources and deferred inflows of resources related to OPEB arising from certain changes in the collective net OPEB liability or collective total OPEB liability.

Collective net OPEB liability

The net OPEB liability for benefits provided through (a) a cost-sharing OPEB plan or (b) a single-employer OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of this Statement or an agent OPEB plan in circumstances in which there is a special funding situation.

Collective OPEB expense

OPEB expense arising from certain changes in the collective net OPEB liability or collective total OPEB liability.

Collective total OPEB liability

The total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of this Statement and (a) is used to provide benefits to the employees of a primary government and its component units or (b) in which there is a special funding situation.

Contributions

Additions to an OPEB plan's fiduciary net position for amounts from employers, nonemployer contributing entities (for example, state government contributions to a local government OPEB plan), or employees.

Cost-of-living adjustments

Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.

Cost-sharing employer

An employer whose employees are provided with OPEB through a cost-sharing multiple-employer defined benefit OPEB plan.

Cost-sharing multiple-employer defined benefit OPEB plan (cost-sharing OPEB plan)

A multiple-employer defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of this Statement and in which the OPEB obligations to the employees of more than one employer are pooled and OPEB plan assets can be used to pay the benefits of the employees of any employer that provides OPEB through the OPEB plan.

Covered-employee payroll

The payroll of employees that are provided with OPEB through the OPEB plan.

Defined benefit OPEB

OPEB for which the benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The OPEB may be stated as (a) a specified dollar amount; (b) an amount that is calculated based on one or more factors such as age, years of service, and compensation; or (c) a type or level of coverage such as prescription drug coverage or a percentage of health insurance premiums. (OPEB that does not have all of the terms of defined contribution OPEB is classified as defined benefit OPEB for purposes of this Statement.)

Defined benefit OPEB plans

OPEB plans that are used to provide defined benefit OPEB.

Defined contribution OPEB

OPEB having terms that (a) provide an individual account for each employee; (b) define the contributions that an employer or nonemployer contributing entity is required to make (or the credits that it is required to provide) to an active employee's account for periods in which that employee renders service; and (c) provide that the OPEB 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 for other employees, as well as OPEB plan administrative costs, that are allocated to the employee's account.

Defined contribution OPEB plans

OPEB plans that are used to provide defined contribution OPEB.

Discount rate

The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:

- a. The actuarial present value of benefit payments projected to be made in future periods in which (1) the amount of the OPEB plan's fiduciary net position is projected (under the requirements of this Statement) to be greater than the benefit payments that are projected to be made in that period and (2) OPEB plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on OPEB plan investments

- b. The actuarial present value of projected benefit payments not included in (a), calculated using 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 rating scale).

For defined benefit OPEB that is provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of this Statement, the discount rate is equal to the municipal bond rate.

Entry age actuarial cost method

A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the *normal cost*.⁴³ The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the *Actuarial accrued liability*.⁴⁴ [This definition is from “Definitions from ASOPs [Actuarial Standards of Practice] and ACGs [Actuarial Compliance Guidelines] of the ASB [Actuarial Standards Board] (including those from current exposure drafts) March 2015.” Actuarial Standards Board, <http://www.actuarialstandardsboard.org/pdf/definitions.pdf>. Accessed on June 2, 2015. Footnotes not part of original definition.]

Healthcare cost trend rates

The rates of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Inactive employees

Individuals no longer employed by an employer in the OPEB plan or the beneficiaries of those individuals. Inactive employees include individuals who have accumulated benefits under the terms of an OPEB plan but are not yet receiving benefit payments and individuals currently receiving benefits.

⁴³For purposes of application to the requirements of this Statement, the term *normal cost* is the equivalent of *service cost*.

⁴⁴For purposes of application to the requirements of this Statement, the term *actuarial accrued liability* is the equivalent of *total OPEB liability*.

Glossary

Insured benefits

Defined benefit OPEB provided through an insured plan.

Insured plans

Defined benefit OPEB plans in which benefits are financed through an arrangement whereby premiums are paid or other payments are made to an insurance company while employees are in active service, in return for which the insurance company unconditionally undertakes an obligation to pay the postemployment benefits of those employees as defined in the OPEB plan terms.

Measurement period

The period between the prior and the current measurement dates.

Multiple-employer defined benefit OPEB plan

A defined benefit OPEB plan that is used to provide OPEB to the employees of more than one employer.

Net OPEB liability

The liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of this Statement.

Nonemployer contributing entities

For arrangements in which OPEB is provided through an OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of this Statement, entities that make contributions, including making benefit payments as the OPEB comes due, to an OPEB plan that is used to provide OPEB to the employees of other entities. For arrangements in which OPEB is provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of this Statement, entities that make benefit payments directly as OPEB comes due for employees of other entities, including using the entity's assets held by others for the purpose of providing OPEB. For purposes of this Statement, employees are not considered nonemployer contributing entities.

Other postemployment benefits (OPEB)

Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided

separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.

OPEB plans

Arrangements through which OPEB is determined, assets dedicated for OPEB (if any) are accumulated and managed, and benefits are paid as they come due.

Pension plan

An arrangement through which pensions are determined, assets dedicated for pensions (if any) are accumulated and managed, and benefits are paid as they come due.

Pensions

Retirement income and, if provided through a pension plan, postemployment benefits other than retirement income (such as death benefits, life insurance, and disability benefits). Pensions do not include postemployment healthcare benefits and termination benefits.

Plan members

Employees (or their beneficiaries) that are covered under the terms of an OPEB plan.

Postemployment

The period after employment.

Postemployment benefit changes

Adjustments to the OPEB of an inactive employee.

Postemployment healthcare benefits

Medical, dental, vision, and other health-related benefits paid subsequent to the termination of employment.

Projected benefit payments

All benefits (including refunds of employee contributions) estimated to be payable through the OPEB plan (including amounts to be paid by employers or nonemployer contributing entities as the benefits come due) to current active and inactive employees as a result of their past service and their expected future service.

Glossary

Real rate of return

The rate of return on an investment after adjustment to eliminate inflation.

Separately financed specific liabilities to the OPEB plan

Specific contractual liabilities to a defined benefit OPEB plan for one-time assessments to an individual employer or nonemployer contributing entity of amounts resulting from, for example, (a) increases in the total OPEB liability due to an individual employer joining an OPEB plan or changes of benefit terms specific to an individual employer or (b) a contractual commitment for a nonemployer contributing entity to make a one-time contribution for purposes of reducing the net OPEB liability. The term *separately financed* is used to differentiate these payables to the OPEB plan from payables to the OPEB plan that originate from the portion(s) of the total OPEB liability that is pooled by two or more employers (or by a single, agent, or cost-sharing employer and a nonemployer contributing entity in a special funding situation) for financing purposes. Payables to the OPEB plan for unpaid (legal, contractual, or statutory) financing obligations associated with the pooled portion of the total OPEB liability are not considered to be separately financed specific liabilities, even if separate payment terms have been established for those payables.

Service costs

The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.

Single employer

An employer whose employees are provided with OPEB through a single-employer defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of this Statement.

Single-employer defined benefit OPEB plan (single-employer OPEB plan)

A defined benefit OPEB plan that is used to provide OPEB to employees of only one employer.

Special funding situations

Circumstances in which a nonemployer entity is legally responsible for providing financial support for OPEB of the employees of another entity by making contributions directly to an OPEB plan that is administered through a trust that meets the criteria in paragraph 4 (including making benefit payments as the OPEB comes due for benefits provided through such a plan), or by making benefit payments directly as the OPEB comes due in

circumstances in which OPEB is provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 (including using nonemployer contributing entity assets held by others), and either of the following criteria is met:

- a. The amount of contributions or benefit payments for which the nonemployer entity legally is responsible is *not* dependent upon one or more events or circumstances unrelated to the OPEB.
- b. The nonemployer entity is the only entity with a legal obligation to provide financial support directly to an OPEB plan that is used to provide OPEB to employees of another entity.

Termination benefits

Inducements offered by employers to active employees to hasten the termination of services, or payments made in consequence of the early termination of services. Termination benefits include early-retirement incentives, severance benefits, and other termination-related benefits.

Total OPEB liability

The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of this Statement. The total OPEB liability is the liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of this Statement.

Appendix A

BACKGROUND

A1. This Statement was preceded by Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which was issued in June 2004 and was effective in three phases, using the same criteria as was used previously for phased implementation of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. For governments in the first implementation phase, Statement 45 was effective in periods beginning after December 15, 2006. A related Statement—Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which established accounting and financial reporting requirements for postemployment benefit plans other than pension plans—was issued in April 2004.

A2. The approach taken in the development of Statement 45 was to apply to postemployment benefits other than pensions (other postemployment benefits or OPEB) the same requirements for accounting and financial reporting that were established for pensions in Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, with adaptations only as necessary to accommodate differences between pensions and OPEB. The use of this approach allowed for the adoption of a common overall accounting and financial reporting model applicable to all postemployment benefits (pensions and OPEB). That model continued in effect until changes were made to pension accounting and financial reporting as a result of the approval of Statement No. 68, *Accounting and Financial Reporting for Pensions*, in June 2012. Statement 68 became effective for fiscal years beginning after June 15, 2014.

A3. Statement 68 and its companion Statement—Statement No. 67, *Financial Reporting for Pension Plans*, which amended Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*—were the result of a comprehensive review of pension accounting and financial reporting. Since the issuance of Statements 27 and 45, significant work was completed on the GASB's conceptual framework. Concepts Statement No. 3, *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements*, issued in April 2005, and Concepts Statement No. 4, *Elements of Financial Statements*, issued in June 2007, are particularly significant for considering pension and

OPEB accounting and financial reporting issues. Concepts Statement 3 established criteria for selecting the appropriate method of communication for items of reportable financial information—recognition in basic financial statements, disclosure in notes to basic financial statements, or presentation as required supplementary information or supplementary information. Concepts Statement 4 established definitions and identified characteristics of elements of financial statements, such as assets and liabilities.

A4. Consistent with the GASB's commitment to periodically reexamine its standards, in January 2006, the Board approved a research project to gather information regarding how effective Statements 25 and 27 had been in meeting financial reporting objectives and to determine whether improvements were needed. As a result of issues identified in the research project and changes in the GASB's conceptual framework, the Board added a project on postemployment benefit accounting and financial reporting to the GASB's current technical agenda in April 2008. The first phase of that project focused on issues related to pensions that are provided through pension plans that are administered through trusts that meet specified criteria, with the intent that any changes to the pension accounting and financial reporting approach subsequently would be considered in relation to OPEB. As previously noted, in June 2012, the GASB approved Statements 67 and 68, which concluded the first phase of the postemployment benefit accounting and financial reporting project.

A5. In April 2011, the second phase of the postemployment benefit accounting and financial reporting project was added to the GASB's current technical agenda to consider issues related to OPEB plans and OPEB, as well as issues related to pension plans and pensions that are not within the scope of Statement 67 or Statement 68. Specific research activities were performed to gather information about the nature of OPEB provided by state and local governments, as well as information about application of the alternative measurement method that was provided for in Statements 43 and 45. Board deliberation of project issues began in July 2012.

A6. The Board assembled a task force comprising persons broadly representative of the GASB's stakeholders. The task force members were provided with papers prepared for the Board's deliberations and drafts of this Statement for review and comment. In addition, further input was sought from the members of the Governmental Accounting Standards Advisory Council at its meetings.

A7. In May 2014, the Board issued an Exposure Draft, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Board received 76 responses to the Exposure Draft from organizations and individuals. In addition, the Board received testimony from, and had the opportunity to further explore the views of, 22 individuals or groups at 3 public hearings held to obtain feedback on the Exposure Draft and on the related Exposure Drafts, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and *Accounting and Financial Reporting for Pensions and Financial Reporting for Pension Plans That Are Not Administered through Trusts That Meet Specified Criteria, and Amendments to Certain Provisions of GASB Statements 67 and 68*. As discussed throughout Appendix B, comments and suggestions from those sources contributed to the Board's deliberations in developing the requirements of this Statement and the related Statements.

Appendix B

BASIS FOR CONCLUSIONS

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Appendix B

BASIS FOR CONCLUSIONS

Introduction

B1. This appendix discusses factors considered significant by Board members in reaching the conclusions in this Statement. It includes discussion of the alternatives considered and the Board's reasons for accepting some and rejecting others. Individual Board members may have given greater weight to some factors than to others.

B2. As described in Appendix A, the reexamination project that led to the issuance of this Statement is the second phase of a project on accounting and financial reporting for postemployment benefits and included consideration of issues related to accounting and financial reporting by employers and by governmental nonemployer entities that have a legal responsibility to provide financial support for OPEB of employees of other entities, as well as those related to financial reporting by OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and those related to assets accumulated for purposes of providing OPEB through OPEB plans that are not administered through trusts that meet the criteria in paragraph 3 of Statement 74. Because of the relationships among OPEB plans, employers, and nonemployer contributing entities, the Board has given joint consideration to this Statement and the related Statement 74. The Board believes that consistency in the measurement and disclosure of OPEB information reported by all entities associated with OPEB transactions will enhance the understandability and usefulness of OPEB information to users of governmental financial reports. Therefore, many of the measurement and disclosure requirements of the two Statements are the same or closely related.

Overview

B3. The requirements of this Statement reflect a decision of the Board, informed by an expanded conceptual framework, to adopt an approach to accounting and financial reporting for OPEB that is broader than the funding-based model of Statement 45, which is based on the prior accounting and

financial reporting for pensions established in Statement 27. Taking into consideration the conceptual framework and modifications made to the accounting and financial reporting model for pensions in Statement 68, the Board applied an approach to the consideration of OPEB that focuses on the effects of all transactions and events that create or modify an employer's obligations for OPEB.

B4. The accounting and financial reporting approach required by this Statement reflects the underlying notion that OPEB is a form of compensation provided to employees in exchange for the services they provide to a government. In the Board's view, the nature of that employment relationship is long term—spanning the employee's career. The requirements of this Statement, therefore, incorporate provisions intended to reflect the effects of transactions and events related to OPEB in the measurement of employers' liabilities for OPEB, recognition of OPEB expense, and reporting of deferred outflows of resources and deferred inflows of resources related to OPEB in a manner consistent with that long-term view of the relationship of the employer and the employee. The provisions also reflect the Board's view of (a) the relationships of employers to the OPEB plans (and the trusts, if any, that are used to administer them) through which assets dedicated to OPEB may be accumulated and managed; (b) the role of investment earnings in providing assets to satisfy employer obligations in circumstances in which OPEB is provided through plans that are administered through trusts that meet the criteria in paragraph 4; and (c) the effects of the involvement of entities other than the employer, employees, and the OPEB plan on the accounting and financial reporting for obligations of employers for the OPEB that is provided to their employees.

B5. A summary of the broad concepts and principles considered by the Board as it made its decisions reflected in the requirements of this Statement is presented in paragraphs B6 and B7. Those concepts and principles also are discussed more specifically in relation to individual issues, as applicable, throughout this appendix.

Conceptual Framework

B6. The standards in this Statement reflect an accounting and financial reporting approach for OPEB that has been informed, first, by considerations identified in the GASB's Concepts Statements, including those related to the following:

- Objectives of financial reporting—accountability, decision-usefulness, and interperiod equity (Concepts Statement No. 1, *Objectives of Financial Reporting*, and Concepts Statement 4)
- The various users and uses of information in general purpose external financial reporting (Concepts Statement 1)
- The definitions of the elements of financial statements (Concepts Statement 4)
- The selection of appropriate methods of communicating information in general purpose external financial reports that contain basic financial statements (Concepts Statement 3).

B7. Accordingly, the Board's deliberations of the accounting and financial reporting issues addressed in this Statement primarily focused on:

- Analysis of (a) the transactions and other events through which an employer incurs an obligation to employees for OPEB and (b) how the obligation subsequently is modified
- Consideration of the effects of OPEB-related transactions and other events on the elements of an employer's financial statements
- Issues related to providing information used in assessing interperiod equity (the state in which current-period inflows of resources are sufficient to finance the current-period cost of services), including costs, and how the effects of OPEB-related transactions should be measured for accounting and financial reporting purposes in the governmental environment
- Evaluation of the need for additional information to understand amounts recognized in the employer's financial statements or to place those amounts into an appropriate context.

Long-Term Nature of Governments

B8. One of the distinguishing characteristics of state and local governments is their potential for longevity. As discussed in the GASB's White Paper, *Why Governmental Accounting and Financial Reporting Is—and Should Be—Different* (2013), one of the effects of the longevity of governments on accounting and financial reporting is that accounting information generally is not used to answer questions about whether governments will continue to exist. Rather, it is used for insight into "the sustainability of the level of services provided and the ability to meet future levels of demand for services. As a result, governmental financial statements generally emphasize the allocation of resources to government programs, the determination of the cost of services, and providing a longer term view of operations. The longer term view of operations of

government is consistent with focusing on trends in operations, rather than on short-term fluctuations . . .” (page 5). Cost-of-services information also is essential to the objectives of financial reporting discussed in Concepts Statement 1, including helping financial report users assess the degree to which interperiod equity has been achieved. The Board’s deliberation of issues related to employer accounting and financial reporting for OPEB—particularly questions related to measurement of liabilities and recognition of OPEB expense—reflects consideration of the long-term, ongoing nature of governments and the importance of information about the cost of services to users of governmental employer financial statements.

The Employer–Employee Exchange

B9. The accounting and financial reporting requirements established by this Statement also build on consideration of the implications of a previously established conclusion expressed in Statements 45 and 68 that obligations for postemployment benefits (including OPEB and pensions) arise from an exchange between an employer and its employees of salaries and benefits for employee service each period. The most prominent implication of that conclusion is that an employer incurs an obligation to its employees for OPEB as a result of the employment-exchange transactions. The Board’s perspective that those transactions should be viewed in the context of an ongoing, career-long employment relationship has implications related to the measurement of the employer’s OPEB liability and recognition of OPEB expense. Those implications are discussed more fully in paragraphs B41–B92 and paragraphs B95–B103.

Financial Reporting Focus

B10. As noted above, the objective of this Statement is to establish standards of accounting and financial reporting for OPEB. The Board concluded that it is not within the scope of its activities to set standards that establish a specific method of financing OPEB (that being a policy decision for government officials or other responsible authorities to make) or to regulate a government’s compliance with the financing policy or method it adopts. Accordingly, the Board established standards in this Statement within the context of accounting and financial reporting, not within the context of the funding of OPEB.

B11. The Board believes that accounting and financial reporting for OPEB necessitates a focus broader than funding. An employer's contribution to a defined benefit OPEB plan is one of many transactions and other events that create, increase, or decrease the liability for defined benefit OPEB. It appropriately is the focus of employer accounting and financial reporting to account for and report information about the totality of those transactions and other events. Therefore, the Board concluded that the funding-based accounting model in Statement 45, although a major step forward in financial reporting for OPEB at the time of its issuance, results in incomplete or partial accountability—and, as a result, limits decision-usefulness—if evaluated within the context of the objectives of general purpose external financial reporting in Concepts Statement 1 and the financial statement elements set forth in Concepts Statement 4. Although the funding focus would provide information meeting some of those objectives (such as the uses of financial resources and how a governmental entity financed its activities), it provides incomplete information with which to assess (a) whether current-year revenues were sufficient to finance current-year services, (b) the cost of services of the governmental entity, or (c) the financial position and economic condition of the governmental entity. In addition, the Board concluded that the approach employed by this Statement better addresses the objective of assisting financial statement users to assess whether an employer's revenues have been adequate to pay for its cost of services in a given period as compared to a funding-based approach. That approach considers how the consumptions and acquisitions of an employer's net position (as defined in Concepts Statement 4) associated with OPEB-related events each year affect the cost of government services in the current and future periods.

B12. The Board also recognizes that there will be a transition period during which users of employers' financial statements will need to adjust the way in which they interpret the amounts reported about defined benefit OPEB because, under the requirements of this Statement, employers will report OPEB-related information measured differently than it has been measured for accounting purposes in the past. During that period, some users of employer financial reports that are accustomed to having only funding-based information may question how information in employer financial reports is different from the funding measures traditionally reported. However, the Board concluded that measures other than those traditionally presented related to funding benchmarks are necessary to improve accountability for the employer obligations that are created through the employment exchange and through other subsequent transactions and other events and that the presentation of those measures ultimately will result in additional clarity and a better framework of information to

support users' understanding of an employer's decisions related to OPEB. The Board also notes that users will have the experience of modifying the way in which they interpret similar amounts reported about defined benefit pensions prior to the implementation of this Statement for OPEB.

Scope and Applicability

B13. This Statement addresses issues related to accounting and financial reporting for OPEB that is provided through defined benefit OPEB plans or defined contribution OPEB plans. As discussed in paragraph B9, the Board believes an employer has an obligation for OPEB as a result of the exchange between the employer and its employees of salaries and benefits for services. The Board concluded that this obligation is created regardless of the policy an employer has to accumulate assets to subsequently pay the OPEB.

B14. Based on the Board's conclusion that an employer's obligation for OPEB is present regardless of whether the OPEB is provided through a plan that is administered through a trust that meets the criteria in paragraph 4 of this Statement, this Statement requires that all employers that provide OPEB measure OPEB obligations using the same overall approach, with modifications only for differences associated with the ability to accumulate net position in OPEB plans that are administered in different ways. With regard to defined benefit OPEB provided through insured plans, the requirements of Statement 45 generally have been carried forward to this Statement.

B15. In addition to issues related to employer accounting and financial reporting for OPEB, this Statement includes requirements related to accounting for certain forms of OPEB-related financial assistance provided to employers by nonemployer contributing entities. The Board's consideration of those issues is discussed more fully in paragraphs B153–B162.

B16. This Statement also includes guidance for accounting and financial reporting for defined contribution OPEB. Considerations related to the definition of defined contribution OPEB and related accounting and financial reporting requirements are discussed in more detail in paragraph B152.

Employers That Provide Defined Benefit OPEB

Origin of the Obligation for OPEB

B17. In developing a foundation for the requirements in this Statement, the Board affirmed a conclusion previously expressed in Statements 45 and 68 about the origin and substance of postemployment benefits. That is, OPEB and pensions are components of exchange transactions—between an employer and its employees—of salaries and benefits for employees’ services. OPEB and pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee service each financial reporting period. Even though the employer and employees have agreed that a portion of the total compensation for those services, in the form of OPEB, will be paid later (when the employees are no longer in active service), the employer receives full value from the employment exchange each period in the form of employee service. Therefore, the Board concluded that as a result of the employment exchange each year, an employer incurs an obligation to its employees for OPEB, as defined in paragraph 18 of Concepts Statement 4—“a social, legal, or moral requirement, such as a duty, contract, or promise that compels one to follow or avoid a particular course of action” (footnote omitted). The event that gives rise to the obligation (in this case, the provision of service by the employee) has occurred. To the extent that this obligation has not been satisfied through the payment of benefits, the transfer of the obligation to an insured plan (as that term is used in this Statement), the purchase of allocated insurance contracts, or the accumulation of assets in a trust that meets the criteria in paragraph 4 of this Statement, this obligation is a *present* obligation of the employer.

B18. The Board also considered whether the presence of a legal obligation for an employer to provide OPEB is a prerequisite for requiring the employer to recognize an OPEB obligation. The research that was conducted about the characteristics of OPEB obligations that are recognized in financial statements of state and local governments showed that many arrangements are not guaranteed. However, consistent with the discussion in paragraph 18 of Concepts Statement 4, the Board believes that a legal requirement does not have to exist to create an obligation for OPEB of an employer for financial reporting purposes. The Board concluded that a duty or promise of the employer to

provide the OPEB is the condition necessary for an obligation for OPEB to exist for financial reporting purposes. Considerations related to recognizing obligations that are not legal obligations are discussed in more detail in paragraphs B24 and B25.

B19. Some respondents to the Exposure Draft disagreed with the view that the origin of employers' obligations for OPEB is the employment exchange in circumstances in which OPEB is provided through a cost-sharing plan. The issues raised by those respondents are discussed more fully in paragraphs B108–B121.

Relationships of Various Entities to the Obligation for OPEB

B20. In addition to the employer–employee relationships from which an employer's obligation to its employees for OPEB arises, a trust that meets the criteria in paragraph 4 of this Statement might be created to accumulate and manage assets dedicated for OPEB and to pay the benefits to inactive employees (or their beneficiaries) when due. In these circumstances, an employer's relationship with a defined benefit OPEB plan relative to the accumulation of assets for OPEB might be characterized by the adoption of a program (actual or presumed) of systematic annual employer contributions to the OPEB plan in amounts projected to be sufficient, when added to employee contributions (if any) and expected earnings on the investment of OPEB plan assets, to provide for payment of the defined benefit OPEB.

B21. In some circumstances, a nonemployer entity might assume legal responsibility for all or a portion of the contributions to the OPEB plan—a financing arrangement referred to in this Statement as a *special funding situation*. (The implications of the involvement of a nonemployer contributing entity are discussed in paragraphs B153–B162.) An additional relationship sometimes exists between the OPEB plan and employees, characterized by active employee contributions to the OPEB plan and, afterward, the payment by the OPEB plan of benefits earned by the employees as a result of their services to the employer.

Consideration of the OPEB Plan's Fiduciary Net Position

B22. This Statement requires that an employer recognize its obligation for OPEB net of the amount of the OPEB plan's fiduciary net position that is available to satisfy that obligation. The Board also considered the view that the

employer is responsible for the entire obligation to provide OPEB to employees, without reduction for the fiduciary net position of the OPEB plan. However, the Board concluded that view does not appropriately consider the role of the OPEB plan's fiduciary net position that is dedicated to the payment of benefits. That is, to the extent an OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of this Statement has a positive fiduciary net position, that net position is a financial resource that can be relied upon for payment of the benefits, thereby reducing the employer's expected sacrifice of resources for those benefits.

B23. The Board also considered the employer's obligation for OPEB if the employer provides OPEB through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of this Statement. In those instances, the Board concluded that the nature of the obligation is the same as discussed in paragraph B22. However, because the Board concluded that no OPEB plan fiduciary net position exists in an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of this Statement, in that circumstance, an employer remains responsible for the entire total OPEB obligation.

The Unfunded OPEB Obligation and the Definition of a Liability

B24. Concepts Statement 4, paragraph 17, defines the financial statement element *liabilities* as "present obligations to sacrifice resources that the government has little or no discretion to avoid." As discussed in paragraph B17, the Board concluded that the obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred. Some respondents to the Exposure Draft disagreed that OPEB should be recognized as a liability in circumstances in which OPEB is not a legal liability. Those respondents believe that the ability of the employer to change the benefits offered prior to the period in which the benefits will be provided allows the government discretion to avoid OPEB-related payments.

B25. The Board acknowledges that in some circumstances, OPEB is not a legal or contractual obligation of the employer and, as a result, the benefits, or eligibility to receive the benefits, may change in the future. However, the Board believes that an employer has a constructive obligation for OPEB because of the understanding by employees that there is a promise of a benefit to be received in the future in exchange for their current services. The Board also

notes that the phrase “little or no discretion to avoid” in Concepts Statement 4 was not intended to imply that the obligation does not meet the definition of a liability if there is some possibility of changing the amount of resources needed to satisfy an obligation. The Board believes that reducing OPEB potentially results in adverse consequences for the employer or increases other compensation costs even if the benefits are constructive obligations. Therefore, the Board determined that it would be inappropriate to limit an employer’s liability to the legal obligation. Rather, the Board concluded that future reductions of benefits previously received in exchange transactions should be viewed as transactions of future periods to be accounted for in those future periods should they materialize.

Criterion for Recognition of the OPEB Liability

B26. To qualify for recognition in basic financial statements, Concepts Statement 3 states that an item of information that is an element of basic financial statements should be measurable with sufficient reliability for that purpose. In Statement 68, the Board determined that an employer’s obligation for pensions could be estimated with sufficient reliability to be recognized in basic financial statements. In the view of some respondents to the Exposure Draft, the degree of estimation involved in determining an employer’s liability for OPEB, including assumptions that are not used in the estimation of pension liabilities, such as the healthcare cost trend rate, and, in some circumstances, the lack of specific benefit terms results in a measure of an employer’s liability for OPEB that is not sufficiently reliable to be recognized. In developing this Statement, the Board considered similarities and differences between pensions and OPEB and the assumptions necessary to measure each of the transactions to determine whether an employer’s obligation for OPEB is measurable with sufficient reliability.

B27. Because OPEB and pensions might not be paid until many years in the future, assumptions about future events are necessary to measure a related liability. Those future events generally will not occur exactly as expected. The Board concluded that although the assumptions made in measuring the OPEB liability might vary from actual events, that fact alone is not sufficient to consider the estimates based on those assumptions to be unreliable. In the Concepts Statement 1 discussion of reliability, it is noted that reliability does not indicate certainty or precision of an estimate. Rather, the characteristic of reliability indicates that information is free from bias, is a faithful representation of what it purports to represent, is comprehensive, and is not misleading. Therefore,

provided that the estimates and assumptions used in determining the OPEB liability are not selected with a desired outcome in mind (that is, they are free from bias), there is no reason to conclude that because the actual result may be different from the estimate, the estimate is not a faithful representation, is not comprehensive, or is misleading. To provide users of the financial statements with an understanding of the level of uncertainty associated with those amounts, the Board required disclosures in this Statement about the estimates and assumptions used in determining reported amounts. (Those disclosures are discussed in paragraphs B125–B128.)

B28. In particular, the Board considered the selection of the healthcare cost trend rate assumption to be used in the measurement of the liability for postemployment healthcare benefits. Feedback received from members of the project task force indicated that the healthcare cost trend rate is the most difficult assumption to develop in the measurement of the total OPEB liability. The potential to discover new medicines and create more effective medical procedures, as well as the extent of the impact of such developments on future costs, are unknown. However, similar to other assumptions, the Board concluded that if the selection of a healthcare cost trend rate is free from bias, an OPEB liability measure that is developed using that assumption can be a faithful representation of the estimate of an employer's expected sacrifice of resources for OPEB.

B29. The Board also considered whether potential volatility in the measure of an employer's OPEB liability suggests that it is not measurable with sufficient reliability to be recognized. The Board recognizes that for benefits provided through an OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of this Statement, the use of fair value measures for OPEB plan investments has the potential to result in changes in the net OPEB liability that might be significant from period to period. However, the Board believes that short-term volatility in the fair value of OPEB plan investments reflects the events that occur in each financial reporting period. Within the context of (a) a longer term view of the transactions and other events that affect the measurement of the net OPEB liability and (b) the objective of providing information to assess interperiod equity, the short-term effects of changes in fair value are appropriately addressed through consideration of issues related to OPEB expense. (Those issues are discussed in paragraphs B104 and B105.)

B30. In addition, the Board considered the reliability of the measure of the OPEB liability in circumstances in which the liability is a constructive liability rather than a legal liability. As discussed above, the Board believes that even if

an employer does not have a legal liability for OPEB, the employer might have a constructive liability to provide OPEB based on the promise of benefits that will be paid to the employee in a future period. Although a constructive liability might have a higher probability of changes resulting from future amendments to the benefit terms than would a legal liability, the Board believes that until the benefit terms are changed, the employer has a constructive liability under the current benefit terms and the measurement of that liability is sufficiently reliable to be recognized for financial reporting purposes.

Circumstances in Which the OPEB Plan's Fiduciary Net Position Is Greater Than the Total OPEB Liability

B31. This Statement requires that in circumstances in which the amount of the OPEB plan's fiduciary net position exceeds the total OPEB liability as of the measurement date, an employer recognize a net OPEB asset. The classification of such balances as an asset in the employer's financial statements is consistent with the conclusions reached by the Board in Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and affirmed in Statement 68 in relation to circumstances in which the amount of a pension plan's fiduciary net position exceeds the total pension liability. Paragraph 51 of the Basis for Conclusions of Statement 65 discusses the Board's views as follows:

In reaching its decision on circumstances in which a pension plan's net position exceeds the total pension liability, the Board considered the definition of an asset [Concepts Statement 4]. With regard to one of the principal features of an asset—present service capacity—the Board noted that the relationship between the employer and its employees is an ongoing one in which employees are expected to accrue additional pension benefits as they provide services in future periods. Therefore, an excess of pension plan net position represents present service capacity on the part of the employer that can be used to “pay” future pension benefits to employees for services that they will provide in the future. With regard to the other principal feature of an asset—control—the Board acknowledges that the excess pension plan net position is not under the direct control of the employer government. However, because the employer can use the excess net position to effectively

reduce future pension benefit accruals, the Board believes that circumstance is similar to a prepayment. Therefore, the Board concluded that the employer government indirectly has control of future service capacity.

Number of Defined Benefit OPEB Plans

B32. Some respondents noted that the Exposure Draft included provisions addressing the determination of the number of defined benefit OPEB plans in circumstances in which OPEB is provided through a plan administered through a trust that meets the criteria in paragraph 4 but that similar provisions were not included for circumstances in which an OPEB plan is not administered through a trust that meets the same criteria. The Board concluded that specific guidance is not needed for that circumstance because the focus of the determination of the number of plans is on restrictions associated with assets that are held for OPEB and if the assets are not held in a trust that meets the specified criteria, such restrictions generally do not exist.

Measurement of the Defined Benefit OPEB Liability

B33. Measurement of the total OPEB liability, on which the OPEB liability recognized by employers for defined benefit OPEB that is not provided through an insured plan is based, requires the use of assumptions about numerous future events that affect the benefit payments that will be made to employees after their employment ends. For example, not known with absolute certainty are the number of employees who will be eligible for OPEB, the dates their employment will end, the number of years they or their survivors will receive benefit payments, and similar factors that also affect the total amount of benefit payments that will be made. Although the total stream of benefit payments cannot be known with absolute certainty (either for an individual or for the group of employees covered under the benefit terms) until the last payment is made, those benefit payments, as well as the portion of those payments attributable to each period of the employee's service (service cost), can be estimated. As previously discussed, estimating future benefit payments requires the application of assumptions. To enhance consistency in measurement and comparability of the resultant recognized OPEB measures among employers, this Statement requires that Actuarial Standards of Practice (ASOPs) be applied in developing assumptions and establishes additional requirements for the measurement of the total OPEB liability. These additional requirements include

considerations related to timing and frequency of the measurements, the projection of benefit payments, the determination of a discount rate in certain circumstances, and the application of a specified actuarial cost method to assign service costs to periods.

Timing and Frequency of Measurements

B34. For defined benefit OPEB that is not provided through an insured plan, this Statement requires an employer to report an OPEB liability that is measured as of a date no earlier than the end of its prior fiscal year and no later than the end of its current fiscal year (the measurement date). The total OPEB liability as of the measurement date is required to be determined by an actuarial valuation as of that date or through the use of procedures to update to the measurement date the results of an actuarial valuation as of a date no more than 30 months and 1 day prior to the employer's fiscal year-end. Employers that apply the provisions of this Statement for the alternative measurement method are subject to the same timing requirements as those who obtain actuarial valuations. The Board believes that measurement as of the employer's year-end is, conceptually, the correct approach for financial reporting purposes—amounts recognized and reported as of the year-end also should be measured as of that date. However, in response to due process documents on pensions that led to Statement 68, concerns were expressed by some stakeholders about the practical challenges that would be associated with meeting such a requirement. OPEB measurements present similar practical challenges. Those challenges include the potential for additional delays in financial reporting and, for OPEB that is provided through OPEB plans that are administered through trusts that meet the criteria in paragraph 4, the additional time, effort, and cost with requiring, at potentially multiple dates each fiscal year, (a) verifiable values for certain investments, (b) closing procedures equivalent to year-end closing procedures, and (c) audit procedures performed on the information. Therefore, the Board concluded that flexibility should be provided with regard to the timing of the measurement of the OPEB liability reported in an employer's financial statements, and this Statement includes the same requirements related to the timing and frequency of OPEB measurement as is required for pensions in Statement 68. The Board believes that the approach permitted by this Statement will mitigate those challenges. To support that reporting approach, in circumstances in which the measurement date differs from the employer's reporting date and significant changes occur between the

measurement date and the reporting date, this Statement requires that the employer disclose information about the nature of the change and, if known, an estimate of the financial impact of the change on the OPEB liability.

B35. Some respondents to the Exposure Draft disagreed that OPEB provided through OPEB plans that are not administered through trusts that meet the criteria in paragraph 4 should apply the same timing of measurements of the total OPEB liability as permitted for OPEB administered through OPEB plans that are administered through trusts that meet the criteria in paragraph 4. Those respondents believe that in circumstances in which OPEB is provided through OPEB plans that are not administered through trusts that meet the criteria in paragraph 4, it is not necessary to permit the use of a measurement date that is not the date of the employer's financial statements because there are no plan assets and, therefore, no challenges associated with obtaining information about the plan's fiduciary net position. Instead, those respondents believe that the measurement of the total OPEB liability in those circumstances should be as of the end of the employer's fiscal year. However, the Board believes that the option to use a date that is different from the employer's fiscal year-end provides additional relief from potential challenges associated with measuring the total OPEB liability that could affect timely financial statement issuance. Therefore, the Board concluded that this Statement should permit the total OPEB liability of an employer that provides OPEB through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 to be measured as of a date other than the employer's fiscal year-end, provided that it is no earlier than the end of the employer's prior fiscal year and no later than the end of the employer's current fiscal year.

B36. With regard to the use of update procedures, the Board believes that an actuarial valuation as of the measurement date would result in the best estimate, or most faithful representation, of the total OPEB liability. In addition, it acknowledges that there is potential for measures developed through the use of update procedures to roll forward amounts that result from an actuarial valuation as of a date other than the employer's measurement date to be different from the measures that would be obtained in an actuarial valuation as of that date. However, the Board is sensitive to the additional cost associated with annual actuarial valuations (see the discussion in paragraph B37) and the possibility that, for practical purposes, actuarial valuations might not be performed as of the measurement date. Therefore, the Board believes an employer should be permitted to report using measures based on actuarial valuations as of a date other than its measurement date. However, the Board also

believes that if an actuarial valuation is not obtained as of the employer's measurement date, additional procedures to update the results of an earlier actuarial valuation to the measurement date are necessary to result in meaningful financial statement presentation.

B37. With regard to the minimum frequency of actuarial valuations for financial reporting purposes, the Exposure Draft proposed that actuarial valuations be obtained at least biennially to measure the total OPEB liability. The same minimum frequency requirements were proposed for measurements using the alternative measurement method. Some respondents to the Exposure Draft suggested other minimum frequencies of measurement based on the size of the employer, such as that which was allowed in Statement 45. In Statement 45, triennial measurements are permitted to determine the annual required contribution for defined benefit OPEB provided through OPEB plans with fewer than 200 plan members. Although the Board expressed sensitivity to concerns related to the potential for increased costs as a result of additional measurements that would result from biennial actuarial valuations for employers with fewer than 200 plan members, the Board concluded that the significance of information about OPEB in an employer's financial report does not differ based upon the size of the employer and necessitates actuarial valuations or calculations using the alternative measurement method at least biennially. Additionally, this Statement includes a requirement that the effects of significant changes that occur between the actuarial valuation date and the employer's measurement date be considered when determining the extent of procedures needed to update the measurement to the employer's measurement date. Furthermore, consideration should be given to whether a new actuarial valuation is needed if significant changes have occurred between the actuarial valuation date and the employer's measurement date. Consequently, the Board concluded that it is appropriate to permit biennial actuarial valuations for financial reporting purposes with the encouragement of annual valuations.

Selection of Assumptions

B38. As previously noted, this Statement requires that the assumptions used in the measurement of the total OPEB liability be selected in accordance with ASOPs, unless otherwise specified. The Board considered the range of assumptions typically relevant to the measurements that are required by this Statement and concluded that the broad guidance in ASOPs generally is focused appropriately on consideration of the specifics of individual employer

circumstances. The result, therefore, will be measurements that are relevant and reliable for financial reporting purposes when ASOPs are applied within the additional accounting-specific requirements established by this Statement.

B39. Some respondents expressed concern that the requirement that was in the Exposure Draft might be read to permit deviation from the guidance in ASOPs if the actuary discloses the deviation in a manner that permits the actuarial communication to remain in compliance with ASOPs. The Board did not intend for deviations from the guidance in an ASOP to be acceptable for purposes of applying this Statement. Therefore, this Statement clarifies that for purposes of selecting assumptions to be used in the measurement of the total OPEB liability, *deviation*, as the term is used in ASOPs, from the guidance in an ASOP is not considered to be in conformity with the requirements of this Statement for the selection of assumptions.

B40. This Statement and Statement 74 each include a provision, similar to that in Statements 43 and 45, that the employer and the OPEB plan use the same assumptions when presenting measures of the same or similar information. The Board recognizes that some employers will be highly dependent upon OPEB plans for portions of the information needed to prepare their financial statements and that there are practical issues related to the selection of assumptions for purposes of measuring information that is included in more than one entity's financial report. However, the Board concluded that it would not be appropriate for the GASB to identify one entity (either the employer or the OPEB plan) as having authority over the measurement process at the exclusion of the other.

Projection of Benefit Payments

B41. For defined benefit OPEB not provided through insured plans, this Statement requires that the total OPEB liability include all benefits to be provided in accordance with the benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Although some OPEB plans may have a formal plan document that sets forth the benefit terms, the Board recognizes that many OPEB plans might not have a written document or, if a document exists, it might describe the benefits in very broad terms. The Board believes that in those instances, the projection of benefit payments for OPEB should be based on the terms as they are understood by the employer and employees—that is, on the substantive plan as of the measurement date. The written document and other communications between employ-

ers and employees should be used in determining the benefits that constitute the substantive plan. Some respondents to the Exposure Draft requested that changes to the substantive plan after the measurement date but before the completion of the actuarial valuation be included in the projection of benefit payments. The Board concluded that such changes should not be included in the projection of benefit payments because they occurred subsequent to the measurement date of the total OPEB liability.

Sharing of benefit-related costs

B42. For purposes of projecting benefit payments, this Statement carries forward from Statement 45 a requirement to consider the established pattern of sharing benefit-related costs with benefit recipients. For example, benefit payments might be defined as partial payment by the employer of annual health-care costs, with the inactive employee required to pay the healthcare costs in excess of the employer's payments. The Board concluded that, in circumstances in which an inactive employee pays a portion of the total benefit-related costs, the portion of the total benefit-related costs that should be included in the projection of benefit payments on which the employer's OPEB liability is based is only the portion of those costs expected to be paid by the employer. The Board also concluded that application of professional judgment might be necessary to determine the extent to which the employer is expected to provide benefits, depending on the type of OPEB offered. In circumstances in which benefit-related costs are shared with inactive employees, the Board believes that an established pattern of practice of sharing benefit-related costs with inactive employees should be one aspect of that determination.

Taxes and other assessments

B43. This Statement includes a requirement to include in projected benefit payments taxes or other assessments expected to be imposed on benefit payments. That provision would include taxes such as the excise tax that the Patient Protection and Affordable Care Act established on employer-provided health insurance benefits in excess of a defined threshold beginning in calendar year 2018. The requirement is similar to the requirements in Statement No. 16, *Accounting for Compensated Absences*, for salary-related payments associated with compensated absences. Statement 16 requires that the measurement of compensated absences liabilities include salary-related payments, including social security and Medicare taxes, that are "directly and incrementally associated with payments made for compensated absences on termina-

tion” (paragraph 11; emphasis removed). Some respondents to the Exposure Draft disagreed that taxes or other assessments should be included in projected benefit payments. Those respondents expressed concern that currently there are no taxes or other assessments on providing health insurance benefits and, in their view, employers may adjust benefits provided to avoid being assessed a tax on benefit payments prior to the effective date of the excise tax established by the Patient Protection and Affordable Care Act. In addition, some of those respondents noted that final guidance on the administration of the excise tax collection has not been issued by the Internal Revenue Service. Other respondents requested that the Statement specifically refer to the excise tax on employer-provided health insurance benefits established by the Patient Protection and Affordable Care Act.

B44. The Board believes that taxes or assessments that are directly and incrementally associated with the payment of OPEB are similar to salary-related payments for compensated absences. Therefore, the Board concluded that taxes and other assessments that are associated with OPEB payments should be reported as a cost of government services in the periods in which the employees provide services to the government rather than in the periods in which the benefit payments are received. The Board also concluded that the excise tax established by the Patient Protection and Affordable Care Act should not be specifically cited in the requirements for the projection of benefit payments. The Board was concerned about the potential need to issue an amending Statement in the future if such a reference became obsolete.

B45. The Board also recognizes that benefit terms may be amended as a result of the economic effects of the excise tax established by the Patient Protection and Affordable Care Act, or other similar actions in the future, potentially changing the pattern of sharing of benefit-related costs. However, the Board believes that the effects of such changes first should be considered in the projection of benefit payments at the time the changes are communicated to employees as part of the substantive plan.

B46. The Board also concluded that the rates required to be used in projecting the taxes or assessments on benefit payments should be those in effect at the measurement date, or if different rates have been approved for future periods, the enacted rates associated with those future periods. The Board believes that using those rates in the projection of the taxes are an objective best estimate of the ultimate amount of taxes that will be paid on the projected benefit payments.

Medicare benefits

B47. This Statement includes a requirement to project benefit payments based on the substantive plan of OPEB offered by the employer. The Board affirmed the conclusions in Technical Bulletin No. 2006-1, *Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D*, that payments received pursuant to the retiree drug subsidy provisions of Medicare Part D are part of the substantive OPEB plan. In contrast, the Board concluded that Medicare benefits that an employer is providing as a conduit for the federal government, such as through an Employer Group Waiver Plan in which eligible employees are enrolled in Medicare Part D, are not part of the substantive OPEB plan offered by the employer because the federal government is primarily responsible for and has assumed the risks associated with providing the benefits. The Exposure Draft attempted to clarify which types of benefits would be considered part of the substantive OPEB plan.

B48. Some respondents disagreed with the Exposure Draft proposal relative to which types of benefits are considered part of the substantive OPEB plan offered by the employer. Other respondents raised concerns that the examples that described which benefits are considered part of the substantive OPEB plan made the requirements unclear. The Board continues to support the conclusions in Technical Bulletin 2006-1 and, therefore, carried forward the requirements of the Exposure Draft. However, the Board agreed with respondents that the presence of the examples potentially was confusing and determined that the requirements of this Statement, together with the requirements of Technical Bulletin 2006-1, provide the essential guidance and are sufficiently clear without the additional examples.

Use of age-adjusted premiums

B49. This Statement carries forward the notion from Statement 45 that the projection of benefit payments should be based on claims costs, or age-adjusted premiums approximating claims costs. The research conducted prior to this project found that some employers are required by law, and some voluntarily choose, to provide inactive employees with the ability to retain health insurance coverage at the same premium rate charged for active employees. Generally, the inclusion of inactive employees in the same pool as active employees for purposes of determining health insurance rates for the pool increases the blended premium rate charged for each active employee in the

pool. This increase is a result of the relationship between healthcare claims costs and age. However, if active and inactive employees are segregated into separate pools and premiums are calculated for each pool, the blended premium rate for active employees generally would be lower than the blended premium rate for inactive employees. Therefore, if an employer provides inactive employees with the opportunity to participate in the same health insurance pool as active employees, the premiums paid for coverage of active employees are higher than what the premiums would be if the active employees were rated separately. The total amount by which the premiums are higher for active employees when they are pooled with inactive employees than when the active employees are separately rated, is sometimes referred to as an *implicit rate subsidy* in relation to the benefits for the inactive employees. The Board believes the difference in premiums if there is an implicit rate subsidy might be significant and that the blended premium does not reflect (a) the actual cost of providing the current benefit to the active employees (by overstating the costs incurred during the period) and (b) the cost of the OPEB (the future benefit payments) provided to active employees as part of the current-period employment exchange (by not attributing any costs to the current period). Therefore, this Statement requires that claims costs, or age-adjusted premiums approximating claims costs, be used to project benefit payments.

B50. Some respondents to the Exposure Draft disagreed that projected benefit payments should be based on claims costs, or age-adjusted premiums approximating claims costs. Those respondents generally believe that the cost of providing healthcare insurance coverage should be viewed as the blended premium if the same premium is charged to both active and inactive employees. Some of those respondents analogized the blended premium in circumstances in which an employer is purchasing healthcare insurance coverage through an insurance pool to an employer's contribution requirements in a cost-sharing OPEB plan and noted that the only resources the employer is expected to sacrifice are for the blended premium. The Board believes that the projected benefit payments should be based on age-adjusted premiums as required by ASOPs. The Board also believes that there is no guarantee that the current premium structure of an insurance pool will exist in the long term or that the employer will be allowed to continue to purchase benefits in the pool. Therefore, the Board believes that projected benefit payments should be based on claims costs or age-adjusted premiums approximating claims costs.

B51. The Board also considered the exception included in Statement 45 to the requirement to use age-adjusted premiums in the projection of OPEB payments. This exception, based on paragraph 3.4.5 of ASOP No. 6, *Measuring*

Retiree Group Benefit Obligations, as adopted by the Actuarial Standards Board and in place at the time Statement 45 was issued, allowed an employer, to the extent permitted by ASOPs, to use unadjusted premiums in the projection of OPEB payments if the employer participates in a community-rated plan, as defined in the then-current ASOP 6. The Board further specified in Statement 45 that this exception could be applied only if “premium rates reflect the projected health claims experience of all participating employers rather than that of any single participating employer, and the insurer or provider organization charges the same unadjusted premiums for both active employees and retirees . . .” (paragraph 13a(2)).

B52. As discussed in paragraph B38, certain aspects of the measurement of an employer’s total OPEB liability for financial reporting purposes are required to be consistent with the guidance in ASOPs. However, actuarial standards change over time. During the deliberations on this project, the Actuarial Standards Board issued a revised ASOP No. 6, *Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions*. In the revised ASOP 6, the Actuarial Standards Board specifies that, with limited exceptions, “the actuary should reflect the full age-specific cost, including the implicit subsidy, regardless of the size of the group being valued” (paragraph 3.7.7b). To alleviate potential inconsistencies between accounting and financial reporting standards and the guidance in ASOPs, the GASB decided that this Statement should permit the use of unadjusted premiums in the projection of benefit payments for financial reporting purposes only to the extent permitted by the guidance in ASOPs and concluded that additional examples of circumstances in which that approach would be permitted should not be included in this Statement.

B53. Similar to the requirement for selection of assumptions in conformity with ASOPs, the Board did not intend for deviations from the guidance in an ASOP to be acceptable for purposes of applying the requirement to base the projection of benefit payments on claims costs, or age-adjusted premiums approximating claims costs. Therefore, this Statement includes a clarification of that requirement.

Caps on benefit payments

B54. This Statement carries forward the requirement included in Statement 45 that an employer consider in the projection of benefit payments an effective legal or contractual cap on the benefit payments. The Board concluded that a

legal or contractual cap on the benefit payments communicates a limit on the benefits to be provided and, therefore, is a part of the substantive plan. The Board also believes that the limitation imposed by a legal or contractual cap only should be considered if the cap is determined to be effective based on whether there is a pattern of enforcing the cap in the past, as well as other appropriate factors. The Board concluded that, unless available evidence suggests otherwise, if a cap is not enforced and maintained, an expectation that the cap will not be enforced or will continue to be modified in the future is part of the substantive plan. Some respondents questioned whether a cap on employer contributions would be treated in the same manner as a cap on benefit payments. The Board concluded that caps on contributions are not equivalent to caps on benefit payments because a cap on contributions is not part of the definition of benefits to be provided in accordance with the current substantive plan, nor is it a part of the established pattern of practice with regard to the sharing of benefit-related costs with plan members. Therefore, the Board concluded that a cap on contributions should not be considered in the projection of benefit payments until such a cap is enforced and thereby begins to alter the established pattern of sharing of benefit-related costs. Considerations related to the sharing of benefit-related costs are discussed in paragraph B42.

Administrative costs

B55. Some respondents to the Exposure Draft expressed concern that the definition of projected benefit payments does not include administrative expenses. Those respondents noted that ASOP 6 requires consideration of administrative expenses in measuring OPEB obligations for other purposes. The Board concluded that administrative costs incurred during a period as a result of making benefit payments are OPEB expense; however, those costs should not be projected in determining the total OPEB liability that is accrued as a result of the employment-exchange transaction. To avoid potential confusion relative to the treatment of administrative costs, the Board decided to clarify in this Statement that projected benefit payments should exclude administrative costs associated with providing OPEB.

Other projection issues

B56. In addition to the items previously discussed, this Statement requires the projection of benefit payments to reflect the effects of (a) automatic postemployment benefit changes, including automatic cost-of-living adjustments (COLAs); (b) projected ad hoc postemployment benefit changes, including ad hoc

COLAs, if those changes are substantively automatic; (c) projected salary changes, in circumstances in which the OPEB formula incorporates future compensation levels; and (d) projected service credits, for purposes of determining an employee's probable eligibility for benefits and for projecting benefit payments in circumstances in which the OPEB formula incorporates years of service. As previously discussed, similar to the requirements for the projection of pension benefit payments in Statement 68, the Board concluded that OPEB accounting should reflect the expectation of an ongoing employment relationship between the employer and the employee. Under this view, the effects of future events that are expected to impact the ultimate payment of benefits to the employee are considered to be associated with the overall career-long relationship and are taken into consideration in measuring the service costs of the individual periods of employment that constitute an employee's expected career. In this way, each individual employment period reflects a portion of the effects of future events, and the service costs of past employment periods—including portions of the effects of future events attributed to those periods—are viewed to be a measure of the present obligation of the employer.

B57. Some respondents to the Exposure Draft suggested that the projection of benefit payments for postemployment healthcare benefits exclude the effects of a healthcare cost trend rate. Those respondents believe that excluding the effects of a healthcare cost trend rate would decrease the probability that an employer's liability for postemployment healthcare benefits would be overstated. Those respondents also believe that the resultant measurement of the total OPEB liability would be less volatile from period to period. The Board recognizes that an assumed healthcare cost trend rate is an additional assumption for which actual results may vary from the expected results. However, the Board believes that not including the effects of changes in healthcare costs in the projection of benefit payments would result in a measurement that does not reflect the amount expected to be paid in the future for the postemployment healthcare benefits provided. Therefore, the Board concluded that the total OPEB liability should include the assumptions related to an assumed healthcare cost trend rate.

Allocated insurance contracts

B58. This Statement requires that OPEB to be provided by means of allocated insurance contracts (a) for which benefit payments to an insurance company have been made and (b) through which the employer has irrevocably transferred to the insurer the responsibility for benefits be excluded from the projec-

tion of benefit payments for purposes of determining the total OPEB liability. Because the purchase of an allocated insurance contract transfers to the insurer the primary obligation for providing the OPEB covered by the contract, the Board concluded that in the absence of evidence that the employer or the OPEB plan will be required to sacrifice additional resources for the payment of the OPEB that is covered by the contract, the employer no longer has an obligation for OPEB that meets the definition of a liability in Concepts Statement 4. Any risk that is retained by the employer for nonperformance by the insurer would be similar to the nature of a contingency, the recognition of which is required under existing guidance only if it is probable that the event that will give rise to the liability will occur and the amount of the loss (liability) can be reasonably estimated. The Board, however, has required note disclosures about the use of allocated insurance contracts because it concluded that information about the contracts is essential to understanding the effects of the use of such contracts on recognized amounts.

Discount Rate

B59. This Statement requires that for purposes of determining the service cost component of OPEB expense and the total OPEB liability, projected benefit payments be discounted to their actuarial present value. The same methodology is required for the determination of the discount rate to be used for that purpose as is required for discounting projected benefit payments for pensions under Statement 68. The Board believes that the methodology for determining the discount rate is consistent with the definition of a settlement amount in Concepts Statement No. 6, *Measurement of Elements of Financial Statements*, because the measurement incorporates an amount that is expected to be realized from the assets that will be used to make projected benefit payments.

B60. The discount rate required by this Statement is the rate that reflects (a) 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 (b) 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 rating scale), to the extent that the conditions in (a) are not met.

B61. As for pensions within the scope of Statement 68, the Board concluded that this approach to determining the discount rate, which, for OPEB provided through OPEB plans that are administered through trusts that meet the criteria in paragraph 4 of this Statement, first considers the long-term expected rate of return on OPEB plan investments, appropriately reflects the environment in which governmental employers incur an obligation for OPEB, accumulate assets in a dedicated trust to satisfy that obligation, and ultimately discharge that obligation through the payment of benefits from accumulated, dedicated assets. OPEB obligations are incurred over the career of an employee, and the employer's relationship to the employee and the benefit obligation extends through many periods, including the postemployment period. In addition, governmental employers and the OPEB plans that are administered through trusts that meet the criteria in paragraph 4 are long-lived entities. The Board believes that discounting using the long-term expected rate of return on OPEB plan investments, if OPEB plan assets are expected to be invested using a strategy to achieve that return, reflects the long-term nature of the employer's OPEB liability.

B62. The Board believes that the approach required by this Statement—which incorporates projections of future cash inflows from OPEB plan investment earnings into the measurement of service cost and the total OPEB liability—is consistent with its views related to the projection of benefit payments, in which all reasonably anticipated future events are incorporated into the estimate of the total obligation that will be incurred by the employer over the course of an employee's career. The amounts that are projected to be provided by OPEB plan investment earnings represent a reduction in the employer's expected sacrifice of resources to satisfy the obligation for OPEB. Therefore, if the potentially significant effect of OPEB plan investment earnings is not considered in the measurement of the OPEB liability, the Board believes that amounts recognized by the employer, including the employer's cost of services associated with OPEB as it is earned by employees, potentially would be misstated and would fail to provide information appropriate for use in assessing the degree to which interperiod equity is achieved.

B63. As previously noted, the Board believes that the long-term expected rate of return on OPEB plan investments should be used only to the extent that there are expectations of both (a) fiduciary net position being available in the OPEB plan and (b) the assets being invested using a strategy to result in that return. If those conditions are not met, the link between the OPEB plan's investments (and earnings on those investments) and OPEB no longer exists. Satisfaction

of benefit payments that are projected to occur if those conditions are not met is dependent upon the employer's other resources. Therefore, to the extent that those conditions are not met, the Board concluded that the discount rate should incorporate a liability-based rate.

B64. Beginning at the point at which the OPEB plan's fiduciary net position related to current active and inactive employees is not projected to be sufficient to cover benefit payments to those employees or is not invested in a manner that reflects the long-term expected rate of return, the Board believes that the characteristics of the OPEB liability change. The employer's projected sacrifice of resources relative to the employment exchange takes on characteristics of a conventional governmental liability. To provide a discount rate that both reflects that change and enhances comparability, the Board concluded that a high-quality municipal bond rate is the best surrogate for the rate implicit in the exchange. For OPEB provided through OPEB plans that are not administered through a trust that meets the criteria in paragraph 4 of this Statement, this requirement results in the use of a high-quality municipal bond rate to discount all projected benefit payments.

B65. Some respondents to the Exposure Draft disagreed with considering the long-term expected rate of return on OPEB plan investments in the determination of the discount rate for OPEB that is provided through an OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of this Statement. Some of those respondents believe that the OPEB plan does not have the ability to earn investment income at the measurement date on amounts that will be contributed in the future. Other respondents suggested that there generally are different employer objectives with regard to the accumulation of assets for OPEB than there are with regard to the accumulation of assets for pensions in that asset accumulation approaches for OPEB are intended to focus on a shorter period of time than those used for pensions.

B66. After considering those issues, the Board concluded that the discount rate generally should reflect the long-term expected rate of return on investments held that are accumulated in a trust that meets the criteria in paragraph 4. The Board believes that the use of the long-term expected rate of return is consistent with the long-term nature of the promise to pay benefits and the accumulation of assets dedicated to the payment of those benefits, regardless of the policy for funding the benefits or managing the accumulation of OPEB plan fiduciary net position to make benefit payments. However, the Board believes that only returns on OPEB plan assets should be considered for this purpose. Therefore, this Statement limits the use of the long-term expected rate

of return to OPEB that is provided through OPEB plans that are administered through trusts that meet the criteria in paragraph 4 of this Statement and, further, to circumstances in which the OPEB plan fiduciary net position is expected to be sufficient to make benefit payments and invested in a manner to achieve such a return.

B67. Some respondents requested additional clarification of certain of the discount rate requirements in specific circumstances. Some of those respondents were concerned about the use of the long-term expected rate of return on assets in circumstances in which benefit payments generally are paid from current contributions or OPEB is financed on a substantially “pay-as-you-go” basis with a nominal amount of assets held in a trust that meets the criteria in paragraph 4. Other respondents requested that specific requirements be added to address the determination of the discount rate if contributions are made on an ad hoc basis or if the contribution policy of the employer prescribes increasing contributions. Still other respondents requested clarification of whether an implicit approach to projecting the effects of certain gain-sharing provisions within an OPEB plan, such as thirteenth checks and one-time permanent benefit increases, which are triggered if investment returns exceed a specified level, is permitted.

B68. Although this Statement does not provide guidance on the application of the discount rate requirements relative to specific facts and circumstances, the Board believes that the approach established in this Statement provides a basis for determining when to use the long-term expected rate of return. This Statement also requires that the long-term expected rate of return reflect the length of time for which assets are expected to be invested. With regard to contributions for purposes of determining the discount rate, the requirements of this Statement include specific criteria for making projections of contributions. Professional judgment is required to be applied, and in circumstances in which contributions are established by statutes, contracts, or formal written policies, that professional judgment should consider whether contributions will be made in accordance with those policies. Information about the employer’s most recent five-year contribution history should be considered in making that evaluation. In the absence of statutes, contracts, or formal written policies, this Statement generally requires that projections be limited to an average of the employer’s most recent five-year contribution history.

B69. With regard to the approaches to projecting the effects of gain-sharing provisions within an OPEB plan, an implicit approach would reduce the long-term expected rate of return by a certain number of basis points rather than

explicitly incorporating the effects of the gain-sharing provisions in the projected benefit payments and using the (unreduced) long-term expected rate of return. The Board decided that the requirements of this Statement provide a sufficient basis for concluding that an implicit approach to measurement of the effects of such gain-sharing provisions is not permitted.

B70. This Statement requires the same methodology for determining the single discount rate as is required by Statement 68. The methodology requires an evaluation of the extent to which projected OPEB plan fiduciary net position will be available in the OPEB plan when projected benefit payments come due. First, the benefit payments to employees currently in the OPEB plan are viewed as (potentially) two separate projected benefit payment streams. The first stream is projected benefit payments that are expected to be paid from the OPEB plan's projected fiduciary net position available for OPEB (the current fiduciary net position, adjusted for relevant projected increases and decreases) that is expected to be invested using a strategy consistent with the long-term expected rate of return. That stream is discounted to its actuarial present value using the long-term expected rate of return on OPEB plan investments. The second stream, if applicable, is projected benefit payments that are expected to occur beyond the point at which the amount of the OPEB plan's projected fiduciary net position is expected to both be sufficient to pay benefits and be invested using a strategy consistent with the long-term expected rate of return. That stream is discounted to its actuarial present value using the municipal bond rate. The actuarial present values of the two separate benefit payment streams are calculated and totaled. Second, the discount rate is determined by solving for the single, equivalent discount rate—the rate that, when applied to the projected benefit payments of both streams, results in an actuarial present value of projected benefit payments equal to the total of the actuarial present values of the two separate projected benefit payment streams calculated using their respective rates.

B71. Some respondents disagreed that the municipal bond rate should be used as the rate to discount the projected benefit payments in circumstances in which OPEB is provided through OPEB plans that are not administered through trusts that meet the criteria in paragraph 4. Some of those respondents noted that in certain circumstances, assets may be accumulated to provide OPEB even though the assets are not being held in a trust that meets the criteria in paragraph 4. Those respondents believe that if those assets have not been used in the past for purposes other than OPEB, they should be considered to be OPEB plan assets for purposes of determining the discount rate. The Board disagrees that such assets should be considered OPEB plan assets because,

regardless of past practices, unless the assets are held in a trust that meets the criteria in paragraph 4 of this Statement, the assets may be used for other purposes. Other respondents disagreed with the use of the municipal bond rate because the rate could change each period. Although the municipal bond rate may change, the use of a municipal bond rate is consistent with other GASB standards in which a liability is remeasured.

B72. Some respondents disagreed that the municipal bond rate should be a tax-exempt borrowing rate. Those respondents believe a taxable rate is appropriate because borrowings by state and local governments for OPEB obligation bonds are taxable borrowings, and they equate the employer's liability for OPEB to those bonds. The Board concluded that the nature of an employer's liability for OPEB is not similar to a government's borrowing under an OPEB obligation bond. The former arises from an exchange of services by employees for deferred compensation while the latter is solely a financing transaction. Therefore, the Board concluded that the applicable rate for the municipal bond rate is a tax-exempt rate.

Attribution Method

B73. Similar to the requirements of Statement 68 for the determination of periodic service costs, this Statement requires that, for purposes of determining the service-cost component of OPEB expense and the total OPEB liability, the actuarial present value of projected benefit payments be attributed to expected periods of employee service as a level percentage of projected pay using the entry age actuarial cost method. It also establishes limiting criteria with regard to the application of that cost method for accounting and financial reporting purposes. The Board believes that specifying the use of a single method and eliminating potential variations in the application of the method will benefit report users by improving comparability and understandability and reducing the complexity of information reported about the impact of OPEB on the elements of employers' financial statements.

B74. Types of OPEB differ from one another in many ways, including benefit terms and the demographic characteristics of covered employees. The Board recognizes that consideration of benefit-specific characteristics, as well as employer-specific facts, circumstances, objectives, and constraints other than the benefit terms or the demographics of the covered employees, may contribute to the adoption by individual employers of varying policies and practices related to funding. However, the Board does not believe that differences among

employers with regard to funding or other policy choices support a need for multiple methods of attributing the actuarial present value of projected benefit payments to periods for accounting and financial reporting purposes.

B75. In addition, the Board believes that to achieve comparability in financial reporting, employers do not have to be identical with regard to facts and circumstances. The use of different assumptions in the measurement of the present value of projected benefit payments to which an attribution method is applied should, in principle, reflect differences in the circumstances and benefits of each employer and group of covered employees. In that way, whatever differences exist with regard to such facts and circumstances will be taken into consideration, and the resultant financial reporting will reflect the effect of OPEB on the elements of each employer's financial statements. However, the Board concluded that neither variations in benefit terms nor differing funding policy preferences or fiscal circumstances of employers necessitate the use of different attribution methods for accounting and financial reporting purposes. Instead, specifying a single method by which the actuarial present value of projected benefit payments should be attributed to expected periods of employee service will eliminate what the Board believes to be an unnecessary accounting-related (rather than relevant facts-and-circumstances-related) source of variation in financial reporting.

B76. The Board also considered the incremental cost of the use of a specified attribution method for accounting and financial reporting purposes for employers that choose to use a different method for funding purposes. The Board believes that the potential incremental cost of having an actuary apply two cost methods for different purposes would be relatively small because of the nature of the incremental work that would be required. The Board's understanding is that the most expensive stage of an actuarial valuation typically occurs prior to the application of an actuarial cost method, irrespective of the method to be used. That stage involves the projection of benefit payments, which typically is the most time-consuming process because of the need to refine census data, model benefit terms, and make or apply appropriate assumptions. After that stage, attribution of portions of the total actuarial present value of projected benefit payments is a mathematical process, commonly accomplished using existing computer technology.

B77. The entry age actuarial cost method is one of six actuarial cost methods permitted under Statement 45 for use in calculations for accounting and financial reporting purposes—aggregate, attained age, entry age, frozen attained age, frozen entry age, and projected (and unprojected) unit credit. In reaching

its decision to require use of the entry age actuarial cost method, the Board concluded that the attribution method should (a) assign portions of the actuarial present value of projected benefit payments to past periods to the extent that benefits relate to services received from employees in past periods and (b) employ the same approach to attributing portions of the actuarial present value of projected benefit payments to past periods as it does to the current and future periods. Those criteria limited the potential choices to two actuarial cost methods—projected unit credit and entry age. In the Exposure Draft, the Board proposed that the entry age actuarial cost method be the only permitted method.

B78. Some respondents to the Exposure Draft disagreed with the requirement to use the entry age actuarial cost method. Some of those respondents believe that the attribution pattern that results from the use of the entry age actuarial cost method is less consistent with the manner in which OPEB is earned than the pattern that results from the projected unit credit actuarial cost method. Some respondents noted that other standards setters require the use of the projected unit credit actuarial cost method for private-sector entities. Others expressed their belief that the entry age actuarial cost method is biased toward losses in circumstances in which employees that remain eligible for OPEB leave service before the last period to which service cost is attributed. Still other respondents expressed that the projected unit credit actuarial cost method should be required for financial reporting purposes because they believe that it is used more often for funding measurements of OPEB than other actuarial cost methods and is easier to understand and explain.

B79. Other respondents disagree that service cost should be determined as a level percentage of projected pay when the entry age actuarial cost method is applied. Those respondents believe that service cost should be determined in level dollars because OPEB often is not based on pay. Some of those respondents noted that the use of the entry age actuarial cost method with service cost determined as a level percentage of projected pay for OPEB generally will not result in stable costs as a percentage of payroll over time, primarily because of the relationship between the rate of increase in healthcare costs and the rate of salary increases.

B80. The Board evaluated each of the issues raised by respondents within the context that OPEB is the result of the exchange between an employer and its employees of salaries and benefits for services each period. The Board concluded that the entry age actuarial cost method applied as a level percentage of projected pay appropriately reflects the long-term nature of the exchange of

employee service for OPEB by attributing service costs evenly throughout the attribution period rather than considering the relationship of benefit terms to the periods of service. The Board believes that the implicit value of each exchange represents a present obligation of the employer within the context of the expected career-long relationship. Consistent with this view, the Board also believes that for accounting and financial reporting purposes, the different periods of an employee's career generally should be viewed as contributing equally to the ultimate benefits that will be provided to that employee. The Board recognizes that actuarial losses will occur when employees that remain eligible to receive OPEB leave service before the last period to which their service cost is attributed. However, the Board believes that because actuarial assumptions are set for the group as a whole, similar actuarial gains will be recognized when employees that are eligible to receive OPEB remain in service.

B81. The Board also concluded that, even in circumstances in which benefit formulas are not based on an employee's pay, as is often the case with OPEB, the benefits are provided as a form of compensation and should be attributed to periods of service over an employee's career in a level pattern relative to other compensation. The Board believes that a consistent approach among all employers will enhance the comparability of OPEB information.

B82. Some respondents to the Exposure Draft disagreed with the requirements related to the periods to attribute projected benefit payments. Some of those respondents expressed concerns related to the difficulty in determining the beginning of the attribution period. Others disagreed that the service costs should be attributed through all assumed exit ages, through retirement, because they believe service cost should only be attributed to periods through the first period in which an employee is fully vested in the benefits. Still others questioned whether in circumstances in which an employee participates in a deferred retirement option program (DROP) for pensions, the date of entry into the pensions DROP defines the end of the attribution period for OPEB. As previously noted, the Board believes that the actuarial present value of projected benefit payments should be attributed over the career of the employee, a period that may be different for OPEB than for pensions.

Alternative Measurement Method for OPEB

B83. This Statement and Statement 74 substantially carry forward from Statements 43 and 45 an alternative measurement method that can be used in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided to fewer than 100 employees (active and inactive) through a defined benefit OPEB plan. With the exception of permitting some simplification in the selection of assumptions, employers that elect to apply the alternative measurement method are required by this Statement to follow the same requirements for measurement of the total OPEB liability as employers that use an actuarial valuation. The alternative measurement method in Statements 43 and 45 was developed with input from members of the project task force at that time and additional assistance from committees and individuals from the actuarial and auditing professions. The exception for use of an alternative measurement method in limited circumstances was a direct result of the Board's concern about the cost of obtaining an actuarial valuation to comply with financial reporting requirements.

B84. The Board believes the measurement approach required by this Statement will improve the decision-usefulness of information related to OPEB transactions in financial reports and will enhance its value for assessing accountability and interperiod equity. However, the Board recognizes that the costs of providing financial information can be a practical constraint on financial reporting standards. The Board seeks to balance the benefits obtained from financial reporting information with the costs of preparing, auditing, and using that information. The process the Board follows in these efforts is described in paragraph 73 of Concepts Statement 1 as follows:

Cost-benefit relationships will be carefully considered by the Board, during its research and due process, when establishing individual standards. In assessing costs and benefits, the Board will consider such factors as the ability of certain classes of users to obtain information by special request, the intensity of the needs of all groups of users, the risks or costs to users of not having certain types of information, and the relative costs and benefits considering the size or type of governmental entities involved.

B85. The Board concluded that the costs for small OPEB plans to obtain an actuarial valuation to measure the total OPEB liability to comply with the measurement approach in this Statement could be high in relation to the

number of employees provided with benefits through the plan or the amount of annual benefit payments. This conclusion was supported by the views expressed by some preparers that apply the alternative measurement method for financial statement reporting in conformity with the requirements of Statement 45 during research conducted as to perceived costs and benefits of applying the alternative measurement method. Based on feedback received during due process, the Board concluded that the cost of obtaining an actuarial valuation would arguably exceed the benefits obtained by users of the information in circumstances in which an OPEB plan is used to provide benefits to fewer than 100 employees.

B86. In addition to considerations related to the costs of measuring OPEB information, the Board considered the characteristics that financial information should possess, as described in paragraphs 62–68 of Concepts Statement 1—especially the reliability of the information. Paragraph 64 of Concepts Statement 1 explains the qualitative characteristic of reliability as follows:

Financial reporting should be reliable; that is, the *information presented should be verifiable and free from bias and should faithfully represent what it purports to represent*. To be reliable, financial reporting needs to be comprehensive. Nothing material should be omitted from the information necessary to faithfully represent the underlying events and conditions, nor should anything be included that would cause the information to be misleading. *Reliability does not imply precision or certainty*. Reliability is affected by the degree of estimation in the measurement process and by uncertainties inherent in what is being measured; financial reporting may need to include narrative explanations about the underlying assumptions and uncertainties inherent in this process. Under certain circumstances some financial information is based on reasonable estimates. A properly explained estimate provides more meaningful information than no estimate at all. [Emphasis added.]

B87. As defined in Concepts Statement 1, reliability does not imply precision or certainty; rather, reliable information (a) is verifiable and free from bias and (b) faithfully represents what it purports to represent. The need to apply demographic and economic assumptions with regard to unknown future events precludes precision or certainty in the measurement of financial information related to OPEB. The Board recognizes that in an actuarial valuation, different actuaries may arrive at different best-estimate assumptions about future

events. In addition, future events rarely, if ever, occur exactly as expected. Nevertheless, the Board believes that actuarial valuations provide reasonable measurements that are consistent with the qualitative characteristic of reliability.

B88. When evaluating the potential use of an alternative measurement method for benefits provided through small OPEB plans, the Board noted that statistical inferences from very small populations, including OPEB plans of a size that would qualify to use the alternative measurement method, are inherently less reliable than are those from larger populations. However, the Board also recognized that possibilities for measurement errors could result because the simplified assumptions used in the alternative measurement method might not represent the future events that they attempt to predict. In addition, nonspecialists might not possess the ability to properly apply the method or might select assumptions that are inappropriate or biased. Nevertheless, based on cost–benefit considerations, the Board concluded that an alternative measurement method could be applied that would provide reliable OPEB information.

B89. The alternative measurement method requires that the same three general steps be applied for measurement as are included in an actuarial valuation—projecting benefit payments, discounting the projected benefit payments to an actuarial present value, and attributing the actuarial present value of projected benefit payments to periods of service using an actuarial cost method. However, the alternative measurement method permits simplification of certain assumptions to allow a nonspecialist to apply the method. For example, in circumstances in which only the blended premium rate is known in health insurance pools that include both active and inactive employees, the alternative measurement method allows for a simplified method to estimate age-adjusted premiums.

B90. Some respondents to the Exposure Draft disagreed with an allowance for an alternative measurement method due to the complexity of the proposed method. In developing the alternative measurement method, the Board recognized the need to incorporate the same general process included in an actuarial valuation. Even with the perceived complexity of the alternative measurement method, the Board identified employers that applied the alternative measurement method to measure OPEB in accordance with Statement 45 for multiple measurement periods in order to achieve what those governments considered to be cost savings. Based on those cost considerations, the Board concluded the alternative measurement method should be allowed for smaller employers.

B91. Some respondents to the Exposure Draft requested that employers that provide benefits to larger groups of employees be permitted to apply the alternative measurement method so that additional employers potentially may achieve cost savings in relation to measuring OPEB. The Board believes that the information presented by respondents did not provide sufficient evidence regarding cost savings to warrant a modification to the threshold. Therefore, the Board concluded that only employers that provide OPEB to fewer than 100 employees (active and inactive) should be permitted to apply the alternative measurement method.

B92. The alternative measurement method in this Statement generally carries forward the simplifications allowed in Statement 45 in relation to determination of assumptions. However, a modification was introduced in the set of turnover assumptions that are permitted in circumstances in which historical age-based turnover experience of the covered group is not available. In Statement 45, the default turnover assumptions were static amounts developed from actuarial experience of the employee group covered by the Federal Employees Retirement System at that time. So that those assumptions can be updated in the future without requiring an amendment to this Statement, if historical age-based turnover experience of the covered group is not available, this Statement permits an employer applying the alternative measurement method to use the actuarial experience of the employee group covered by the Federal Employees Retirement System, which can be obtained from the U.S. Office of Personnel Management. Some respondents to the Exposure Draft requested that if an employer is included in the covered group of another benefit plan, such as a state-wide cost-sharing pension plan, the turnover experience of the benefit plan be permitted to be used. The Board agreed with those respondents, and therefore this Statement permits the turnover assumption to be based on either the actuarial experience of the employee group covered by the Federal Employees Retirement System or a covered group that includes the group being measured.

The OPEB Plan's Fiduciary Net Position

B93. This Statement requires that, for purposes of calculating 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 this Statement, the OPEB plan's fiduciary net position be measured in the same manner that Statement 74 requires it to be measured for purposes of the OPEB plan's statement of fiduciary net position. This Statement refers to the *fiduciary* net position of the

OPEB plan, consistent with the use of that term in Statement 74. The term also is consistent with the presentation of the net position of fiduciary funds, generally, as required by Statement 34. The Board concluded that use of fair value to measure portions of the OPEB plan's fiduciary net position for purposes of determining the net OPEB liability faithfully represents the amount by which the OPEB plan's fiduciary net position reduces the incremental sacrifice of the employer's resources to satisfy the total OPEB liability as of the measurement date. Some respondents to the Exposure Draft disagreed that the plan's fiduciary net position component of the net OPEB liability should use the same valuation methods as used by the OPEB plan when preparing its financial statements because of concerns about the potential for volatility in measuring OPEB plan investments using fair value and the effect this volatility would have in the measurement of the employer's net OPEB liability. In the view of those respondents, such volatility would not be reflective of the long-term nature of the liability. Those respondents suggested that the measurement of the net OPEB liability allow for techniques that mitigate volatility, such as taking into account changes in fair value of investments over a defined number of periods rather than in the current period (a smoothed market value).

B94. The Board concluded that the use of a smoothed market value would not faithfully represent what the measure of the OPEB plan's fiduciary net position is intended to represent as a component of the net OPEB liability. The Board believes that the OPEB plan's fiduciary net position is intended to represent the amount by which the employer's expected sacrifice of resources for the total OPEB liability has been reduced as of the measurement date. The Board recognizes that the use of fair value may cause the net OPEB liability to be volatile. However, the Board believes that for purposes of accounting and financial reporting, potential volatility in OPEB plan investment earnings is related to recognition of OPEB expense and concluded that those concerns are more appropriately considered within that context. (Issues considered with regard to OPEB expense recognition for changes in the OPEB plan's fiduciary net position are discussed in paragraphs B104 and B105.)

Recognition of Changes in the OPEB Liability

B95. The requirements for OPEB expense recognition by employers that provide OPEB through OPEB plans that are administered through trusts that meet the criteria in paragraph 4 follow the expense recognition requirements for pensions in Statement 68. This Statement establishes similar expense recognition requirements for employers that provide OPEB through OPEB plans that

are not administered through trusts that meet the criteria in paragraph 4. Expense recognition for OPEB-related costs that are not included in the total OPEB liability is addressed separately for these employers because, for financial reporting purposes, there is no OPEB plan fiduciary net position in those OPEB plans.

Changes in the Total OPEB Liability

B96. This Statement requires that the effects of changes in the total OPEB liability be recognized in OPEB expense in the period in which they are first reported in the OPEB liability, with the exception of a portion of changes resulting from (a) differences between expected and actual experience with regard to economic and demographic factors (differences between expected and actual experience) and (b) changes of assumptions regarding the expected future behavior of economic and demographic factors or of other inputs (changes of assumptions or other inputs). This Statement further requires that the effects of differences between expected and actual experience and changes of assumptions or other inputs be included in OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning in the period in which they are first reported in the OPEB liability. The portions of the amounts that have not yet been recognized in expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEB.

B97. Concepts Statement 4 defines a deferred outflow of resources as “a consumption of net assets by the government that is applicable to a future reporting period” (paragraph 32) and likewise defines a deferred inflow of resources as “an acquisition of net assets by the government that is applicable to a future reporting period” (paragraph 34). Applicability to a future reporting period (or, in the case of defined benefit OPEB, a future measurement period) is determined using the concept of interperiod equity. A change in the amount of the total OPEB liability is either a consumption or acquisition of net assets by the government. The principal conceptual question is whether that change is applicable to a future reporting period.

B98. Some respondents to the Exposure Draft disagreed with reporting the effects of changes resulting from differences between expected and actual experience and changes of assumptions or other inputs on the total OPEB

liability as deferred outflows of resources or deferred inflows of resources related to OPEB. Those respondents generally believe that the effects of those changes in the total OPEB liability should be included in OPEB expense in the period in which the change in the liability is first reported, regardless of the cause of the change. The Board believes that, because of the association of OPEB with the career-long exchange of employee service, full recognition of the effects of differences between expected and actual experience and changes of assumptions or other inputs in OPEB expense in the period in which the change is reported is inconsistent with the presentation of information useful for assessing interperiod equity.

B99. Some respondents to the Exposure Draft recommended that changes in the total OPEB liability that result in deferred outflows of resources or deferred inflows of resources related to OPEB be included in OPEB expense over a longer period of time than was proposed. Some of those respondents noted that in some circumstances, amounts reported as deferred outflows of resources or deferred inflows of resources only relate to active employees. Others believe that either all inactive employees or inactive employees that are not vested in the OPEB plan should be excluded from the calculation of the average of the expected remaining service lives.

B100. Prior to establishing the expense recognition period for the effects of changes in the total pension liability in Statement 68, the Board issued an Exposure Draft that proposed separate treatment of changes in the total pension liability based on whether those changes related to active employees or inactive employees. Based on responses to that Exposure Draft, the Board was persuaded because of conceptual and practical reasons that such an approach would not be appropriate. The Board believes that changes in the total OPEB liability arising from differences between expected and actual experience and changes of assumptions or other inputs should be recognized over the period of time in which the employer received service and that the expected remaining service lives of the employees in the OPEB plan appropriately reflects the effect on OPEB costs from an interperiod equity standpoint.

B101. This Statement requires that other changes in the total OPEB liability be recognized in OPEB expense in the period in which they are first reported in the OPEB liability. Those other changes include amounts arising from the portion of the actuarial present value of projected benefit payments that is attributed to the period for employee service (service cost), interest on the total OPEB liability, and the effects of changes of benefit terms. Consistent with its view that the annual employment exchange should be viewed in the context of an ongoing

employer–employee relationship spanning an employee’s career, the Board believes that changes in the total OPEB liability resulting from service costs should be recognized as expenses associated with the measurement period to which they have been attributed. Similarly, the Board believes interest on the total OPEB liability is an expense associated with the measurement period in which it accrues.

B102. Some respondents to the Exposure Draft disagreed that the effects of changes of benefit terms should be recognized as OPEB expense in the period in which they are first reported in the OPEB liability. Those respondents suggested that changes of benefit terms be recognized over future periods to reduce volatility in amounts recognized as OPEB expense. With regard to the effects on the total OPEB liability of changes of benefit terms, the Board noted that, unlike differences between expected and actual experience and changes of assumptions or other inputs, changes of benefit terms generally are under the control of management. Because the effects of changes of benefit terms result from actions taken by management, the Board concluded that those amounts should be recognized in OPEB expense in the period in which they are first reported in the OPEB liability.

B103. In addition, to simplify the calculation of OPEB expense for employers that apply the requirements of this Statement for the alternative measurement method, the Board concluded that the effects of changes in the total OPEB liability resulting from differences between expected and actual results and changes of assumptions or other inputs should be recognized in OPEB expense in the periods in which the effects are first reported in the OPEB liability.

Changes in the OPEB Plan’s Fiduciary Net Position

B104. This Statement requires that changes in the OPEB plan’s fiduciary net position arising from investment experience be recognized as two separate components. First, the projected earnings on OPEB plan investments are required to be included in (reduce) OPEB expense in each period. Second, differences between projected earnings and actual earnings are required to be reported as a deferred outflow of resources or a deferred inflow of resources related to OPEB and included in OPEB expense over a closed, five-year period, beginning in the first period in which the difference is reported in the net OPEB liability.

B105. This approach to recognizing OPEB plan investment experience reflects the long-term earnings horizon with which OPEB investments are made. Earnings on OPEB plan investments can fluctuate significantly from period to period. However, the Board believes that differences between projected and actual investment experience generally will offset over time. That is, in any one period, actual earnings may be different from projected earnings; however, over time, earnings in excess of projections in some periods will be offset by earnings shortfalls in other periods, and vice versa. The Board believes that recognizing in employer OPEB expense OPEB plan investment experience that is expected to be offset by future OPEB plan investment experience (and, therefore, never realized) significantly reduces the usefulness of the measures of the cost of services, of which OPEB expense is a component. Therefore, for differences between projected earnings and actual earnings, incorporation of those changes into OPEB expense over time provides an opportunity for short-term fluctuations to be offset.

Considerations in Circumstances in Which OPEB Is Provided through an OPEB Plan That Is Not Administered through a Trust That Meets the Criteria in Paragraph 4

B106. For OPEB that is provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 and, therefore, does not have OPEB plan fiduciary net position, costs associated with administering OPEB increase OPEB expense. In that circumstance, investment earnings on assets accumulated for purposes of OPEB do not reduce OPEB-related costs because those assets are not OPEB plan assets.

B107. Some respondents to the Exposure Draft questioned whether administrative expense associated with providing OPEB should be classified as a component of OPEB expense in circumstances in which the OPEB plan is not administered through a trust that meets the criteria in paragraph 4. Other respondents disagreed with the requirement that an employer report a deferred outflow of resources for administrative expenses that were incurred subsequent to the measurement date of the total OPEB liability and before the end of the reporting period. The Board concluded that, even though administrative expense does not affect the total OPEB liability, those costs are nonetheless expenses associated with the provision of OPEB and should be classified in that manner. In addition, for purposes of maintaining consistency with the requirements of this Statement for measurement of the total OPEB liability (and

changes in the total OPEB liability) relative to the employer's fiscal year-end, the Board concluded that reporting of a deferred outflow of resources related to OPEB for administrative expense incurred subsequent to the measurement date is appropriate.

Cost-Sharing Employers

B108. The fundamental approach required in this Statement for employer recognition of liabilities and related measures for defined benefit OPEB generally is the same as the approach required for pensions under Statement 68. That recognition approach for cost-sharing employers is based on the recognition requirements for single and agent employers, with consideration given to the additional pooling or sharing of risks in cost-sharing OPEB plans. As previously discussed, the Board concluded that defined benefit OPEB plans, including cost-sharing OPEB plans, typically are long-term, relatively stable arrangements in which the employers whose employees are provided with benefits through them also are long-lived entities. In a single-employer or agent OPEB plan, each employer bears separately the financial risks associated with its obligation to its employees to provide defined benefit OPEB as part of employment exchanges. In addition, in those OPEB plans, OPEB plan assets (or, in the case of agent OPEB plans, a separately accounted for interest in assets pooled for investment purposes) are dedicated to the payment of benefits to the employees of a specific employer. In contrast, cost-sharing OPEB plans are characterized by the pooling or sharing of (a) the employers' obligations to their employees to provide OPEB as part of employment exchanges and (b) OPEB plan assets. As a result, assets contributed by any employer may be used to pay benefits to the employee of any participating employer.

B109. The Board concluded that the method of measuring the amount of the OPEB liability and related measures recognized by a cost-sharing employer should incorporate features necessary to reflect the differences discussed in paragraph B108. Such features of the measurement and recognition requirements of this Statement include (a) the recognition of an OPEB liability that is developed in relation to the collective net OPEB liability and (b) individual-employer requirements that incorporate the use of a proportionate-share methodology.

B110. The Board believes that the origin of defined benefit OPEB obligations is the same without regard to the plan structure used. That is, OPEB provided through a cost-sharing OPEB plan is part of the total compensation exchanged by cost-sharing employers for employees' services, as is the case with single and agent employers. What is distinctive in a cost-sharing OPEB plan, however, is that cost-sharing employers agree to share the financial risks associated with providing defined benefit OPEB to their employees and to contribute to a pooling of assets dedicated to the payment of benefits. When an employer in a cost-sharing OPEB plan engages in an exchange of services with an employee for compensation that includes OPEB, it creates an obligation that is shared collectively by the employers that provide OPEB through the OPEB plan. The employers collectively are responsible for the obligation that arises from the individual exchanges of all employers in the OPEB plan. As with single and agent employers, the employees have provided their services; therefore, the Board concluded that the obligation for OPEB through a cost-sharing OPEB plan is a present obligation.

B111. The terms of the employers' participation in the OPEB plan establish how contribution rates are determined and the bases on which those rates are assessed and, therefore, establish the amount of assets each employer is required to contribute to provide resources to satisfy the obligation. Applying the definition of a liability from Concepts Statement 4, the Board concluded that an individual cost-sharing employer's liability for OPEB should be based on the degree to which that employer is expected to be required to sacrifice resources (in the form of contributions to the OPEB plan) to satisfy the present obligation. The methodology required by this Statement, therefore, is based on a measure of the amount of contributions that the employer is expected to be required to make relative to the expected contributions of other employers. (This specific measurement approach is discussed in more detail in paragraphs B118–B120.)

B112. Some respondents to the Exposure Draft disagreed that the measures required by this Statement meet the definition of a liability for individual cost-sharing employers because they believe the only present obligation of the individual employers is an obligation for unpaid assessed contributions. Those respondents believe that this amount is the only amount related to the collective net OPEB liability that is legally enforceable on the individual employers. The Board believes that this view is inconsistent with the ongoing, long-term view of the relationships among the employers, employees, and the cost-sharing OPEB plan that create an obligation for OPEB over an employee's career and ultimately require the participating employers to provide assets to the OPEB plan to satisfy that obligation.

B113. Some respondents to the Exposure Draft disagreed with the fundamental premise that OPEB is part of the compensation exchanged for employee service. Some respondents believe that the entity that establishes the benefits to be provided through the cost-sharing OPEB plan, such as the OPEB plan or OPEB plan sponsor, is obligated for the collective liability of the cost-sharing OPEB plan. Those respondents believe that the individual cost-sharing employers have little or no control over the benefit terms or the assessed contributions in those circumstances and, therefore, are not responsible for the collective net OPEB liability of the cost-sharing plan.

B114. In considering the relationship of various entities involved in a cost-sharing plan, the Board concluded that a cost-sharing OPEB plan is not financially self-sufficient but continually is reliant on contributions and earnings on those contributions as the source of funding for promised benefits. Through contractually required contributions, the cost-sharing employers have an ongoing responsibility to provide financial support for the benefits created by their collective employment exchanges with their employees. Therefore, to the extent that net position is not available in the OPEB plan, the Board believes that the employers collectively remain responsible for the unfunded obligation. The Board notes that although active employees might be required to make contributions to an OPEB plan toward benefit-related costs, only in a situation in which the employees' total service costs are less than the required employee contributions would active employees be contributing to the financing of past service costs. If that situation were to be expected to occur, the total OPEB liability for the OPEB provided through the OPEB plan appropriately would be reduced for the contributions of future active employees expected to finance the past service costs. Therefore, active employees should not be viewed as responsible for any portion of the total OPEB liability.

B115. Other respondents that disagreed with the view that OPEB is part of the compensation exchanged for employee service instead believe that OPEB is provided as a form of social support. The Board continues to believe that OPEB is compensation for services, noting that as a condition of receiving benefits, the employee is required to provide services.

B116. The Board considered whether a cost-sharing OPEB plan has characteristics similar to an insurance arrangement in which risk is transferred to a third-party insurer. In doing so, it noted several distinguishing differences between the two arrangements. The differences identified included that in an insurance arrangement (a) the premium payments generally are for events that have not occurred, (b) the payments to the insured or others on behalf of the

insured are for economic losses sustained from unexpected (accidental) events, and (c) participants often have the ability to withdraw from the insurance arrangement at will. These differences were so significant that the Board concluded that potential application of an insurance model to cost-sharing arrangements should not be pursued.

B117. As discussed previously, the Board notes that in arrangements in which OPEB is provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4, there are no OPEB plan assets for financial reporting purposes. Therefore, in that situation, an OPEB plan cannot meet the definition of a cost-sharing OPEB plan. As a result, employers that provide OPEB through such OPEB plans should not be classified as cost-sharing employers for purposes of applying the requirements of this Statement.

Selection of a Basis for Determining Proportionate Share

B118. As discussed above, the Board believes that the relationship of an individual employer to the collective net OPEB liability is fundamentally linked to the amount of that employer's expected sacrifice of resources relative to the total projected sacrifice of resources of the employers. This Statement, therefore, generally requires employer measurement to be based on a comparison of the individual employer to the employers collectively—the employer's proportion—consistent with the manner in which contributions to the cost-sharing OPEB plan are determined and encourages the use of a proportion based on projected future contribution requirements. Some respondents to the Exposure Draft disagreed with using the contributions as the basis for determining an employer's proportion because they believe the resultant measures would not be reflective of the collective net OPEB liability that arose as a result of the employer receiving services from specific employees. Others disagreed because they believe that some employer contribution policies require contributions in relation to employees who currently are not eligible, or will never be eligible, to receive OPEB. Others recommended that the use of an employer's long-term contribution effort should not be encouraged as the basis for the employer's proportion because of the subjectivity involved in determining the long-term contribution effort.

B119. The Board concluded that, similar to the approach for cost-sharing pensions put forth in Statement 68, this Statement should allow flexibility with regard to the determination of an employer's proportion of the collective net OPEB liability. In reaching that conclusion, the Board recognized that each

potential estimation approach would involve subjective assessments about the future. Given the relative complexity of OPEB-related calculations, generally, and the number of assumptions that are needed to capture that complexity over the long term, the Board believes that certain simplifications reasonably can be applied to the determination of an individual employer's proportion without impairing the estimate so significantly that it would no longer be sufficiently reliable to be recognized—provided that a description of the basis for the proportion used to determine the employer's proportionate share of the collective net OPEB liability is disclosed in notes to the employer's financial statements.

B120. The Board also concluded that to be representationally faithful, if different contribution rates are associated with different portions of the collective net OPEB liability (for example, separate rates are calculated based on an internal allocation of liabilities and assets for different classes or tiers of employees), an employer's calculation of its proportionate share of the collective net OPEB liability should be made in a manner that reflects those separate relationships. However, as a potential simplifying feature, this Statement provides that an employer in such a circumstance can use the measure of its proportionate share of the collective net OPEB liability, calculated considering the effects of different contribution rates, to determine a single proportion of the collective net OPEB liability. That proportion can then be used to determine the employer's share of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB. In cases in which contribution rates are defined in the plan terms to be irregular or of a limited duration, the consideration of classes or groups also might provide a means of more faithfully representing an employer's proportionate share of the collective net OPEB liability.

Employer-Specific Accounting Considerations

B121. The approach required by this Statement for individual cost-sharing employer accounting necessitates individual-employer accounting for events such as (a) changes in an employer's assumption about its proportion and (b) differences between certain of the employer's contributions and the employer's assumed proportionate share of the total of certain contributions from all employers to the OPEB plan. The Board believes that to minimize complexity, those events should be accounted for in a manner consistent with the treatment of changes of assumptions or other inputs and differences between expected and actual experience in the measurement of the collective net OPEB

liability. The approach used for the effects of those types of changes in the collective net OPEB liability includes those amounts in OPEB expense over a number of future periods equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), with amounts that have not been included in OPEB expense reported as deferred outflows of resources or deferred inflows of resources related to OPEB. Some respondents to the Exposure Draft expressed concern about the complexity associated with the proposed accounting approach for the effects of those events and suggested that individual-employer amounts be recognized in the employer's OPEB expense in the period in which they occur in order to reduce that complexity. The Board continues to believe that recognition of the effects of such events in OPEB expense over future periods is consistent with the nature of the changes within the context of a long-term view. The Board believes that the allowance in this Statement for an employer to account for the effects of these two employer-specific changes on a net basis in each period addresses some of the respondents' concerns about complexity by permitting an individual employer to separately account for only one deferred outflow of resources or deferred inflow of resources balance related to those employer-specific changes for each period.

Notes to Financial Statements of Employers

B122. The Board evaluated potential note disclosure requirements for OPEB provided by an employer in the context of the conceptual guidance in Concepts Statement 3, which states the following:

Notes to financial statements are integral to financial statements and are essential to a user's understanding of financial position or inflows and outflows of resources. Notes provide:

- a. Descriptions of the accounting and finance-related policies underlying amounts recognized in financial statements
- b. More detail about or explanations of amounts recognized in financial statements
- c. Additional information about financial position or inflows and outflows of resources that does not meet the criteria for recognition. [paragraph 35]

General Requirements

B123. This Statement requires that employers disclose in notes to financial statements certain basic information about the benefits provided, how those benefits are administered and established, and the availability of OPEB plan financial statements. Those requirements build on the requirements in Statement 45 to disclose general information about OPEB features. The Board concluded that due to the complexity and variety of the features of defined benefit OPEB, it is essential for users of financial statements to have basic information about those features provided in an employer's financial report.

B124. This Statement requires that employers disclose the total amounts of an employer's OPEB liabilities to employees, net OPEB assets, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense/expenditures in circumstances in which the amounts are not otherwise identifiable from information presented in the financial statements. Some respondents disagreed with the disclosure because they believe the information is only a summary of other required disclosures. The Board concluded that this disclosure is necessary in circumstances in which an employer does not separately identify amounts related to OPEB in the financial statements. Therefore, the Board concluded that the disclosure should be retained. The Board also decided to clarify that the disclosure of the total amount of an employer's net OPEB assets is only applicable in circumstances in which OPEB is provided through OPEB plans that are administered through a trust that meets the criteria in paragraph 4.

B125. This Statement also requires that employers disclose information about significant assumptions and other inputs used to measure the total OPEB liability. In contrast to liabilities that have fixed payment schedules, the measurement of the total OPEB liability is an estimated amount and is dependent upon the assessment of a number of variables, each of which could have a significant effect on the resultant measurement. Disclosure about the dates of experience studies on which significant assumptions are based also is required. Because measurement of the total OPEB liability is based on estimates, the Board concluded that it is essential for users of the employer's financial statements to have information about the assumptions that were made. Some respondents to the Exposure Draft expressed concern with the requirement to disclose the dates of experience studies on which significant assumptions are based. The Board concluded that if an experience study is performed for one or

more assumptions used in the measurement of the total OPEB liability, providing the date of the study provides essential information in relation to the effect of recent past experience on the selection of those assumptions.

B126. This Statement includes disclosure requirements specific to the assumptions made and other inputs used in determining the discount rate applied in measuring the total OPEB liability. The Board concluded that additional detail about the specific assumptions and other inputs used in determining the discount rate is essential because of the significant effect that the discount rate has on the measurement of the OPEB liability and because of the focus that the users of financial statements have on the discount rate. The Board also believes that information about the sensitivity of the OPEB liability to two of the assumptions and other inputs used in the measurements required by this Statement—the discount rate and the healthcare cost trend rate—is essential because of the potentially significant effect those assumptions have on the results of the measurements. Therefore, the Exposure Draft proposed that information about the sensitivity of the OPEB liability using all nine combinations of the rates used to measure the total OPEB liability, and a 1-percentage-point increase and a 1-percentage-point decrease in each of those rates is essential.

B127. Some respondents to the Exposure Draft expressed concern with the confusion that they believe would result regarding what amount is the appropriate amount to consider as the OPEB liability when the measurement of that liability is disclosed using nine different combinations of assumptions and other inputs. Other respondents indicated that they believe the costs of measuring, presenting, and auditing nine different measurements would be greater than the benefits of the information to a user of the financial statements. Respondents who disagreed with the disclosure proposed a variety of alternatives they believe would provide similar information. After consideration of the views expressed by the respondents, the Board concluded that there would not be a significant loss of essential information if the sensitivity of the OPEB liability to changes in each of the rates is provided without consideration of the combined effects of changes in those rates. Therefore, this Statement requires employers to disclose two separate sensitivity disclosures by presenting (a) the OPEB liability determined with a 1-percentage-point increase and a 1-percentage-point decrease in the discount rate and (b) the OPEB liability determined with a 1-percentage-point increase and a 1-percentage-point decrease in the assumed healthcare cost trend rate.

B128. In addition, for OPEB provided through OPEB plans that are administered through trusts that meet the criteria in paragraph 4, this Statement requires disclosure of information about the expected asset allocation of the OPEB plan's investment portfolio and the long-term expected real rates of return on the major asset classes in that portfolio. The Board concluded that such information is essential to understanding the assumptions made about the long-term expected rate of return.

Information about the employer's funding policy (contributions)

B129. In this Statement, the Board has made clear the separation between its objectives related to establishing standards for the financial reporting of OPEB by employers and public policy matters such as the OPEB contribution policy. As a result, the Board does not believe that it would be appropriate to require disclosures in this Statement about a standardized measure of the amount an employer would need to contribute to an OPEB plan each year as part of a systematic contribution plan. Instead, the Board believes that the relevance for financial reporting of information related to the amounts computed as part of a systematic contribution plan depends on whether that measure is used to determine an employer's contributions to the OPEB plan each year. This Statement, therefore, requires that information about the employer's contribution policy, including the basis for determining contributions, be disclosed. In addition, for OPEB provided through an OPEB plan that is administered through a trust that meets the criteria in paragraph 4, the measure of contributions from the employer to the OPEB plan during the measurement period is required to be presented in the detailed schedule of changes in the net OPEB liability of a single or agent employer. In certain circumstances, additional information about contributions is required to be presented in an employer's required supplementary information schedules. (These requirements are discussed in paragraphs B141–B145.) For employers that do not have a funding policy based on actuarially determined amounts, that fact would be evident through the required description of the employer's funding policy and, potentially, the absence of actuarially determined contribution information in the employer's financial report.

Disclosures about the OPEB Plan's Fiduciary Net Position

B130. For OPEB provided through an OPEB plan that is administered through a trust that meets the criteria in paragraph 4, this Statement includes a requirement for an employer to include in its basic financial statements all

disclosures about the elements of the OPEB plan's basic financial statements (assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position) that are required to be presented by standards applicable to the OPEB plan and its activities. The Board concluded that information that has been determined to be essential to understanding those elements in other reporting contexts also would be essential to a user of an employer's financial statements in which measures based in part on the OPEB plan's fiduciary net position are recognized.

B131. The Board notes that the required disclosures are included and available in the financial statements of the OPEB plan, if that OPEB plan issues stand-alone financial statements or is included in the financial report of another government. Therefore, because there may be potential cost savings in the preparation and audit of employer financial statements—and a potentially confusing presentation of information could be avoided in a situation in which an employer's financial report also includes (as a fiduciary fund) an OPEB plan with a fiscal year-end that differs from the measurement date of the employer's net OPEB liability—this Statement includes a provision that an employer can exclude certain disclosures related to the elements of the OPEB plan's basic financial statements and instead refer to an OPEB plan's stand-alone financial report or the report of another government that includes the OPEB plan, provided that the financial report is available to the public on the Internet. In cases in which the date of the financial statements of the OPEB plan is not the same as the measurement date of the employer's net OPEB liability, reference is permitted. However, if there has been a significant change between the date of the financial statements of the OPEB plan and the measurement date of the net OPEB liability recognized by the employer, the Board concluded that additional disclosures about the nature and significance of the change are essential to understanding the amounts recognized in the net OPEB liability.

B132. Some respondents to the Exposure Draft disagreed with the proposal that, in order for an employer to be able to reference to an OPEB plan's financial report for disclosures related to the OPEB plan's fiduciary net position, the OPEB plan's financial report be available on the Internet. Those respondents noted that additional costs may have to be incurred to make such a report available in that manner. The Board believes that without this requirement, users of the financial statements would have to incur costs to obtain this essential information related to the elements of the OPEB plan's fiduciary net position. Therefore, the Board affirmed its prior conclusions that reference should be permitted only if the OPEB plan's financial report is available on the Internet.

Changes in the Net OPEB Liability

B133. For single and agent employers, which provide OPEB through OPEB plans that are administered through trusts that meet the criteria in paragraph 4, this Statement requires detailed disclosure of information about the components of the changes in the net OPEB liability. (Similar requirements are included for information about changes in the total OPEB liability for employers that provide OPEB through OPEB plans that are not administered through trusts that meet the criteria in paragraph 4.) For employers that were classified as single or agent employers under the requirements of Statement 45, previous requirements for accounting and financial reporting for OPEB included provisions for disclosure in notes to financial statements about the actuarially determined funded status of the OPEB plan as of the most recent actuarial valuation date but did not require information about the changes in the components of funded status. The requirements of this Statement are similar in some ways to that funded status information but provide a greater depth of information that reflects the requirement that employers classified as single or agent employers in this Statement recognize a net OPEB liability.

B134. The net OPEB liability is complex in the sense that the liability is created, and its amount may be increased or decreased, by diverse types of transactions or other events in each financial reporting period. The Board concluded that for financial statement users to understand and assess this liability and its position within a government's financial statements, it is essential for users of single or agent employer financial statements to have information not only about the amount of the balance but also about the transactions or other events that created or changed the amount of the liability. These changes include both the direct effects of actions by the employer and the effects of events to which the employer is exposed as a consequence of its OPEB commitments and policies. Further, because the net OPEB liability encompasses two distinctly different components—the total OPEB liability and the OPEB plan's fiduciary net position—each of which is affected by different events, the Board concluded that to enhance transparency, information about the two separate components of the net OPEB liability, and changes in the two components of that liability, is essential to a user's understanding of the amount recognized in the employer's financial statements in those circumstances.

Information about OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

B135. This Statement requires disclosure of the amount of OPEB expense recognized and a summarized presentation of the sources of the balances of deferred outflows of resources and deferred inflows of resources related to OPEB. In addition, summarized information about the amount of the balances reported as deferred outflows of resources and deferred inflows of resources related to OPEB that will be recognized in future periods is required. The Board concluded that these disclosures provide information that is essential for users of financial statements to understand the amount of OPEB expense recognized and the balances of deferred outflows of resources and deferred inflows of resources related to OPEB reported in the financial statements.

Disclosure Requirements for Cost-Sharing Employers

B136. This Statement requires cost-sharing employers to disclose the same basic information about their OPEB as is required for single and agent employers. The Board concluded that the characteristics of OPEB provided through cost-sharing plans do not diminish the needs of users for information about the key elements of the OPEB that is provided to employees through those OPEB plans. For similar reasons, cost-sharing employers are required to disclose assumptions applied in measuring the total OPEB liability, information about the OPEB plan's fiduciary net position, and descriptions of events that gave rise to changes in those components (for example, changes of benefit terms or changes of assumptions or other inputs) in the period. Information also should include disclosure of the assumptions used to determine the employer's proportion of the collective net OPEB liability.

B137. With regard to information about a cost-sharing employer's proportionate shares of the collective net OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB, the Board concluded that information about the employer's reported amounts for each of an employer's cost-sharing OPEB plans would be essential to a user's understanding of the employer's financial statements. As noted earlier, this Statement requires a cost-sharing employer to disclose descriptive information about events that affected the total OPEB liability in the current period—for example, a description of changes of benefit terms. However, this Statement does not include requirements for cost-sharing employers to present detailed

information about changes in the components of the collective net OPEB liability, as is required for single and agent employers. In the view of the Board, that level of detail would provide meaningful information if presented for components of the collective net OPEB liability. However, the Board determined that level of detail is not essential to understanding the amounts recognized by the individual cost-sharing employer. Because of the pooling features of cost-sharing OPEB plans, individual employers are one step removed from the collective measures. Although changes in the collective net OPEB liability affect the OPEB liabilities recognized by each employer, the components of changes in the collective net OPEB liability can be viewed as having a more direct relationship to the employers collectively than to any individual employer. The Board, therefore, concluded that this information should not be required in cost-sharing employer financial statements.

Required Supplementary Information of Employers

B138. The Board evaluated potential requirements for the presentation of required supplementary information within the context of the conceptual guidance in Concepts Statement 3, which states that required supplementary information is “supporting information that . . . is essential for placing basic financial statements and notes to basic financial statements in an appropriate operational, economic, or historical context” (paragraph 42).

B139. The requirements of this Statement for single and agent employers and employers that provide OPEB through defined benefit OPEB plans that are not administered through trusts that meet the criteria in paragraph 4 of this Statement include presentation in required supplementary information of a 10-year schedule of changes in the net OPEB liability (or total OPEB liability, as applicable), for which the current-year information also is required to be included in notes to financial statements. The Board determined that the information in this schedule would explain, in terms of historical transactions or other events, the factors that have resulted in the OPEB liability that is recognized by the employer in the current-period financial statements. The Board also determined that a multiyear presentation of this information enhances the analytical potential of the current-year disclosure of changes by supporting analysis of the various types of changes, individually or in combination, over time. However, because the Board believes that it would have information value primarily when

presented relative to the collective liability of the employers, the Board concluded that cost-sharing employers should not be required to provide similar information. Statement 74 requires this information to be presented in the OPEB plan's financial report.

B140. For single and agent employers and employers that provide OPEB through OPEB plans that are not administered through trusts that meet the criteria in paragraph 4, this Statement also includes requirements for reporting that supplements the required information about the total OPEB liability and, if applicable, the OPEB plan's fiduciary net position with ratios to place the individual balances into perspective. The Board concluded that such ratios provide information that enables users to assess changes in the OPEB liability and, if applicable, the relationship of the components of the net OPEB liability to each other over time at a higher level than the information presented in the schedule of changes in the OPEB liability. The information may be presented together with the schedule of changes in the OPEB liability or as a separate schedule. For similar reasons, cost-sharing employers are required to present similar information about their proportionate share of the collective net OPEB liability. For such summary information, the Board concluded generally that it is essential to present the information measured at the individual-employer level to relate these schedules to amounts recognized in the employer's financial statements. In addition, information about the employer's proportionate share of the collective net OPEB liability over time would provide essential context to understanding period-to-period changes in the OPEB liability recognized by the employer. However, it also concluded that ratio information about the relationship of the amount of the OPEB plan's fiduciary net position to the total OPEB liability bears a more direct relationship to the collective net OPEB liability; therefore, this Statement requires that ratio to be measured at the collective level for presentation in the employer's schedule.

B141. For OPEB provided through OPEB plans that are administered through trusts that meet the criteria in paragraph 4, this Statement includes a requirement for single and agent employers to include in required supplementary information a 10-year schedule that presents employer contributions in comparison to actuarially determined contributions, if such contributions are determined. As previously discussed, in this Statement, the Board removed the specific link between (a) the accounting measures of the employer's OPEB liability and OPEB expense and (b) actuarially calculated funding-based measures. However, the Board determined that, in circumstances in which an actuarially determined contribution rate is established for any purpose, a 10-year schedule providing information about employer contributions—including

contributions and actuarially calculated contributions—as well as information related to covered-employee payroll, is essential for providing historical and economic context for the amount of contributions reported as additions to the OPEB plan’s fiduciary net position and should be presented as required supplementary information. In addition, information about the key methods and assumptions used in determining the actuarial contribution measure is required to be presented in notes to schedules of required supplementary information. The detail of contributions over a 10-year period provides historical context for the amount of contributions in the current period. Information about actuarially determined contributions, as well as covered-employee payroll information, provides economic context to the contribution amounts reported. The Board concluded that for practical reasons, cost-sharing employers should not be required to present a 10-year schedule that presents employer contributions in comparison to actuarially determined contributions and noted that similar information, at the collective level, is required by Statement 74 to be presented by cost-sharing OPEB plans. Information that is required to be presented by cost-sharing employers about contributions is discussed in paragraph B142.

B142. With regard to contributions for OPEB provided through OPEB plans that are administered through trusts that meet the criteria in paragraph 4 made by single and agent employers that do not have actuarially determined contributions but do have statutorily or contractually established contribution requirements, the Board determined that there would be little incremental cost to provide information about contributions relative to the employer’s statutory or contractual requirements. The Board believes that this information would provide users of the employer’s financial statements with historical context relative to the employer’s contribution policy and, therefore, this Statement requires that single and agent employers in that circumstance disclose information about the statutory or contractual rates, as well as the amounts of employer contributions relative to those rates, over a 10-year period. Similarly, for cost-sharing employers that have statutorily or contractually determined contribution requirements, the Board concluded that information comparing the employer’s contributions to those statutorily or contractually determined rates provides essential context to evaluate the contribution policies of individual employers. Therefore, this Statement requires presentation of a 10-year schedule with those comparisons in required supplementary information.

B143. Some respondents to the Exposure Draft requested that actuarially determined contribution information be required to be presented in required supplementary information for all employers regardless of whether an actuarially determined contribution is established. Some of those respondents believe

that the actuarially determined contribution should be required to be measured using the requirements that Statement 45 uses for measurement of the annual required contribution. The Board believes that presentation of information related to the actuarially determined contribution provides essential historical context related to the employer's funding policy. Therefore, if an actuarially determined contribution is calculated, the Board believes contribution information in relation to the actuarially determined contribution for the last 10 years should be presented. However, the Board does not believe that this Statement should require employers that do not obtain an actuarially determined contribution to incur additional costs to obtain the information. Further, because the focus of the employer's financial statements is on the accounting measurements and not on the funding measurements, the Board concluded that this Statement should not establish detailed requirements related to the determination of the actuarially determined contribution.

B144. The Exposure Draft also proposed requirements for a 10-year schedule of required supplementary information that presents information about actuarially determined contributions, if calculated, for employers that provide OPEB through OPEB plans that are not administered through trusts that meet the criteria in paragraph 4. Some respondents questioned the value associated with that information because, in circumstances in which an OPEB plan is not administered through a trust that meets the criteria in paragraph 4, the employer is not considered for financial reporting purposes to be making contributions in relation to that actuarially determined contribution. The Board reconsidered the proposal and concluded that, in that circumstance, historical context would be provided through the presentation of the information about benefit payments that is shown in the 10-year schedule of changes in the total OPEB liability. Therefore, this Statement does not include a requirement for information about actuarially determined contributions in that circumstance.

B145. Other respondents to the Exposure Draft recommended that a schedule presenting expected benefit payments for the next 10 years be required. Those respondents believe that such information would allow users of the financial statements to assess the effects of OPEB on the employer's future cash flows. The Board believes that the information that is required to be provided, including information about significant assumptions and historical information about transactions and other events that affect the OPEB liability, explains the OPEB liability that is recognized in the financial statements and provides a basis for users to develop expectations about future transactions and events relative to that liability. Therefore, the Board concluded that a schedule of expected benefit payments for the next 10 years should not be required.

Ten-Year Schedules

B146. Statement 45 includes a requirement for employers classified as single or agent employers under that Statement to present required supplementary information about funded status from three actuarial valuations, which covers three, six, or nine years, depending on the frequency of those actuarial valuations. During research conducted prior to the issuance of Statement 68, the Board received feedback from some users of financial statements that, if the intent is to provide historical context, information covering additional years is needed. To provide information that is essential to understanding trends and to place the information reported for the current period into historical perspective, this Statement requires that all schedules of required supplementary information present information for 10 years—a period that the Board believes will provide information to identify some cyclical factors and other trends in the information without resulting in an overly burdensome presentation. Transition provisions have been included in this Statement to accommodate prospective presentation of some of the information required in the 10-year schedules in certain circumstances. (See paragraph B174.)

Requirements When a Primary Government and Its Component Units Provide Benefits through the Same Defined Benefit OPEB Plan

B147. This Statement includes guidance related to the applicability of its requirements to the reporting entity, as well as to a primary government and its component units. To minimize variations in application of the requirements of this Statement, in circumstances in which a primary government and its component units provide OPEB through the same defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 4, the note disclosure and required supplementary information requirements for single employers are required to be presented in the financial statements of the financial reporting entity. This Statement also requires that in the reporting entity's note disclosures, amounts associated with the primary government and amounts associated with the discretely presented component units (in the aggregate) be separately identified. However, in this circumstance, a primary government and its component units are required to apply the cost-sharing provisions of this Statement when presenting information in their stand-alone financial statements, if applicable. A similar overall approach is required to be

applied by a primary government and its component units in circumstances in which they provide OPEB through the same defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4.

B148. This approach recognizes that the perspective of the relationship between the primary government and its component units varies depending upon the entity that is presenting the financial report. The Board believes that when the financial statements are presented for the reporting entity, the perspective for OPEB information is on the reporting entity as a whole. However, when the financial statements relate to the primary government alone or to a stand-alone component unit, the Board believes that the perspective should be on an entity that participates with other entities in an OPEB plan. The Board concluded that this approach generally will address the need to provide information to assess accountability of the primary government for its component units and that comparability of information reported by governments will be enhanced by a single approach to classify OPEB plans, combined with the establishment of a consistent methodology for the allocation of OPEB-related measures among the primary government and its component units, in such circumstances. Some respondents to the Exposure Draft disagreed with the requirement to apply an approach similar to that required to be applied by cost-sharing employers in circumstances in which a primary government and its component units provide OPEB through the same OPEB plan. Those respondents recommended that other methodologies for allocation of the OPEB liability and related measures be permitted. The Board concluded that the approach in this Statement for primary governments and component units that provide benefits through the same defined benefit OPEB plan is consistent with other similar circumstances in which there are multiple entities recognizing a portion of the collective OPEB liability.

Application of Requirements to Fund Financial Statements and Activities

B149. This Statement does not provide specific guidance for allocating OPEB liabilities and related measures among fund financial statements and between governmental and business-type activities in the government-wide statement of net position. Some respondents to the Exposure Draft recommended that the Board provide such allocation guidance because respondents believe that there will be divergence in techniques used to allocate OPEB liabilities and related measures if guidance is not provided. After consideration of the existing guidance related to reporting liabilities, the Board concluded that additional

guidance is not needed for allocation of OPEB liabilities and related measures to funds and activities. The Board believes that there is nothing about a government's OPEB liability (and related measures) that, for purposes of allocation to funds and activities, distinguishes it from other long-term liabilities that are based on estimates—circumstances for which existing guidance already is available.

Application of Requirements to Financial Statements Prepared Using the Current Financial Resources Measurement Focus and Modified Accrual Basis of Accounting

B150. This Statement specifically addresses the application of its requirements to financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting by requiring an OPEB liability to be recognized to the extent the liability is normally expected to be liquidated with expendable financial resources. In addition, OPEB expenditures are required to be recognized equal to the total of (a) amounts paid by the employer to the OPEB plan, including amounts paid for OPEB as the benefits come due, and (b) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable financial resources. These requirements are consistent with the requirements of Statement 45 and the requirements for recognition of other long-term liabilities and related expenditures in financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting in Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. To clarify the application of those requirements, the Board decided to specify the point at which OPEB liabilities are normally expected to be liquidated with expendable available resources.

Payables to a Defined Benefit OPEB Plan

B151. This Statement includes accounting and financial reporting requirements for payables of an employer to defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 4. Such payables can arise from several types of events. For example, liabilities to an OPEB plan can be created as a result of a legally required annual contribution to an OPEB plan that has not been made as of the period-end. Those payables typically are

short term in nature. Other payables to an OPEB plan are longer term obligations. For example, when entering a preexisting cost-sharing OPEB plan, an employer often enters into a separate financing arrangement with the OPEB plan for the past service cost of that employer's employees. (Under previous standards, such long-term liabilities of an employer to an OPEB plan were termed *OPEB-related debt*.) The Board concluded that because they are legally required, payables to a defined benefit OPEB plan meet the definition of a liability in Concepts Statement 4 and should continue to be recognized as liabilities of an employer. Further, the Board concluded that disclosure of information about the terms of the liability, the balances outstanding at period-end, and the circumstances giving rise to such liabilities would be essential to inform a user of the financial statements about the existence, magnitude, and conditions of a liability to the OPEB plan, separate from the liability to the employees as a result of the employment exchange.

Defined Contribution OPEB

B152. This Statement generally carries forward the requirements of Statement 45 for employer accounting and financial reporting for defined contribution OPEB. The Board believes that defined contributions are the amounts that are defined by the benefit terms as being attributable to employees' services in a period, notwithstanding variations that may exist with regard to the occurrence or timing of actual payments into an employee's individual account. Therefore, in this Statement, the definition of defined contribution OPEB, as well as the accounting requirements for that OPEB, include provisions to accommodate circumstances in which the timing of payments into individual accounts does not coincide with the period of employee service to which defined contributions pertain (as when a nonvested employee accumulates credits for which the employer delays payment into the employee's account until vesting provisions have been satisfied). However, the underlying notion inherent in the definition in Statement 45 remains. That is, OPEB is classified as defined contribution for accounting and financial reporting purposes if the amount of OPEB that the employee will receive will depend only on the contributions (or credits) to the employee's account, actual earnings on the underlying assets associated with contributions (or credits) to the employee's account, and adjustments for forfeitures of contributions, as well as OPEB plan administrative costs, that are allocated to the employee's account. This definition excludes from the category of defined contribution OPEB the OPEB that is provided through OPEB plans in which interest earnings in individual employee accounts are not derived from actual earnings on underlying assets contributed or credited to the account—for

example, circumstances in which the employer provides a defined rate of return on employee balances or interest crediting is based on a specified index rather than on actual investment earnings. It also excludes circumstances in which the employer has longevity risk associated with an annuitization feature of OPEB that otherwise would be classified as defined contribution.

Special Funding Situations

B153. As previously discussed, the Board believes that the liability for OPEB originates with employers as a result of employment exchanges that promise OPEB for employee service. Therefore, employer accounting in this Statement is based on recognition of the employer's liability to employees for OPEB to the extent that fiduciary net position is not currently held by an OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of this Statement—an amount that reflects the expected future sacrifice of resources relative to those benefits. In some cases, however, there are entities other than the employers that are expected to sacrifice resources to satisfy the liability to employees for OPEB because of legal requirements to make contributions directly to an OPEB plan or to make payments for OPEB as the benefits come due (either directly to the employee by the nonemployer contributing entity or through the use of the nonemployer contributing entity's assets accumulated for OPEB and held by others). Certain of these circumstances are defined as special funding situations by this Statement.

B154. With regard to these situations, the Board considered two possible views, each with different implications for accounting and financial reporting purposes. That is, the legal responsibility of the nonemployer contributing entity to contribute directly to the OPEB plan or to make benefit payments directly for OPEB as the benefits come due should be viewed as either (a) an assumption by the paying nonemployer contributing entity of a portion of the unfunded OPEB liability of the employer or (b) a responsibility to assist in funding the employer's OPEB liability with no assumption of the unfunded OPEB liability of the employer. Some respondents to the Exposure Draft supported the latter view. Those respondents generally advocated for the application of the requirements of Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, to those circumstances. In their view, the involvement of a nonemployer contributing entity should have the same effect for accounting and financial reporting purposes whether the entity provides its support through payments directly to the employer or through contributions made directly to the OPEB plan. Those respondents also believe that because the exchange that

creates the OPEB obligation occurs between the employer and the employee, the resultant liability should be reported by the employer until it is satisfied by payments of benefits to the employee or by transfer of assets to an OPEB plan that is administered through a trust that meets the criteria in paragraph 4.

B155. After considering these views, the Board concluded that, unlike in a typical nonexchange transaction addressed in Statement 33, the nonemployer contributing entity in a special funding situation has a direct obligation under the economic resources measurement focus and accrual basis of accounting. That obligation warrants the recognition of a liability based on when the benefits are earned rather than on when contributions are due and payable to the OPEB plan (which would result from the application of an eligibility-requirements-based view).

B156. Within the context of the definition of a liability in Concepts Statement 4, the Board concluded that if (a) an entity is legally required to provide assets to the OPEB plan in the future to satisfy the accrued OPEB obligation (through contributions directly to an OPEB plan or payment of OPEB as the benefits come due) and (b) that requirement is not dependent on the occurrence of an event unrelated to the OPEB, that entity has a present obligation to sacrifice resources (that is, a liability) for those benefits. Therefore, in such circumstances, the Board concluded that a nonemployer contributing entity's legal requirement should be viewed for accounting and financial reporting purposes as an assumption by the nonemployer contributing entity of a portion of the OPEB liability of the employer on whose behalf the contributions or benefit payments are made directly. The Board also concluded that in all circumstances in which a nonemployer contributing entity is the only entity with a legal obligation to make contributions to the OPEB plan or to make benefit payments directly as OPEB comes due, the nonemployer entity's involvement should be viewed as an assumption of the employer's entire OPEB obligation.

B157. This Statement requires an approach that results in (a) the employer recognizing a net OPEB liability (or total OPEB liability, as applicable) that reflects an adjustment for the proportion of the employer's liability that is allocated to a nonemployer contributing entity as a result of its requirement to contribute and (b) a governmental nonemployer contributing entity that has a legal requirement to make contributions or to make benefit payments directly consistent with the characteristics identified in paragraph B156 recognizing in its financial statements its proportionate share of the collective net OPEB liability (or collective total OPEB liability, as applicable) of the employers on whose behalf it contributes. To reduce the complexities of the approach, this

Statement requires that the measurements of the governmental nonemployer contributing entity's deferred outflows of resources and deferred inflows of resources be based solely on its proportion of the collective net OPEB liability, rather than requiring the nonemployer contributing entity to obtain information about each individual employer's balances of deferred outflows of resources and deferred inflows of resources related to OPEB. The individual balances of deferred outflows of resources and deferred inflows of resources that will be reported by the employers and the governmental nonemployer contributing entities as a result of using the approach required by this Statement will differ from those that would result if the governmental nonemployer contributing entity's approach was based on individual employer balances. However, the Board believes that practical concerns about the cost of measurements and potential challenges associated with obtaining information from potentially numerous individual employers warrants deviation from the conceptual approach for these measurements.

B158. In broad terms, the approach required by this Statement is a continuation of the basic approach required in Statement 45 for special funding situations. That approach requires the entity that is legally responsible for employer contributions to follow the applicable employer provisions of that Statement for measurement and recognition of OPEB expense and liabilities. Statement 45 also requires both the employer and the governmental nonemployer contributing entity to apply the requirements of Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, as amended. The project leading to this Statement did not reexamine or reconsider the requirements of Statement 24, as amended, generally, and, therefore, this Statement incorporates the requirements of Statement 24, as amended, with modifications only to reflect changes in the overall accounting framework applied to OPEB, including consideration of OPEB provided through OPEB plans that are not administered through trusts that meet the criteria in paragraph 4. The approach in this Statement results in an employer recognizing an amount of OPEB expense that reflects the total cost of services associated with those benefits, with the financial support of the nonemployer contributing entity recognized as revenue.

B159. Modifications required as a result of the accounting framework of this Statement included consideration of issues similar to those related to the measurement of the net OPEB liabilities and other measures by individual cost-sharing employers. That is, issues related to (a) assumptions about relative proportion and (b) accounting for a change in proportion, differences between amounts recognized by the OPEB plan as contributions (or benefit

payments, as applicable), and each entity's share of those amounts, are relevant to both circumstances. Generally, the objective of the measurement of a nonemployer contributing entity's assumption of an employer's net OPEB liability and related measures is the same as the objective of similar measurements for cost-sharing employers—that is, to result in recognition of liabilities that represent the expectation of future sacrifices of the entities' resources. Therefore, the requirements of this Statement for measurement of OPEB-related balances and expense by governmental nonemployer contributing entities in special funding situations generally are parallel to the requirements for cost-sharing employers.

B160. Some respondents to the Exposure Draft disagreed that requirements should be established for special funding situations in which OPEB is not provided through OPEB plans that are administered through trusts that meet the criteria in paragraph 4 because, in those circumstances, the nonemployer contributing entity is legally required to make benefit payments as the benefits come due, rather than making contributions to the OPEB plan. Although the resources are not accumulated in a trust that meets the criteria in paragraph 4 in those circumstances, the Board concluded that a nonemployer contributing entity that is legally required to sacrifice resources to make benefit payments directly to employees has a similar relationship to the OPEB liability as a nonemployer contributing entity that is legally required to sacrifice resources by making contributions directly to an OPEB plan prior to the payment of benefits. Therefore, the Board concluded that the payment of benefits directly by the nonemployer contributing entity is consistent with the special funding situation requirements for OPEB that is provided through an OPEB plan that is administered through a trust that meets the criteria in paragraph 4 if the other criteria for a special funding situation are met.

Note Disclosures and Required Supplementary Information for Special Funding Situations

B161. This Statement requires note disclosures of employers to describe the effects of the involvement of a nonemployer contributing entity on certain amounts recognized by the employer. This Statement also includes note disclosure requirements for governmental nonemployer contributing entities in special funding situations, with separate requirements for those governmental nonemployer contributing entities that recognize a substantial portion of the collective OPEB liability and those that do not recognize a substantial portion. With regard to governmental nonemployer contributing entities that recognize a

substantial portion of the collective OPEB liability, this Statement requires note disclosures and schedules of required supplementary information that generally are consistent with those required for cost-sharing employers. The Board believes that if the relative share of the governmental nonemployer contributing entity is substantial, the relationship of the entity to the collective OPEB liability is similar to that of a cost-sharing employer to that measure. Therefore, similar information about that relationship is essential to a user's understanding of the governmental nonemployer contributing entity's financial statements. With regard to governmental nonemployer contributing entities that do not recognize a substantial portion of the collective OPEB liability, this Statement requires presentation of information in notes and required supplementary information at a level of detail that is reduced from that of an employer. The Board concluded that more detailed information about changes in and the relationships of the components of the amounts recognized by the governmental nonemployer contributing entity in this circumstance is not essential to a user of its financial statements.

B162. Some respondents to the Exposure Draft expressed concern with the subjectivity involved with determining whether a governmental nonemployer contributing entity recognizes a substantial portion of the collective OPEB liability. The Board concluded that professional judgment should be applied to each special funding situation to determine whether a governmental nonemployer contributing entity recognizes a substantial portion of the collective OPEB liability.

Insured Benefits

B163. This Statement generally carries forward requirements from Statement 45 for recognition and disclosure of insured benefits. The Board believes the most significant type of OPEB—postemployment healthcare benefits—is unlikely to be insured because of uncertainties related to projecting the payments of benefits that will be due in future years. However, the Board concluded that employers might provide other forms of OPEB through insured OPEB plans and that these benefits should be excluded from the projection of benefit payments when measuring an employer's liability for defined benefit OPEB for the same reasons the Board decided to exclude allocated insurance contracts from the projection of benefit payments, as discussed in paragraph B58.

B164. Some respondents to the Exposure Draft requested clarification as to whether OPEB expense recognized for insured benefits should equal required premiums paid to the insurer during the reporting period or during the entire service period of the employee covered under the arrangement. The Board concluded that OPEB expense should be recognized equal to the amount of premiums or other payments required for the reporting period and clarified the expense recognition requirement to reflect this decision.

Considerations Related to Benefits and Costs

B165. The overall objective of financial reporting by state and local governments is to provide information to assist users (the citizenry, legislative and oversight bodies, and investors and creditors) in assessing the accountability of governments and in making economic, social, and political decisions. One of the principles guiding the Board's setting of standards for accounting and financial reporting is the assessment of expected benefits and the perceived costs. The Board strives to determine that its standards (including disclosure requirements) address an essential user need and that the costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit.

B166. Present and potential users are the primary beneficiaries of improvements in financial reporting. Persons within governments who are responsible for keeping accounting records and preparing financial statements, as well as managers of public services, also benefit from the information that is collected and reported in conformity with GASB standards. The costs to implement the standards are borne primarily by governments and, by extension, their citizens and taxpayers. Users also incur costs associated with the time and effort required to obtain and analyze information to meaningfully inform their assessments and decisions.

B167. The Board's assessment of the expected benefits and perceived costs of issuing new standards is unavoidably more qualitative than quantitative because no reliable and objective method has been identified for quantifying the value of improved information in financial statements. Furthermore, it is difficult to accurately measure the costs of implementing new standards until implementation has actually taken place. Nonetheless, the Board undertakes this assessment based on the available evidence regarding expected benefits and perceived costs with the objective of achieving an appropriate balance between increasing benefits and minimizing costs.

B168. The Board assessed the expected benefits and perceived costs of its requirements at two levels—for individual decisions and for the entirety of the Statement. Throughout its deliberations, the Board specifically considered the relative expected benefits and perceived costs of individual decisions and also considered information gathered related to pensions from the research performed and respondent comments received on the due process documents that led to Statements 67 and 68. For example, similar to the requirements for the measurement of an employer’s net pension liability, this Statement requires measurement of the employer’s OPEB liability as of a measurement date no earlier than the employer’s prior fiscal year-end, with the total OPEB liability determined by an actuarial valuation as of that date or through the use of procedures to update to the measurement date the results of an actuarial valuation as of a date no more than 30 months and 1 day prior to the employer’s fiscal year-end. The Board believes that allowing a measurement date to be offset from the employer’s fiscal year-end rather than requiring that the measurement be as of the employer’s fiscal year-end will significantly reduce costs for both employers and OPEB plans. In addition, this Statement requires disclosure of the sensitivity of the OPEB liability to changes in the discount rate and healthcare cost trend rate, if applicable. To address respondent concerns about costs, this Statement requires disclosure of fewer measures than were proposed in the Exposure Draft.

B169. The Board also considered the aggregate expected benefits and perceived costs associated with the entirety of the requirements in this Statement. The Board believes that the expected benefits—improved decision-usefulness and enhanced value of information for assessing accountability and interperiod equity, greater comparability and consistency, and increased transparency—that will result from the information provided through implementation of this Statement, both initially and on an ongoing basis, are significant. The Board is cognizant that the costs of implementing the changes required by this Statement may be significant, though principally in terms of the initial implementation effort rather than ongoing compliance in subsequent years. As discussed in paragraphs B83–B92, the Board decided to permit the use of an alternative measurement method for OPEB measurements in circumstances in which an OPEB plan is used to provide OPEB to fewer than 100 employees to alleviate some of the ongoing costs of complying with the requirements in this Statement. The Board believes that if OPEB is provided through plans of that size, the perceived ongoing costs of obtaining actuarial valuations to comply with the provisions in this Statement are substantial relative to the expected incremental benefit of actuarial valuations.

Effective Date and Transition

B170. Because of the importance that users of financial statements place on information about OPEB provided by governments, the Board believes that the requirements of this Statement should be implemented as soon as practicable. The provisions of this Statement are required to be implemented one year subsequent to the date at which OPEB plans are required to implement the provisions of Statement 74. That is consistent with the provisions regarding the timing of measurements, which permit the OPEB liability reported by employers to be measured as of a date no earlier than the end of the employer's prior fiscal year, as well as with the provisions in Statement 74 that require a single-employer or cost-sharing multiple-employer OPEB plan that is administered through a trust that meets specified criteria to disclose information about the net OPEB liability as of the OPEB plan's fiscal year-end.

B171. In the Exposure Draft, the Board proposed that this Statement be effective for fiscal years beginning after December 15, 2016. Some respondents requested a phased-in approach to implementation, which would allow employers with fewer employees that are provided with OPEB to implement the Statement in periods subsequent to employers with a greater number of members that are provided with OPEB. That approach would have been similar to the implementation approach used in Statements 43 and 45. Although challenges still exist, the need to obtain measurements of OPEB for financial reporting purposes is no longer new, and therefore, the Board concluded that the perceived challenges do not rise to the level of those encountered during the initial implementation of Statements 43 and 45.

B172. Some respondents to the Exposure Draft expressed concerns about the proposed effective date and generally requested that the effective date be delayed. Those respondents noted that they believe that additional time is needed for planning, coordination, and education related to the proposed requirements, including time to develop processes and information systems to provide data that currently is not available. In addition, some respondents observed the timing of the proposed effective date for OPEB plans in the Exposure Draft that led to Statement 74 with other recently issued standards such as Statement No. 72, *Fair Value Measurement and Application*. Because the Board recognized that a significant effort would need to be undertaken by many entities to implement Statements 72 and 74 in the same reporting period,

the Board concluded that an additional six months should be provided to implement the provisions of Statement 74 and similarly concluded that the requirements of this Statement should be effective for fiscal years beginning after June 15, 2017.

B173. Relative to the transition requirements, some respondents to the Exposure Draft requested clarification as to what would be considered practical. The phrase *if not practical* has been used in other GASB standards under a similar context as used in this Statement. The Board believes that reasonable efforts should be made before a government determines the required action is not practical and that, in all cases, professional judgment should be applied.

B174. In addition, because of the potential cost associated with determining the amounts of all deferred outflows of resources and deferred inflows of resources related to OPEB, especially for employers that participate in OPEB plans with complex features, the Board concluded that it is appropriate to require retroactive application of the provisions of this Statement only to the extent that it is practicable. Likewise, during transition, this Statement does not require presentation of information for all periods for the 10-year required supplementary information schedules that contain information about the employer's OPEB liability because of concerns about potential cost and the availability of information for past periods.

Appendix C

ILLUSTRATIONS

C1. This appendix illustrates certain requirements of this Statement. The facts assumed in these examples are illustrative only and are not intended to modify or limit the requirements of this Statement or to indicate the Board's endorsement of the policies or practices shown. Disclosures set forth in this Statement and in other GASB pronouncements, in addition to those shown, are required, if applicable. Illustration 1 is coordinated with Illustration 1 in Appendix C of Statement 74. Amounts presented may include rounding differences.

Illustration 1—Note Disclosures and Required Supplementary Information for a Single Employer That Provides OPEB through a Defined Benefit OPEB Plan That Is Administered through a Trust That Meets the Criteria in Paragraph 4 of This Statement (No Nonemployer Contributing Entities)

Illustration 2—Note Disclosures and Required Supplementary Information for a Cost-Sharing Employer That Provides OPEB through a Defined Benefit OPEB Plan That Is Administered through a Trust That Meets the Criteria in Paragraph 4 of This Statement (No Nonemployer Contributing Entities)

Illustration 3—Note Disclosures and Required Supplementary Information for a Governmental Nonemployer Contributing Entity in a Special Funding Situation for OPEB Provided through a Defined Benefit OPEB Plan That Is Administered through a Trust That Meets the Criteria in Paragraph 4 of This Statement (Substantial Proportion of Collective Net OPEB Liability)

Illustration 4—Note Disclosures and Required Supplementary Information for a Single Employer That Provides OPEB through a Defined Benefit OPEB Plan That Is Not Administered through a Trust That Meets the Criteria in Paragraph 4 of This Statement (No Nonemployer Contributing Entities)

Illustration 5—Calculations Using the Alternative Measurement Method for a Single Employer That Provides OPEB through a Defined Benefit OPEB Plan That Is Not Administered through a Trust That Meets the Criteria in Paragraph 4 of This Statement

Illustration 1—Note Disclosures and Required Supplementary Information for a Single Employer That Provides OPEB through a Defined Benefit OPEB Plan That Is Administered through a Trust That Meets the Criteria in Paragraph 4 of This Statement (No Nonemployer Contributing Entities)

[Note: This illustration includes only note disclosures and required supplementary information required by this Statement. The circumstances of this employer do not include all circumstances for which note disclosures and required supplementary information should be presented.]

Sample City Notes to the 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 net 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 Sample City Retiree Benefits Plan (SCRBP) and additions to/deductions from SCRBP's fiduciary net position have been determined on the same basis as they are reported by SCRBP. For this purpose, SCRBP 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—OPEB

[If the City's employees were provided with benefits through more than one defined benefit OPEB plan, the City should disclose information required by paragraph 47 of this Statement and should apply the requirements of paragraph 48 of this Statement. If the City had component units whose

employees were provided with OPEB through the OPEB plan, the City should apply the requirements of paragraph 49 of this Statement when presenting financial statements of the reporting entity.]

General Information about the OPEB Plan

Plan description. The City’s defined benefit OPEB plan, Sample City Retiree Benefits Plan (SCRBP), provides OPEB for all permanent full-time general and public safety employees of the City. SCRBP is a single-employer defined benefit OPEB plan administered by the Sample City Employees Retirement System (SCERS). Chapter 21 of the Sample City Code grants the authority to establish and amend the benefit terms to the SCERS Board of Trustees (SCERS Board). SCERS issues a publicly available financial report that can be obtained at [Internet address].

Benefits provided. SCRBP provides healthcare and vision benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan.

[If the benefit terms included automatic or ad hoc postemployment benefit changes, the City should disclose information about those terms, as required by paragraph 50b(4) of this Statement.]

Employees covered by benefit terms. At June 30, 20X9, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1,307
Inactive employees entitled to but not yet receiving benefit payments	142
Active employees	<u>8,356</u>
	<u>9,805</u>

[If the OPEB plan was closed to new entrants, the City should disclose that fact, as required by paragraph 50b of this Statement.]

Contributions. Chapter 21 of the Sample City Code grants the authority to establish and amend the contribution requirements of the City and employees to the SCERS Board. The Board establishes rates based on an actuarially determined rate. For the year ended June 30, 20X9, the City’s average contribution rate was 4.19 percent of covered-employee payroll. Employees are not required to contribute to the plan.

[If there was a legal or contractual maximum contribution rate, the OPEB plan should disclose information required by paragraph 50d(3) of this Statement.]

[If the amount of contributions to the OPEB plan from the City required to be disclosed by paragraph 50d of this Statement differed from the amount of contributions to the OPEB plan from the City required to be disclosed by paragraph 55b(6) of this Statement, in the schedule of changes in the net OPEB liability, the City should disclose the contribution amount information required by paragraph 50d of this Statement.]

Net OPEB Liability

The City’s net OPEB liability was measured as of June 30, 20X9, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total OPEB liability in the June 30, 20X9 actuarial valuation was determined 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	7.0 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	9.5 percent for 20Y0, decreasing 0.5 percent per year to an ultimate rate of 5.5 percent for 20Y8 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 June 30, 20X9 valuation were based on the results of an actuarial experience study for the period July 1, 20X5–April 30, 20X7.

[If the benefit terms included ad hoc postemployment benefit changes, the City should disclose information about assumptions related to those changes, as required by paragraph 51 of this Statement.]

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. These 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>
Domestic equity	40%	5.8%
Fixed income	35	1.0
Private equity	20	6.0
Real estate	3	5.9
Cash	2	0.0
Total	<u>100%</u>	

Discount rate. The discount rate used to measure the total OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, 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 City should disclose information about that change, as required by paragraph 53a of this Statement.]

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at 6/30/X8	\$ 432,472	\$ 418,254	\$ 14,218
Changes for the year:			
Service cost	19,051		19,051
Interest	30,663		30,663
Differences between expected and actual experience	8,925		8,925
Contributions—employer		22,424	(22,424)
Net investment income		44,215	(44,215)
Benefit payments	(7,899)	(7,899)	-
Administrative expense		(148)	148
Net changes	50,740	58,592	(7,852)
Balances at 6/30/X9	\$ 483,212	\$ 476,846	\$ 6,366

[If there had been a change of assumption or other input or a change of benefit terms that affected the measurement of the total OPEB liability since the prior measurement date, the City should disclose information required by paragraph 56c or paragraph 56d of this Statement, as applicable. If benefit payments in the measurement period included amounts for the purchase of allocated insurance contracts, the City should disclose information required by paragraph 56e of this Statement.]

Sensitivity of the net OPEB liability to changes in the discount rate and health-care cost trend rates. The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current discount rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Net OPEB liability (asset)	\$ 64,687	\$ 6,366	\$ (41,620)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the City, as well as what the City's 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%)
Net OPEB liability (asset)	\$ (61,284)	\$ 6,366	\$ 88,512

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued SCERS 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 City should disclose additional information, as required by paragraph 54 of this Statement.]

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 20X9, the City recognized OPEB expense of \$22,388. At June 30, 20X9, the City 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	\$ 25,970	\$ 14,134
Changes of assumptions	-	855
Net difference between projected and actual earnings on OPEB plan investments	17,782	-
Total	<u>\$ 43,752</u>	<u>\$ 14,989</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
20Y0	\$ 7,064
20Y1	7,384
20Y2	6,007
20Y3	4,482
20Y4	114
Thereafter	3,712

Payable to the OPEB Plan

At June 30, 20X9, the City reported a payable of \$132 for the outstanding amount of contributions to SCRBP required for the year ended June 30, 20X9.

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Schedules of Required Supplementary Information

SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years
(Dollar amounts in thousands)

	20X9	20X8	20X7	20X6
Total OPEB liability				
Service cost	\$ 19,051	\$ 18,190	\$ 16,642	\$ 16,732
Interest	30,663	27,176	26,061	25,394
Changes of benefit terms	-	-	-	(36,889)
Differences between expected and actual experience	8,925	11,845	(18,490)	11,845
Changes of assumptions	-	-	(1,369)	-
Benefit payments	(7,899)	(7,758)	(7,601)	(7,425)
Net change in total OPEB liability	50,740	49,453	15,243	9,657
Total OPEB liability—beginning	432,472	383,019	367,776	358,119
Total OPEB liability—ending (a)	\$ 483,212	\$ 432,472	\$ 383,019	\$ 367,776
Plan fiduciary net position				
Contributions—employer	\$ 22,424	\$ 25,255	\$ 28,260	\$ 24,737
Net investment income	44,215	28,698	32,698	25,691
Benefit payments	(7,899)	(7,758)	(7,601)	(7,425)
Administrative expense	(148)	(144)	(137)	(128)
Net change in plan fiduciary net position	58,592	46,051	53,220	42,875
Plan fiduciary net position—beginning	418,254	372,203	318,983	276,108
Plan fiduciary net position—ending (b)	\$ 476,846	\$ 418,254	\$ 372,203	\$ 318,983
City's net OPEB liability—ending (a) – (b)	\$ 6,366	\$ 14,218	\$ 10,816	\$ 48,793
Plan fiduciary net position as a percentage of the total OPEB liability	98.68%	96.71%	97.18%	86.73%
Covered-employee payroll	\$ 535,043	\$ 524,209	\$ 511,884	\$ 510,760
City's net OPEB liability as a percentage of covered-employee payroll	1.19%	2.71%	2.11%	9.55%

Notes to Schedule:

Benefit changes. In 20X6, benefit terms were modified to increase copayments for prescription drugs. In 20X3, benefit terms were modified to add vision benefits.

Changes of assumptions. In 20X7, expected retirement ages of general employees were adjusted to more closely reflect actual experience. In 20X2, assumed life expectancies were adjusted as a result of adopting the RP-2000 Healthy Annuitant Mortality Table. In prior years, those assumptions were based on the 1994 Group Annuity Mortality Table.

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.

This schedule is presented using the optional format of combining the required schedules in paragraphs 57a and 57b.

20X5	20X4	20X3	20X2	20X1	20X0
\$ 18,099	\$ 16,798	\$ 16,334	\$ 14,102	\$ 13,574	\$ 12,190
22,538	20,779	18,120	14,402	13,412	9,999
-	-	23,566	-	-	-
8,945	(4,425)	(11,780)	18,015	(5,215)	33,350
-	-	-	13,568	-	-
(8,758)	(8,598)	(8,369)	(7,817)	(7,981)	(6,966)
40,824	24,554	37,871	52,270	13,790	48,573
317,295	292,741	254,870	202,600	188,810	140,237
<u>\$ 358,119</u>	<u>\$ 317,295</u>	<u>\$ 292,741</u>	<u>\$ 254,870</u>	<u>\$ 202,600</u>	<u>\$ 188,810</u>
\$ 24,597	\$ 21,444	\$ 19,059	\$ 17,762	\$ 17,495	\$ 17,549
(1,369)	13,256	14,941	27,851	18,597	(1,869)
(8,758)	(8,598)	(8,369)	(7,817)	(7,981)	(6,966)
(112)	(104)	(104)	(96)	(96)	(92)
14,358	25,998	25,527	37,700	28,015	8,622
261,750	235,752	210,225	172,525	144,510	135,888
<u>\$ 276,108</u>	<u>\$ 261,750</u>	<u>\$ 235,752</u>	<u>\$ 210,225</u>	<u>\$ 172,525</u>	<u>\$ 144,510</u>
<u>\$ 82,011</u>	<u>\$ 55,545</u>	<u>\$ 56,989</u>	<u>\$ 44,645</u>	<u>\$ 30,075</u>	<u>\$ 44,300</u>
77.10%	82.49%	80.53%	82.48%	85.16%	76.54%
\$ 512,874	\$ 506,779	\$ 496,272	\$ 472,246	\$ 471,093	\$ 462,133
15.99%	10.96%	11.48%	9.45%	6.38%	9.59%

SCHEDULE OF CITY CONTRIBUTIONS

Last 10 Fiscal Years
(Dollar amounts in thousands)

	20X9	20X8	20X7	20X6
Actuarially determined contribution	\$ 22,424	\$ 25,255	\$ 28,260	\$ 24,737
Contributions in relation to the actuarially determined contribution	22,424	25,255	28,260	24,737
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 535,043	\$ 524,209	\$ 511,884	\$ 510,760
Contributions as a percentage of covered-employee payroll	4.19%	4.82%	5.52%	4.84%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	3.0 percent
Healthcare cost trend rates	9.5 percent initial, decreasing 0.5 percent per year to an ultimate rate of 5.5 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.0 percent, net of OPEB plan investment expense, including inflation
Retirement age	In the 20X7 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience.
Mortality	In the 20X2 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the RP-2000 Healthy Annuitant Mortality Table. In prior years, those assumptions were based on the 1994 Group Annuity Mortality Table.

Other information:

The results of the 20X6 actuarial valuation reflect a modification to benefit terms that increased retiree copayments for prescription drugs. The results of the 20X3 actuarial valuation reflect the addition of vision benefits.

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.

<u>20X5</u>	<u>20X4</u>	<u>20X3</u>	<u>20X2</u>	<u>20X1</u>	<u>20X0</u>
\$ 24,597	\$ 21,444	\$ 19,059	\$ 17,762	\$ 17,495	\$ 17,549
<u>24,597</u>	<u>21,444</u>	<u>19,059</u>	<u>17,762</u>	<u>17,495</u>	<u>17,549</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 512,874	\$ 506,779	\$ 496,272	\$ 472,246	\$ 471,093	\$ 462,133
4.80%	4.23%	3.84%	3.76%	3.71%	3.80%

Illustration 2—Note Disclosures and Required Supplementary Information for a Cost-Sharing Employer That Provides OPEB through a Defined Benefit OPEB Plan That Is Administered through a Trust That Meets the Criteria in Paragraph 4 of This Statement (No Nonemployer Contributing Entities)

[Note: This illustration includes only note disclosures and required supplementary information required by this Statement. The circumstances of this employer do not include all circumstances for which note disclosures and required supplementary information should be presented.]

Sample School District Notes to the 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 net 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 Teachers OPEB Plan (TOP) and additions to/deductions from TOP's fiduciary net position have been determined on the same basis as they are reported by TOP. For this purpose, TOP 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—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 this Statement and should apply the requirements of paragraph 90 of this Statement.]

General Information about the OPEB Plan

Plan description. Teaching-certified employees of the District are provided with OPEB through the Teachers OPEB Plan (TOP)—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. TOP 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 this Statement.]

[If the OPEB plan was closed to new entrants, the District should disclose that fact, as required by paragraph 91b of this Statement.]

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 9.54 percent of covered-employee 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 \$10,117 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 OPEB plan should disclose information required by paragraph 91c(3) of this Statement.]

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 \$24,528 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 20X8, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the 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 1.85 percent.

[If there had been a change in the District's proportion since the prior measurement date, the District should disclose information about that change, as required by paragraph 96b.]

[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 this Statement.]

[If changes expected to have a significant effect on the measurement of the net OPEB liability had occurred between the measurement date and the reporting date, the District should disclose information required by paragraph 96f of this Statement.]

For the year ended June 30, 20X9, the District recognized OPEB expense of \$29,204. 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	\$ 7,771	\$ 7,781
Changes of assumptions	10,826	-
Net difference between projected and actual earnings on OPEB plan investments	9,120	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,379	725
District contributions subsequent to the measurement date	5,556	-
Total	<u>\$ 34,652</u>	<u>\$ 8,506</u>

\$5,556 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the 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 OPEB expense as follows:

Year ended June 30:		
20Y0	\$	2,991
20Y1		5,333
20Y2		6,463
20Y3		5,570
20Y4		1,061
Thereafter		(828)

Actuarial assumptions. The total OPEB liability in the December 31, 20X8 actuarial valuation was determined 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 20Y0, decreasing 0.5 percent per year to an ultimate rate of 5.5 percent for 20Y8 and later years

Mortality rates were based on the RP-2000 Combined 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 terms, as required by paragraph 92 of this Statement.]

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. These 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 this Statement.]

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the 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:

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Net OPEB liability (asset)	\$ 76,256	\$ 24,528	\$ (18,579)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the 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%)
Net OPEB liability (asset)	\$ (35,797)	\$ 24,528	\$ 97,780

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 this Statement.]

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 this Statement.]

Schedules of Required Supplementary Information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY Teachers OPEB Plan

Last 10 Fiscal Years*
(Dollar amounts in thousands)

	20X9	20X8	20X7	20X6
District's proportion of the net OPEB liability	1.85%	1.85%	1.85%	1.85%
District's proportionate share of the net OPEB liability (asset)	\$ 24,528	\$ 40,456	\$ 48,169	\$ 24,127
District's covered-employee payroll	\$ 106,129	\$ 105,949	\$ 103,026	\$ 100,774
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	23.11%	38.18%	46.75%	23.94%
Plan fiduciary net position as a percentage of the total OPEB liability	94.31%	90.01%	87.47%	93.06%

- * 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.

20X5	20X4	20X3	20X2	20X1	20X0
1.85%	1.85%	1.85%	1.85%	1.87%	1.87%
\$ (27,843)	\$ (20,277)	\$ (33,218)	\$ (39,415)	\$ 9,480	\$ 31,713
\$ 97,601	\$ 95,929	\$ 94,529	\$ 102,058	\$ 108,965	\$ 107,031
(28.53)%	(21.14)%	(35.14)%	(38.62)%	8.70%	29.63%
108.60%	106.54%	111.47%	118.32%	96.02%	86.04%

SCHEDULE OF DISTRICT CONTRIBUTIONS

Teachers OPEB Plan

Last 10 Fiscal Years
(Dollar amounts in thousands)

	<u>20X9</u>	<u>20X8</u>	<u>20X7</u>	<u>20X6</u>
Contractually required contribution	\$ 10,117	\$ 9,949	\$ 10,721	\$ 9,780
Contributions in relation to the contractually required contribution	<u>(10,117)</u>	<u>(9,949)</u>	<u>(10,721)</u>	<u>(9,780)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
District's covered-employee payroll	\$ 106,039	\$ 104,488	\$ 101,900	\$ 99,188
Contributions as a percentage of covered-employee payroll	9.54%	9.52%	10.52%	9.86%

<p>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.</p>

<u>20X5</u>	<u>20X4</u>	<u>20X3</u>	<u>20X2</u>	<u>20X1</u>	<u>20X0</u>
\$ 8,588	\$ 8,085	\$ 8,112	\$ 8,013	\$ 7,376	\$ 7,236
<u>(8,588)</u>	<u>(8,085)</u>	<u>(8,112)</u>	<u>(8,013)</u>	<u>(7,376)</u>	<u>(7,236)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 96,765	\$ 95,229	\$ 98,294	\$ 105,512	\$ 107,998	\$ 106,916
8.88%	8.49%	8.25%	7.59%	6.83%	6.77%

**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 20X1 actuarial valuations, adjustments were made to assumptions regarding spousal coverage to better reflect actual experience. In the December 31, 20X2 actuarial valuation, expected retirement ages were adjusted to more closely reflect actual experience.

Illustration 3—Note Disclosures and Required Supplementary Information for a Governmental Nonemployer Contributing Entity in a Special Funding Situation for OPEB Provided through a Defined Benefit OPEB Plan That Is Administered through a Trust That Meets the Criteria in Paragraph 4 of This Statement (Substantial Proportion of Collective Net OPEB Liability)

[Note: This illustration includes only note disclosures and required supplementary information required by this Statement. The circumstances of this governmental nonemployer contributing entity do not include all circumstances for which note disclosures and required supplementary information should be presented.]

Sample State Notes to the 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 liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the State's requirement to contribute to the Teachers OPEB Plan (TOP), information about TOP's fiduciary net position and additions to/deductions from TOP's fiduciary net position have been determined on the same basis as they are reported by TOP. For this purpose, TOP 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

[If the State was in more than one special funding situation for which it recognized a substantial proportion of the net OPEB liability, the State should apply the requirements of paragraph 127.]

The State reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the Teachers OPEB Plan (TOP). The following is information about TOP:

General Information about the OPEB Plan

Plan description. TOP is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Teachers Retirement System (TRS) that provides healthcare benefits for teaching-certified employees of participating school districts. 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. TOP 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 State should disclose information about those terms, as required by paragraph 128b(4) of this Statement.]

[If the OPEB plan was closed to new entrants, the State should disclose that fact, as required by paragraph 128b of this Statement.]

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. Article 41 also requires the State to contribute 80 percent of school districts' contractually required contributions, which are actuarially determined. The school districts' contractually required contribution rate for the year ended June 30, 20X9, was 9.54 percent of school district covered-employee payroll of which 1.91 percent was required from

school districts and 7.63 percent was required from the State. State contributions to the OPEB plan were \$466,500 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 OPEB plan should disclose information required by paragraph 128c(3) of this Statement.]

OPEB Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 20X9, the State reported a liability of \$1,060,674 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 20X8, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. At December 31, 20X8, the State's proportion was 80 percent, based on its statutory contribution requirement.

[If there had been a change in proportion since the prior measurement date, the State would disclose information about that change, as required by paragraph 133a of this Statement.]

[If there had been a change of benefit terms that affected the measurement of the total OPEB liability since the prior measurement date, the State should disclose information required by paragraph 133d of this Statement.]

[If changes expected to have a significant effect on the measurement of the net OPEB liability had occurred between the measurement date and the reporting date, the State should disclose information required by paragraph 133e of this Statement.]

As a result of its requirement to contribute to TOP, the State recognized expense of \$1,258,381 for the year ended June 30, 20X9. At June 30, 20X9, the State reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirement to contribute to TOP:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 335,976	\$ 336,480
Changes of assumptions	468,090	-
Net difference between projected and actual earnings on OPEB plan investments	394,348	-
State contributions subsequent to the measurement date	240,259	-
Total	<u>\$ 1,438,673</u>	<u>\$ 336,480</u>

\$240,259 reported as deferred outflows of resources resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 20Y0. Other amounts reported as deferred outflows of resources and deferred inflows of resources as a result of the State's requirement to contribute to TOP will be recognized in expense as follows:

Year ended June 30:

20Y0	\$ 127,162
20Y1	226,014
20Y2	271,864
20Y3	232,614
20Y4	42,478
Thereafter	(38,198)

Actuarial assumptions. The total OPEB liability in the December 31, 20X8 actuarial valuation was determined 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 20Y0, decreasing 0.5 percent per year to an ultimate rate of 5.5 percent for 20Y8 and later years

Mortality rates were based on the RP-2000 Combined 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 State should disclose information about assumptions related to those changes, as required by paragraph 129 of this Statement.]

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. These 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100%	

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), and contributions from the State will be made at current statutorily required rates. Based on those assumptions, 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 State should disclose information about that change, as required by paragraph 131a of this Statement.]

Sensitivity of the State’s proportionate share of the net OPEB liability to changes in the discount rate. The following presents the State’s proportionate share of the net OPEB liability, as well as what the State’s proportionate share of the 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:

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Net OPEB liability (asset)	\$ 3,297,596	\$ 1,060,674	\$ (803,428)

Sensitivity of the State’s proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the State’s proportionate share of the net OPEB liability, as well as what the State’s proportionate share of the 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%)
Net OPEB liability (asset)	\$ (1,547,967)	\$ 1,060,674	\$ 4,228,308

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 State should disclose additional information, as required by paragraph 132 of this Statement.]

Payables to the OPEB Plan

[If the State reported payables to the defined benefit OPEB plan, it should disclose information required by paragraph 142 of this Statement.]

Schedules of Required Supplementary Information

SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Teachers OPEB Plan

Last 10 Fiscal Years*
(Dollar amounts in thousands)

	20X9	20X8	20X7	20X6
State's proportion of the net OPEB liability	80%	80%	80%	80%
State's proportionate share of the net OPEB liability	\$ 1,060,674	\$ 1,749,467	\$ 2,082,971	\$ 1,043,308
Plan fiduciary net position as a percentage of the total OPEB liability	94.31%	90.01%	87.47%	93.06%

- * 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.

20X5	20X4	20X3	20X2	20X1	20X0
80%	80%	80%	80%	80%	80%
\$ (1,204,001)	\$ (876,849)	\$ (1,436,473)	\$ (1,704,453)	\$ 405,543	\$ 1,356,711
108.60%	106.54%	111.47%	118.32%	96.02%	86.04%

SCHEDULE OF STATE CONTRIBUTIONS

Teachers OPEB Plan

Last 10 Fiscal Years
(Dollar amounts in thousands)

	<u>20X9</u>	<u>20X8</u>	<u>20X7</u>	<u>20X6</u>
Statutorily required contribution	\$ 442,932	\$ 436,455	\$ 420,559	\$ 391,722
Contributions in relation to the statutorily required contribution	<u>(442,932)</u>	<u>(436,455)</u>	<u>(420,559)</u>	<u>(391,722)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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.

<u>20X5</u>	<u>20X4</u>	<u>20X3</u>	<u>20X2</u>	<u>20X1</u>	<u>20X0</u>
\$ 380,210	\$ 362,050	\$ 372,714	\$ 340,006	\$ 304,731	\$ 308,499
<u>(380,210)</u>	<u>(362,050)</u>	<u>(372,714)</u>	<u>(340,006)</u>	<u>(304,731)</u>	<u>(308,499)</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**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 20X1 actuarial valuations, adjustments were made to assumptions regarding spousal coverage to better reflect actual experience. In the December 31, 20X2 actuarial valuation, expected retirement ages were adjusted to more closely reflect actual experience.

Illustration 4—Note Disclosures and Required Supplementary Information for a Single Employer That Provides OPEB through a Defined Benefit OPEB Plan That Is Not Administered through a Trust That Meets the Criteria in Paragraph 4 of This Statement (No Nonemployer Contributing Entities)

[Note: This illustration includes only note disclosures and required supplementary information required by this Statement. The circumstances of this employer do not include all circumstances for which note disclosures and required supplementary information should be presented.]

Sample County Notes to the Financial Statements for the Year Ended June 30, 20X9

(Dollar amounts in thousands)

Note X—Postemployment Benefits Other Than Pensions (OPEB)

[If the County's employees were provided with benefits through more than one defined benefit OPEB plan, the County should disclose information required by paragraph 162 of this Statement and should apply the requirements of paragraph 163 of this Statement. If the County had component units whose employees were provided with OPEB through the OPEB plan, the County should apply the requirements of paragraph 164 of this Statement when presenting financial statements of the reporting entity.]

General Information about the OPEB Plan

Plan description. The County's defined benefit OPEB plan, Sample County Retiree Benefits Plan (SCRBP), provides OPEB for all permanent full-time general and public safety employees of the County. SCRBP is a single-employer defined benefit OPEB plan administered by the County. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the County Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

[If the OPEB plan was administered through a trust and that trust did not meet the criteria in paragraph 4 of this Statement, the County should disclose each criterion in paragraph 4 that the trust does not meet, as required by paragraph 165d of this Statement.]

Benefits provided. SCRBP provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms provide for payment of 55 percent of health insurance premiums for non-Medicare-eligible retirees and 55 percent of supplemental health insurance premiums for Medicare-eligible retirees. The plan also provides all retirees with \$5,000 of life insurance benefits.

[If the benefit terms included automatic or ad hoc postemployment benefit changes, the County should disclose information about those terms, as required by paragraph 165b(4) of this Statement. If the amount of benefit payments made by the County required to be disclosed by paragraph 165e of this Statement differed from the amount of benefit payments made by the County required to be disclosed by paragraph 168b(6) of this Statement in the schedule of changes in the total OPEB liability, the County should disclose the information about the amount of benefit payments made during the reporting period, as required by paragraph 165e of this Statement.]

Employees covered by benefit terms. At June 30, 20X9, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5,477
Inactive employees entitled to but not yet receiving benefit payments	746
Active employees	<u>10,109</u>
	<u>16,332</u>

[If the OPEB plan was closed to new entrants, the County should disclose that fact, as required by paragraph 165b of this Statement.]

Total OPEB Liability

The County’s total OPEB liability of \$778,984 was measured as of June 30, 20X9, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 20X9 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0 percent
Salary increases	3.25 percent, average, including inflation
Discount rate	4.0 percent
Healthcare cost trend rates	9.5 percent for 20Y0, decreasing 0.5 percent per year to an ultimate rate of 5.5 percent for 20Y8 and later years
Retirees' share of benefit-related costs	45 percent of projected health insurance premiums for retirees

The discount rate was based on [Name of the Index].

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 June 30, 20X9 valuation were based on the results of an actuarial experience study for the period July 1, 20X5–April 30, 20X7.

[If the benefit terms included ad hoc postemployment benefit changes, the County should disclose information about assumptions related to those changes, as required by paragraph 166 of this Statement.]

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at 6/30/X8	\$ 851,095
Changes for the year:	
Service cost	16,712
Interest	33,898
Changes of benefit terms	(203,619)
Differences between expected and actual experience	58,936
Changes in assumptions or other inputs	45,945
Benefit payments	(23,983)
Net changes	(72,111)
Balance at 6/30/X9	\$ 778,984

Changes of benefit terms reflect an increase in the retirees’ share of health insurance premiums from 25 percent in 20X8 to 45 percent in 20X9.

Changes of assumptions and other inputs reflect a change in the discount rate from 4.37 percent in 20X8 to 4.00 percent in 20X9.

[If benefit payments in the measurement period included amounts for the purchase of allocated insurance contracts, the County should disclose information required by paragraph 169e of this Statement.]

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.0 percent) or 1-percentage-point higher (5.0 percent) than the current discount rate:

	1% Decrease (3.0%)	Discount Rate (4.0%)	1% Increase (5.0%)
Total OPEB liability	\$ 873,486	\$ 778,984	\$ 705,338

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the County, as well as what the County's total 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%)
Total OPEB liability	\$ 669,927	\$ 778,984	\$ 911,412

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 20X9, the County recognized negative OPEB expense of \$169,031. At June 30, 20X9, the County 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	\$ 111,188	\$ 18,327
Changes of assumptions or other inputs	98,543	213,409
Total	<u>\$ 209,731</u>	<u>\$ 231,736</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
20Y0	\$ (15,416)
20Y1	(13,476)
20Y2	(12,781)
20Y3	(12,747)
20Y4	16,702
Thereafter	15,713

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Schedules of Required Supplementary Information

SCHEDULE OF CHANGES IN THE COUNTY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years
(Dollar amounts in thousands)

	20X9	20X8	20X7	20X6
Total OPEB liability				
Service cost	\$ 16,712	\$ 21,688	\$ 20,346	\$ 22,832
Interest	33,898	39,177	27,886	41,014
Changes of benefit terms	(203,619)	-	-	-
Differences between expected and actual experience	58,936	16,606	46,382	32,555
Changes of assumptions or other inputs	45,945	(100,666)	66,410	(268,143)
Benefit payments	(23,983)	(22,744)	(19,056)	(17,962)
Net change in total OPEB liability	(72,111)	(45,939)	141,968	(189,704)
Total OPEB liability—beginning	851,095	897,034	755,066	944,770
Total OPEB liability—ending	\$ 778,984	\$ 851,095	\$ 897,034	\$ 755,066
Covered-employee payroll	\$ 561,026	\$ 547,748	\$ 560,763	\$ 561,588
Total OPEB liability as a percentage of covered-employee payroll	138.85%	155.38%	159.97%	134.45%

Notes to Schedule:

Changes of benefit terms. Amounts presented reflect an increase in the retirees' share of health insurance premiums from 0 percent in 20X0–20X2 to 25 percent in 20X3–20X8 and to 45 percent in 20X9. In 20X1, amounts reflect a change of benefit terms to require Medicare-eligible recipients to enroll in Medicare.

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

20X9	4.00%
20X8	4.37%
20X7	3.69%
20X6	4.33%
20X5	4.14%
20X4	4.53%
20X3	4.57%
20X2	4.34%
20X1	4.45%
20X0	3.98%
20W9	4.75%

In 20X6, amounts reflect a 1-percentage-point decrease in the healthcare cost trend rates from the prior year and adjustments to assumptions regarding spousal coverage to better reflect actual plan experience.

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.

This schedule is presented using the optional format of combining the required schedules in paragraphs 170a and 170b.

20X5	20X4	20X3	20X2	20X1	20X0
\$ 32,840	\$ 35,925	\$ 35,162	\$ 43,772	\$ 43,063	\$ 93,396
37,254	38,436	45,817	40,440	72,712	56,990
-	-	(205,896)	-	(715,368)	-
(42,519)	(9,528)	15,186	(7,595)	2,039	(20,326)
42,249	3,966	(30,706)	11,000	(93,992)	107,030
(16,979)	(14,756)	(13,320)	(11,791)	(10,161)	(9,568)
52,845	54,043	(153,757)	75,826	(701,707)	227,522
891,925	837,882	991,639	915,813	1,617,520	1,389,998
<u>\$ 944,770</u>	<u>\$ 891,925</u>	<u>\$ 837,882</u>	<u>\$ 991,639</u>	<u>\$ 915,813</u>	<u>\$ 1,617,520</u>
\$ 535,807	\$ 515,573	\$ 499,044	\$ 486,857	\$ 453,517	\$ 432,568
176.33%	173.00%	167.90%	203.68%	201.94%	373.93%

Illustration 5—Calculations Using the Alternative Measurement Method for a Single Employer That Provides OPEB through a Defined Benefit OPEB Plan That Is Not Administered through a Trust That Meets the Criteria in Paragraph 4 of This Statement

[Note: The formats and methods included below are intended as illustrations of how the alternative measurement method might be applied to particular facts and circumstances, including plan design, and might not be appropriate in other circumstances. The facts included below are illustrative only, and similarly, the assumptions illustrated below would not necessarily be appropriate in circumstances other than those assumed for purposes of this illustration. This illustration is not intended to modify or limit the requirements of this Statement or to indicate the Board's endorsement of the policies or practices shown.]

As described in this Statement, if the criterion in paragraph 224 is met, the total OPEB liability may be measured in conformity with the requirements in paragraphs 225 and 226 for the *alternative measurement method*. This illustration of the application of the alternative measurement method includes (a) the projection of benefit payments and the calculation of the present value of total projected benefit payments (Table 1) and (b) the calculation of the total OPEB liability (Table 2).

Facts and Assumptions

The following facts are assumed in the illustrations:

- a. *Benefit terms*—The plan is a single-employer defined benefit plan that pays 85 percent of the health insurance premiums for eligible retirees and their spouses for the remainder of their lives. To be eligible for healthcare benefits under the terms of the OPEB plan, an employee is required to work for the town at least 10 years and be at least 55 years old when service with the town terminates. Insurance for retired individuals is provided through the employer's group plan, which covers both active employees and retirees. The health insurance coverage for retirees has the same terms as the coverage for active employees, with the exception that the health insurance coverage for retirees is secondary to Medicare.

- b. *Demographic information*—The plan has 18 employees (active and inactive) covered under the terms of the OPEB plan. Demographic information for those employees is as follows:

Employee	Employment Status	Gender	Number of Years Employed	Age at Retirement	Current Age	Spouse's Current Age
#1	Active	M	10		46	42
#2	Active	F	3		28	30
#3	Active	F	6		40	38
#4	Active	M	1		34	26
#5	Active	M	25		58	50
#6	Active	M	12		52	52
#7	Active	M	8		40	n/a
#8	Active	M	2		33	n/a
#9	Active	F	13		36	n/a
#10	Active	F	4		30	n/a
#11	Active	F	2		25	n/a
#12	Active	M	1		22	n/a
#13	Retired	F	20	56	60	n/a
#14	Retired	M	35	66	68	62
#15	Retired	M	25	65	75	70
#16	Retired	F	30	62	71	n/a
#17	Retired	M	18	60	64	n/a
#18	Retired	M	32	63	deceased	81

- c. *Expected point in time at which benefit payments will begin to be made* (paragraph 225b)—Active employees covered under the terms of the OPEB plan are assumed to retire at age 62, which is the historical average age of retirement for employees of this employer. If an employee would not yet be eligible to begin receiving benefit payments at age 62, the employee is assumed to work until the year in which he or she becomes eligible, at which time the employee is assumed to retire. Active employees age 62 or older who are otherwise eligible to receive benefit payments under the terms of the OPEB plan are assumed to retire in the first projected year.
- d. *Marital status* (paragraph 225c)—Active employees and retirees covered under the terms of the OPEB plan who currently have spouses are assumed to be married to those spouses at retirement; those without spouses at the calculation date are assumed to be single at and throughout retirement.
- e. *Mortality* (paragraph 225d)—Life expectancies are based on mortality tables at the National Center for Health Statistics website (www.cdc.gov). The 20W9 United States Life Tables for Males and United States Life Tables for

Females were used. Life expectancies that included partial years were rounded to the nearest whole year. For example, 47.6 years was rounded to 48 years. The calculation of projected benefit payments for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables.

Remaining Life Expectancy at Current Age		
Employee	Employee's Life Expectancy (years)	Spouse's Life Expectancy (years)
#1	33	40
#2	54	48
#3	42	40
#4	44	56
#5	23	33
#6	28	31
#7	38	n/a
#8	43	n/a
#9	46	n/a
#10	52	n/a
#11	57	n/a
#12	55	n/a
#13	24	n/a
#14	16	23
#15	11	17
#16	16	n/a
#17	18	n/a
#18	deceased	9

f. *Turnover* (paragraph 225e)—The probability that an active employee will remain employed until the assumed age at which benefit payments will begin to be made was determined using gender-specific age-based turnover derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System.

<u>Employee</u>	<u>Entry Age</u>	<u>Current Age</u>	<u>Probability of Remaining Employed from Current Age until Retirement Age</u>	<u>Probability of Remaining Employed from Entry Age until Retirement Age</u>
#1	36	46	0.846	0.603
#2	25	28	0.481	0.413
#3	34	40	0.728	0.545
#4	33	34	0.566	0.565
#5	33	58	0.980	0.565
#6	40	52	0.894	0.671
#7	32	40	0.776	0.557
#8	31	33	0.580	0.552
#9	23	36	0.775	0.387
#10	26	30	0.542	0.424
#11	23	25	0.418	0.387
#12	21	22	0.416	0.415

g. *Healthcare cost trend rate* (paragraph 225f)—The expected rates of increase in healthcare costs is based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services, in *National Health Care Expenditures Projections: 20X2–20Y2*, Table 3: National Health Expenditures, Aggregate & Per Capita Amounts, Percent Distribution and Annual Percent Change by Source of Funds: Calendar Years 20W6–20Y2, (www.cms.hhs.gov). Healthcare costs are expected to increase as follows:

<u>For the Year Ended 6/30</u>	<u>Increase from Previous Year</u>
20X2	3.8%
20X3	4.0%
20X4	7.8%
20X5	6.4%
20X6	6.2%
20X7	6.0%
20X8 & later	6.7% (average)

h. *Health insurance premiums* (paragraph 225g)—Because the terms of the plan provide a portion of the cost of healthcare through the payment of health insurance premiums for retired participants and premiums are assessed separately for the retiree group, the amount of current health insurance premiums has been used as a basis for calculating the present value

of projected benefit payments. Separate premium rates are established for individuals under age 65 and for individuals ages 65 and older. For the year ended June 30, 20X1, annual retiree health insurance premiums were:

Category	Total Premium	Employer Portion (85% of total)
Pre-Age 65 (not Medicare eligible)		
Single	\$ 5,266	\$ 4,476
Married (employee <i>and</i> spouse under age 65)	10,913	9,276
Ages 65 and Older (Medicare eligible)		
Single	2,118	1,800
Married (employee <i>and</i> spouse age 65 or older)	4,376	3,720
Married (employee <i>or</i> spouse age 65 or older)	7,384	6,276

Premiums are paid monthly.

- i. *Discount rate* (paragraph 155)—The discount rate applied is 4.0 percent.
- j. *Other economic assumptions* (paragraph 148)—The expected long-term inflation assumption is 3.0 percent. The expected long-term payroll growth rate is 3.0 percent.

Table 1
Projection of Benefit Payments and Present Value of Total Projected Benefit Payments
Measurement Date: 6/30/20X1

Employee	Projected Benefit Payments for the Year Ending June 30,							
	20X2	20X3	20X4	20X5	20X6	20X7	20X8	20X9
#1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
#2	—	—	—	—	—	—	—	—
#3	—	—	—	—	—	—	—	—
#4	—	—	—	—	—	—	—	—
#5	—	—	—	—	—	—	—	—
#6	—	—	—	—	—	—	—	—
#7	—	—	—	—	—	—	—	—
#8	—	—	—	—	—	—	—	—
#9	—	—	—	—	—	—	—	—
#10	—	—	—	—	—	—	—	—
#11	—	—	—	—	—	—	—	—
#12	—	—	—	—	—	—	—	—
#13	4,739	4,929	5,313	5,653	6,004	2,559	2,731	2,914
#14	6,645	6,911	7,450	4,698	4,990	5,289	5,643	6,021
#15	3,939	4,096	4,416	4,698	4,990	5,289	5,643	6,021
#16	1,906	1,982	2,137	2,273	2,414	2,559	2,731	2,914
#17	4,739	1,982	2,137	2,273	2,414	2,559	2,731	2,914
#18	1,906	1,982	2,137	2,273	2,414	2,559	2,731	2,914
CURRENT-AGE TOTAL PROJECTED BENEFIT PAYMENTS	\$ 23,874	\$ 21,882	\$ 23,590	\$ 21,868	\$ 35,668	\$ 34,002	\$ 36,282	\$ 33,857
CURRENT-AGE INTEREST-DISCOUNTED PRESENT VALUE OF TOTAL PROJECTED BENEFIT PAYMENTS	\$ 22,956	\$ 20,231	\$ 20,971	\$ 18,693	\$ 29,316	\$ 26,872	\$ 27,571	\$ 24,739

Notes:

1. The calculation is made using data as of June 30, 20X1, to estimate the employer's total OPEB liability at June 30, 20X1 (the measurement date).
2. The amounts under columns labeled years 20X2–20C9 are the expected annual benefit payments for retiree healthcare for employees and their spouses, calculated by adjusting the current-year health insurance premiums for (a) the effects of assumed healthcare cost inflation, (b) the effects of assumed changes in age and marital status (due to death of a spouse) of participants, and (c) the fact that premium payments are made on a monthly basis. (See note 4 for an example of the calculation.)
3. These values are calculated as the net present value at the measurement date of the series of projected benefit payments at the discount rate of 4.0 percent.
4. This amount is calculated as the current-year health insurance premium for an employee and spouse who are both pre-age 65, inflated to 20X6 using the assumed healthcare inflation rates:
 $\$9,276 \times (1.038 \times 1.040 \times 1.078 \times 1.064 \times 1.062) = \$12,198$, plus 1/2 year of interest at the discount rate: $\$12,198 \times (0.04 / 2) = \244 . The total amount equals $\$12,198 + \$244 = \$12,442$.
5. Projected benefit payments for a married couple are calculated (using the appropriate "married" healthcare insurance premium rates) beginning with the year in which the employee is assumed to retire.

								See note 3.	
								Current-Age Interest-Discounted Present Value of Projected Benefit Payments	
20Y0	20Y1	20Y2	20Y3	...	20C8	20C9	Current-Age Total Projected Benefit Payments		
\$ —	\$ —	\$ —	\$ —	...	\$ —	\$ —	\$ 550,442	\$	190,507
—	—	—	—	...	—	—	1,165,463		210,805
—	—	—	—	...	—	—	681,106		195,396
—	—	—	—	...	—	—	1,515,171		307,069
10,839	11,565	12,340	13,167	...	—	—	357,502		179,856
—	—	18,239	19,461	...	—	—	313,112		140,358
—	—	—	—	...	—	—	246,370		75,371
—	—	—	—	...	—	—	325,732		79,331
—	—	—	—	...	—	—	443,964		105,219
—	—	—	—	...	—	—	655,140		122,710
—	—	—	—	...	69,900	—	906,060		139,488
—	—	—	—	...	—	—	726,163		112,268
3,109	3,317	3,539	3,776	...	—	—	119,402		72,480
6,425	6,855	7,315	7,805	...	—	—	157,643		100,252
6,425	6,855	7,315	3,776	...	—	—	86,496		61,485
3,109	3,317	3,539	3,776	...	—	—	50,467		34,864
3,109	3,317	3,539	3,776	...	—	—	64,096		43,021
3,109	—	—	—	...	—	—	22,025		17,903
<u>\$ 36,125</u>	<u>\$ 35,226</u>	<u>\$ 55,826</u>	<u>\$ 55,537</u>	...	<u>\$ 69,900</u>	<u>\$ —</u>	<u>\$ 8,386,354</u>		
<u>\$ 25,381</u>	<u>\$ 23,797</u>	<u>\$ 36,264</u>	<u>\$ 34,688</u>	...	<u>\$ 7,474</u>	<u>\$ —</u>		<u>\$ 2,188,383</u>	

6. In this year, the projected benefit payment for Employee #13 changes because the employee turns 65 and the plan's premium structure reflects different premiums for pre- and post-age 65.

7. Upon the assumed death of the married employee, the amount of projected benefit payments for the surviving spouse are calculated using the premiums for a single individual and reflecting the age of the spouse.

8. The amount reported for each year in the *Current-age total projected benefit payments* row is the sum of projected benefit payments for all employees and spouses in that period.

9. The amount reported for each year in the *Current-age interest-discounted present value of total projected benefit payments* row is the amount of total projected benefit payments for that year, discounted to the measurement date using the discount rate of 4.0 percent per year. For example, in 20X2, the present value is calculated as $\$23,874 / (1.04^n)$, where n equals the number of years over which the amount is to be discounted. (In 20X2, $n = 1$.) In 20X3, $n = 2$, and the present value is calculated as $\$21,882 / (1.04^2)$, or $\$20,231$.

Table 2
Calculation of Service Cost and the Total OPEB Liability
Measurement Date 6/30/20X1

			See note 1.	See note 2.	See note 3.	See note 4.	See note 5.
			↓	↓	↓	↓	↓
Employee	Years of Past Service (a)	Current-Age Interest-Discounted Present Value of Total Projected Benefit Payments (b)	Probability of Remaining Employed from Current Age until Retirement Age (c)	Probability of Remaining Employed from Entry Age until Retirement Age (d)	Current-Age Probability-Adjusted Interest-Discounted Present Value of Total Projected Benefit Payments (e) = (b) x (c)	Entry-Age Probability-Adjusted Interest-Discounted Present Value of Total Projected Benefit Payments (f) = [(b) / (1 + discount rate) ^(a)] x (d)	
#1	10	\$ 190,507	0.846	0.603	\$ 161,169	\$ 77,606	
#2	3	210,805	0.481	0.413	101,397	77,398	
#3	6	195,396	0.728	0.545	142,248	84,161	
#4	1	307,069	0.566	0.565	173,801	166,821	
#5	25	179,656	0.980	0.565	176,259	38,119	
#6	12	140,358	0.894	0.671	125,480	58,825	
#7	8	75,371	0.776	0.557	58,488	30,676	
#8	2	79,331	0.580	0.552	46,012	40,487	
#9	13	105,219	0.775	0.387	81,545	24,455	
#10	4	122,710	0.542	0.424	66,509	44,475	
#11	2	139,488	0.418	0.387	58,306	49,909	
#12	1	112,268	0.416	0.415	46,703	44,799	
#13		72,480	1.000	n/a	72,480	}	
#14		100,252	1.000	n/a	100,252		
#15		61,485	1.000	n/a	61,485		
#16		34,864	1.000	n/a	34,864		
#17		43,021	1.000	n/a	43,021		
#18		17,903	1.000	n/a	17,903		
		<u>\$ 2,188,383</u>			<u>\$ 1,567,922</u>		

See notes 6 and 7.

See note 8.

See notes 6 and 9.

Present Value Factor of \$1 per Year from Entry Age to Retirement Age (g)	Service Cost at Entry Age (h) = (f) / (g)	Service Cost at Current Age (i)	Present Value Factor of \$1 per Year from Current Age to Retirement Age (j)	Present Value of Future Service Cost (k) = (i) x (j)	Total OPEB Liability (e) - (k)
23.1026	\$ 3,359	\$ 4,514	14.8963	\$ 67,242	\$ 93,927
31.2594	2,476	2,706	29.1201	78,799	22,598
24.6509	3,414	4,076	19.9149	81,173	61,075
25.4138	6,564	6,761	24.6509	166,665	7,136
25.4138	1,500	3,141	3.9427	12,364	163,875
19.9149	2,954	4,212	9.5782	40,343	85,137
26.1695	1,172	1,485	19.9149	29,574	28,914
26.9179	1,504	1,596	25.4138	40,560	5,452
32.6515	749	1,100	23.1026	25,413	56,132
30.5531	1,456	1,639	27.6590	45,333	21,176
32.6515	1,529	1,622	31.2594	50,703	7,603
34.0170	1,317	1,357	33.3375	45,239	1,464
Because at the measurement date these employees have retired and are eligible for benefit payments, the entire present value of benefits is allocated to past periods (the total OPEB liability).					72,480
\$ 34,209					100,252
					61,485
					34,864
					43,021
					17,903
					\$ 884,494

Notes to Table 2:

1. See Table 1.
2. Retirees are assigned a probability of 1.000.
3. Each employee's probability of remaining employed until retirement age, calculated at entry age.
4. This column is the current-age interest-discounted present value of total projected benefit payments for each employee (column b), adjusted for the employee's probability of remaining employed from current age until retirement age (column c). For example, the current-age probability-adjusted interest-discounted present value of total projected benefit payments for Employee #2 (\$101,397) is calculated as the current-age interest-discounted present value of total benefits to be paid (\$210,805) multiplied by 0.481 (the employee's probability of remaining employed until retirement age calculated at the employee's current age), or $\$210,805 \times 0.481 = \$101,397$.
5. This column is the current-age interest-discounted present value of total projected benefit payments for each employee (column b), discounted to the employee's entry age and adjusted for the employee's probability of remaining employed from entry age until retirement age (column d). For example, Employee #2 began service at age 25 and currently is age 28. Therefore, the entry-age probability-adjusted interest-discounted present value of total projected benefit payments for Employee #2 (\$77,398) is calculated as follows:
 - a. The current-age interest-discounted present value of total projected benefit payments from column b (\$210,805) is discounted for years of past service from column a (3 years) at the discount rate (4.0 percent), or $\$210,805 / (1 + 0.04)^3 = \$187,405$.
 - b. The result of step a is multiplied by the employee's probability of remaining employed from entry age until retirement age from column d (0.413), or $\$187,405 \times 0.413 = \$77,398$.
6. The present value factors are derived from a present value table for an ordinary annuity. Using an ordinary annuity table, the present value factor is determined as $1 + [\text{present value of an ordinary annuity over } (n - 1) \text{ periods at the discount rate } (r)]$. Alternatively, the present value factor can be calculated directly as $1 + [(1 - (1 + r)^{-(n - 1)}) / r]$, where r is calculated as $[(1 + \text{discount rate}) / (1 + \text{payroll growth rate})] - 1$. The payroll growth rate has been set to the inflation rate. Therefore, in this example, r is calculated to be $[(1 + 0.04) / (1 + 0.03)] - 1$, or 0.97087 percent.
7. In the calculation in column g, the number of periods (n) is the employee's expected future working lifetime calculated as the difference between the employee's entry age and the retirement age. For example, Employee #2 entered service at age 25 and the expected retirement age is 62, resulting in n being 37. In this example, r is calculated as $[(1 + 0.04) / (1 + 0.03)] - 1$, or 0.97087 percent. Therefore, the present value factor is calculated using the formula in note 6 as $1 + [(1 - (1.0097087)^{-(36)}) / 0.0097087] = 1 + (0.293779 / 0.0097087) = 31.2594$.
8. This column is each employee's service cost at entry age, inflated to current age using the payroll growth rate, which has been set to the inflation rate (i). Service cost at current age is calculated as $(\text{service cost at entry age}) \times (1 + i)^n$, where n is the number of years from entry age to current age. In this example, the assumed inflation rate is 3.0 percent, and Employee #2 has 3 years of past service—she entered at age 25 and currently is age 28. Therefore, service cost at the employee's current age is calculated as $\$2,476 \times (1 + 0.03)^3$, or \$2,706.
9. In the calculation in column j, the number of periods (n) is the employee's expected future working lifetime calculated as the difference between the employee's current age and the expected point in time at which benefits will begin to be paid. For example, Employee #2 is age 28 and the expected point in time at which benefits will begin to be paid is age 62, resulting in n being 34. In this example, r is calculated as $[(1 + 0.04) / (1 + 0.03)] - 1$, or 0.97087 percent. Therefore, the present value factor is calculated using the formula in note 6 as $1 + [(1 - (1.0097087)^{-(33)}) / 0.0097087] = 1 + (0.273009 / 0.0097087) = 29.1201$.

Appendix D

CODIFICATION INSTRUCTIONS

D1. The sections that follow update the June 30, 2014 *Codification of Governmental Accounting and Financial Reporting Standards* for the effects of this Statement. Only the paragraph number of the Statement is listed if the paragraph will be cited in full in the Codification.

* * *

[In all sections, update cross-references.]

* * *

NOTES TO FINANCIAL STATEMENTS

SECTION 2300

Sources: [Delete GASB Statement 45; add GASB Statement 75.]

.106 [Revise subparagraph (g) as follows:] Other postemployment benefit (OPEB) liabilities. (See Section P50, “Postemployment Benefits Other Than Pensions—Reporting for Benefits Provided through Trusts That Meet Specified Criteria—Defined Benefit,” Section P51, “Postemployment Benefits Other Than Pensions—Reporting for Benefits Provided through Trusts That Meet Specified Criteria—Defined Contribution,” Section P52, “Postemployment Benefits Other Than Pensions—Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria—Defined Benefit,” and Section P54, “Postemployment Benefits Other Than Pensions—Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria—Defined Contribution.”) [Delete GASBS 45, ¶24 and ¶25 from sources; add GASBS 75, ¶47–¶56, ¶89–¶96, ¶1127–¶1133, ¶1136, ¶1142, ¶1162–¶1169, ¶1185–¶1190, ¶1213–¶1217, ¶1220, ¶1229, and ¶1233.]

.107 [Delete Section P50 from cross-references in subparagraph (m).]

.125 [Revise last sentence of the paragraph as follows:] Governments that report balances of payables related to liabilities to a defined benefit pension or OPEB plan that is administered through a trust that meets the criteria in

paragraph .101 of Section P20 or paragraph .101 of Section P50, as applicable, also should disclose information required by paragraph .222 of Section P20 or paragraph .237 of Section P50, as applicable. [GASBS 38, ¶13, as amended by GASBS 68, ¶122, and GASBS 75, ¶142]

* * *

[Insert new section as follows; boldface glossary terms the first time they are used in the section:]

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS—REPORTING FOR BENEFITS PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED CONTRIBUTION	SECTION P51
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Sources: GASB Statement 75

See also: Section N50, “Nonexchange Transactions”
Section Po51, “Postemployment Benefit Plans (Other Than
Pension Plans) Administered through Trusts That Meet Specified
Criteria—Defined Contribution”
Section Sp20, “Special-Purposes Governments”

Scope and Applicability of This Section

.101 This section establishes standards of accounting and financial reporting for defined contribution OPEB¹ provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) in which the following criteria are met:

- a. Contributions from employers² and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.³
- b. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.⁴
- c. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator.

[GASBS 75, ¶4]

¹Terms defined in the paragraphs .502–.554 of Section P50, “Postemployment Benefits Other Than Pensions—Reporting for Benefits Provided through Trusts That Meet Specified Criteria—Defined Benefit,” are shown in **boldface type** the first time they appear in this section. [GASBS 75, fn1]

²[GASBS 75, fn2]

³[GASBS 75, fn3]

⁴[GASBS 75, fn4]

.102 If OPEB is provided through a defined contribution OPEB plan in which assets are accumulated in a trust that meets the above criteria and OPEB provided through the same OPEB plan also is paid with assets other than those from that trust, the OPEB should be accounted for and reported in accordance with the requirements of this section. [GASBS 75, ¶17]

.103 The requirements of this section apply to the financial statements of state and local governmental employers whose employees are provided with OPEB through defined contribution OPEB plans that are administered through trusts that meet the criteria in paragraph .101 and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to provide financial support for OPEB of the employees of another entity by making contributions directly to an OPEB plan that is administered through a trust that meets the criteria in paragraph .101 (including making benefit payments as the OPEB comes due for benefits provided through such a plan). References in this section to employees include volunteers that provide services to state and local governments. The requirements of this section apply whether the employer’s financial statements are presented in a stand-alone financial report or are included in the financial report of another government. [GASBS 75, ¶6]

.104 [GASBS 75, ¶8, including heading and footnotes; omit third sentence and move footnote 6 after the term *termination benefits*; include only the first sentence of footnote 6. In the fourth sentence, replace *Similarly, when* with *When*.]

.105 Accounting and financial reporting requirements for defined contribution OPEB provided through OPEB plans that are administered through trusts that meet the criteria in paragraph .101 are set forth in this section. Defined contribution OPEB is OPEB having terms that:

- a. Provide an individual account for each employee
- b. Define the contributions that an employer or nonemployer contributing entity is required to make (or credits that it is required to provide) to an active employee's account for periods in which that employee renders service
- c. Provide that the OPEB 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 for other employees, as well as OPEB plan administrative costs, that are allocated to the employee's account.

If the OPEB to be provided has all of the terms identified in (a)–(c) above, and is not administered through trusts that meet the criteria in paragraph .101, the requirements of this section apply. If the OPEB to be provided does not have all of the above terms—for example, if the OPEB is a function of factors other than those identified in (c) above—and is administered through a trust that meets the criteria in paragraph .101, the requirements of Section P50 for defined benefit OPEB apply. [GASBS 75, ¶10]

Special Funding Situations

.106 [GASBS 75, ¶18; revise the lead-in to the paragraph as follows:] For purposes of this section, special funding situations are circumstances in which a nonemployer entity is legally responsible for providing financial support for OPEB of the employees of another entity by making contributions *directly to* an OPEB plan that is administered through a trust that meets the criteria in paragraph 4 (including making benefit payments directly as the OPEB comes due for benefits provided through such a plan) *and* either of the following criteria is met:

.107 [GASBS 75, ¶20]

Employers That Do Not Have a Special Funding Situation

.108 [GASBS 75, ¶230, replace subparagraph (b) with the following:] A change in the OPEB liability equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the OPEB plan.

.109–.110 [GASBS 75, ¶231 and ¶232]

.111 [GASBS 75, ¶233, including heading; replace subparagraph (c) with the following; omit subparagraph (d) and renumber remaining subparagraphs:] The contribution (or crediting) rates (in dollars or as a percentage of salary) for employees, the employer, and nonemployer contributing entities, if any, and the authority under which those rates are established or may be amended.

.112 [GASBS 75, ¶234, including headings and footnote; replace subparagraph (b) with the following:] A change in the OPEB liability equal to the difference between amounts recognized as OPEB expense in conformity with subparagraph (a) and amounts paid by the employer to the OPEB plan.

.113 [GASBS 75, ¶235]

.114 [GASBS 75, ¶236, including heading; replace subparagraph (b) with the following:] A change in the liability resulting from the special funding situation equal to the difference between amounts recognized as expense and amounts paid by the governmental nonemployer contributing entity to the OPEB plan.

.115–.116 [GASBS 75, ¶237 and ¶238]

.117 [GASBS 75, ¶239, including heading; omit subparagraph (d) and renumber remaining subparagraphs.]

.118 [GASBS 75, ¶240; omit subparagraph (c) and renumber remaining subparagraphs.]

.119–.220 [GASBS 75, ¶241 and ¶242, including headings]

* * *

[Insert new section as follows; boldface glossary terms the first time they are used in the section:]

**POSTEMPLOYMENT BENEFITS OTHER THAN
PENSIONS—REPORTING FOR BENEFITS NOT
PROVIDED THROUGH TRUSTS THAT MEET
SPECIFIED CRITERIA—DEFINED BENEFIT**

SECTION P52

Sources: GASB Statement 75

See also: Section N50, “Nonexchange Transactions”
Section T25, “Termination Benefits”
Section Bn5, “Bankruptcies”
Section P53, “Reporting Assets Accumulated for Defined Benefit
Postemployment Benefits Other Than Pensions Not Provided
through Trusts That Meet Specified Criteria”
Section Sp20, “Special-Purpose Governments”

Scope and Applicability of This Section

.101 This section establishes standards of accounting and financial reporting for defined benefit other postemployment benefits (OPEB)¹ provided to the employees of state and local governmental employers through OPEB plans that are not administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) in which the following criteria are met:

- a. Contributions from employers² and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- b. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.³

- c. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

[GASBS 75, ¶4]

¹Terms defined in the Glossary (paragraphs .501–.554 of Section P50, “Postemployment Benefits Other Than Pensions—Reporting for Benefits Provided through Trusts That Meet Specified Criteria—Defined Benefit”) are shown in **boldface type** the first time they appear in this section. [GASBS 75, fn1]

²[GASBS 75, fn2]

³[GASBS 75, fn4]

.102 If OPEB is provided through a defined benefit OPEB plan in which assets are accumulated in a trust that meets the criteria in paragraph .101 and OPEB provided through the same OPEB plan also is paid with assets other than those from that trust, the OPEB should be accounted for and reported in accordance with the requirements of Section P50. [GASBS 75, ¶17]

.103 The requirements of this section apply to the financial statements of state and local governmental employers whose employees are provided with OPEB through defined benefit OPEB plans that are not administered through trusts that meet the criteria in paragraph .101 and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to provide financial support for OPEB of the employees of another entity by making benefit payments directly as the OPEB comes due in circumstances in which the OPEB is provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph .101 (including amounts paid using nonemployer contributing entity assets held by others). References in this section to employees include volunteers that provide services to state and local governments. The requirements of this section apply whether the government’s financial statements are presented in a stand-alone financial report or are included in the financial report of another government. [GASBS 75, ¶6]

.104–.105 [GASBS 75, ¶8 and ¶9, including headings and footnotes]

Types of Defined Benefit OPEB Plans Not Administered through Trusts That Meet the Criteria in Paragraph .101

.106–.107 [GASBS 75, ¶11 and ¶16]

.108 [GASBS 75, ¶18, including heading; revise lead-in to the paragraph as follows:] For purposes of this section, special funding situations are circumstances in which a nonemployer entity is legally responsible for providing financial support for OPEB of the employees of another entity by making benefit payments directly as the OPEB comes due in circumstances in which the OPEB is provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph .101 (including amounts paid using nonemployer contributing entity assets held by others) *and* either of the following criteria is met:

[In subparagraph (a), delete *contributions or* in first sentence; in second sentence, omit examples (1) and (3); in third sentence, omit example (i).]

.109 For defined benefit OPEB, requirements for accounting and financial reporting by employers and by governmental nonemployer contributing entities with special funding situations are presented in paragraphs .110–.112 and .139–.188 of this section. Requirements for governmental nonemployer contributing entities that have a legal obligation to provide financial support directly to a defined benefit OPEB plan that is used to provide OPEB to employees of another entity but do not meet the criterion in either paragraph .108a or paragraph .108b, and for the employers to which they provide support are presented in paragraphs .189 and .190. [GASBS 75, ¶19, including heading]

.110–.190 [GASBS 75, ¶143–¶207, including headings and footnotes]

Reporting Assets Accumulated for OPEB Purposes

.191 The requirements of paragraphs .107 and .108 of Section P53 apply to assets accumulated for purposes of providing OPEB through defined benefit OPEB plans that are not administered through trusts that meet the criteria in paragraph .101 of this section.

GASB TECHNICAL BULLETINS

Accounting and Financial Reporting by Employers for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D

.601 This paragraph clarifies the application of existing standards of accounting and financial reporting to payments that an employer receives from the federal government pursuant to the retiree drug subsidy (RDS) provisions of Medicare Part D, as established in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. [GASBTB 2006-1, ¶1]

[Insert Question 1 and related response from current Section P50, paragraph .602, including related headings; revise the last sentence of the response as follows:] An employer should apply the measurement requirements of this section to determine its liability to employees for OPEB, OPEB expense/ expenditures, and deferred outflows of resources and deferred inflows of resources related to OPEB without reduction for RDS payments. [GASBTB 2006-1, ¶3, as amended by GASBS 75, ¶21; GASBS 75, ¶16 and ¶149]

[Insert Question 2 from Section P50, paragraph .602, including related heading; replace *OPEB plan* with *OPEB plan that is not administered through a trust that meets the criteria in paragraph .101.*]

* * *

[Insert new section as follows; boldface glossary terms the first time they are used in the section:]

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS—REPORTING FOR BENEFITS NOT PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED CONTRIBUTION

SECTION P54

Sources: GASB Statement 75

See also: Section N50, “Nonexchange Transactions”

Scope and Applicability of This Section

.101 This section establishes standards of accounting and financial reporting for defined contribution OPEB¹ that is provided to the employees of state and local governmental employers through OPEB plans that are *not* administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) in which the following criteria are met:

- a. Contributions from employers² and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.³
- b. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.⁴
- c. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator.

[GASBS 75, ¶14]

¹Terms defined in the paragraphs .502–.542 of Section P50, “Postemployment Benefits Other Than Pensions—Reporting for Benefits Provided through Trusts That Meet Specified Criteria—Defined Benefit,” are shown in **boldface type** the first time they appear in this section. [GASBS 75, fn1]

²[GASBS 75, fn2]

³[GASBS 75, fn3]

⁴[GASBS 75, fn4]

.102 If OPEB is provided through a defined contribution OPEB plan in which assets are accumulated in a trust that meets the above criteria and OPEB provided through the same OPEB plan also is paid with assets other than those from that trust, the OPEB should be accounted for and reported in accordance with the requirements of Section P51. [GASBS 75, ¶17]

.103 The requirements of this section apply to the financial statements of state and local governmental employers whose employees are provided with OPEB through defined contribution OPEB plans that are not administered through trusts that meet the criteria in paragraph .101 and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to provide financial support for OPEB of another entity by making benefit payments directly as the OPEB comes due in circumstances in which the OPEB is provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph .101 (including amounts paid using nonemployer contributing entity assets held by others). References in this

section to employees include volunteers that provide services to state and local governments. The requirements of this section apply whether the employer's financial statements are presented in a stand-alone financial report or are included in the financial report of another government. [GASBS 75, ¶6]

.104 [GASBS 75, ¶8, including heading and footnotes; omit third sentence and move footnote 6 after the term *termination benefits*; include only the first sentence of footnote 6. In the fourth sentence, replace *Similarly, when* with *When*.]

.105 Accounting and financial reporting requirements for defined contribution OPEB provided through OPEB plans that are not administered through trusts that meet the criteria in paragraph .101 are set forth in this section. Defined contribution OPEB is OPEB having terms that:

- a. Provide an individual account for each employee
- b. Define the contributions that an employer or nonemployer contributing entity is required to make (or credits that it is required to provide) to an active employee's account for periods in which that employee renders service
- c. Provide that the OPEB 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 for other employees, as well as OPEB plan administrative costs, that are allocated to the employee's account.

If the OPEB to be provided has all of the terms identified in (a)–(c) above, and is not administered through a trust that meets the criteria in paragraph .101, the requirements of this section for defined contribution OPEB apply. If the OPEB to be provided does not have all of the above terms—for example, if the OPEB is a function of factors other than those identified in (c) above—and is not administered through a trust that meets the criteria in paragraph .101, the requirements of Section P52 for defined benefit OPEB apply. [GASBS 75, ¶10]

Special Funding Situations

.106 [GASBS 75, ¶18; revise the lead-in to the paragraph as follows:] For purposes of this section, special funding situations are circumstances in which a nonemployer entity is legally responsible for providing financial support for OPEB of the employees of another entity by making benefit payments as the OPEB comes due in circumstances in which the OPEB is provided through

an OPEB plan that is not administered through a trust that meets the criteria in paragraph .101 (including amounts paid using nonemployer contributing entity assets held by others) *and* either of the following criteria is met:

[In first sentence in subparagraph (a), delete *contributions or*; in second sentence, omit examples (1) and (3); in third sentence, omit example (i).]

.107 [GASBS 75, ¶20]

Employers That Do Not Have a Special Funding Situation

.108 [GASBS 75, ¶230, replace subparagraph (b) with the following:] A change in the OPEB liability equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer as the benefits came due during the fiscal year.

.109–.110 [GASBS 75, ¶231 and ¶232]

.111 [GASBS 75, ¶233, including heading; omit subparagraph (c) and replace subparagraph (d) with the following:]

c. [GASBS 75, ¶233d(1)]

d. [GASBS 75, ¶233d(2)]

.112 [GASBS 75, ¶234, including headings and footnote; replace subparagraph (b) with the following:] A change in the OPEB liability equal to the difference between amounts recognized as OPEB expense in conformity with subparagraph (a) and amounts paid by the employer for OPEB as the benefits came due during the fiscal year.

.113 [GASBS 75, ¶235]

.114 [GASBS 75, ¶236, including heading; replace subparagraph (b) with the following:] A change in the liability resulting from the special funding situation equal to the difference between amounts recognized as expense and amounts paid by the governmental nonemployer contributing entity as the benefits come due during the governmental nonemployer contributing entity's fiscal year.

.115–.116 [GASBS 75, ¶237 and ¶238]

.117 [GASBS 75, ¶239, including heading; omit subparagraph (c) and replace subparagraph (d) with the following:]

c. [GASBS 75, ¶239d(1)]

d. [GASBS 75, ¶239d(2)]

.118 [GASBS 75, ¶240; omit subparagraph (b) and replace subparagraph (c) with the following:]

b. [GASBS 75, ¶240c(1)]

c. [GASBS 75, ¶240c(2)]

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

.119–.220 [GASBS 75, ¶241 and ¶242, including headings]

* * *

D2. The sections that follow update the Codification Instructions of Statement 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*, for the effects of this Statement.

* * *

CLAIMS AND JUDGMENTS

SECTION C50

.102 [Add cross-reference to Sections P51, P52, and P53; remove GASBS 45, ¶4–¶9 from, and add GASBS 75, ¶4 and ¶6 to, the amending sources of GASBS 10, ¶2.]

.146 [Revise the inserted material as follows:] Except for required disclosures about certain pensions (see paragraph .116 of Section P20 and .118 of Section P22) and certain OPEB (see paragraph .119 of Section P50 and paragraph .110 of Section P52), determining which discretely presented component

unit disclosures are essential to fair presentation is a matter of professional judgment and should be done on a component unit-by-component unit basis. [GASBS 10, ¶78, as amended by GASBS 34, ¶6; GASBS 14, ¶11; GASBS 14, ¶63, as amended by GASBS 61, ¶11, GASBS 68, ¶18, GASBS 74, ¶24, and GASBS 75, ¶24 and ¶143; GASBS 34, ¶113]

* * *

COMPENSATED ABSENCES

SECTION C60

Sources: [Delete GASB Statement 45; add GASB Statement 75.]

.105 [In sources of footnote 4, delete GASBS 45, ¶9; add GASBS 75, ¶8.]

.108 [Revise footnote 6 as follows:] An accrual for the required contribution to a defined contribution pension or OPEB plan should be made if (a) the employer is liable for a contribution to the plan based on termination payments made to employees for vacation leave, sick leave, or other compensated absences and (b) those amounts are not included in the determination of employer contributions for the pension or OPEB. An additional accrual should not be made relating to defined benefit pensions or defined benefit OPEB. [GASBS 16, fn7, as amended by GASBS 68, ¶4, ¶5, ¶24, and ¶62, GASBS 73, ¶4, ¶7, and ¶30, and GASBS 75, ¶4, ¶6, ¶30, ¶73, and ¶149]

* * *

INVESTMENTS

SECTION I50

.139 [Revise the third sentence as follows:] Except for required disclosures about certain pensions (see paragraph .116 of Section P20 and paragraph .118 of Section P22) and certain OPEB (see paragraph .119 of Section P50 and paragraph .110 of Section P52), determining which component unit disclosures are essential to fair presentation is a matter of professional judgment and should be done on a component unit-by-component unit basis. [GASBS 14, ¶11; GASBS 14, ¶63, as amended by GASBS 61, ¶11, GASBS 68, ¶18, GASBS 73, ¶24, and GASBS 75, ¶24 and ¶143]

* * *

See also: [Add references to Sections P50, P51, P52, and P54.]

.103 [Revise the last two sentences of the paragraph as follows:] The provisions of this section also do not apply to payments that are legally required to be made directly to a pension or other postemployment benefit (OPEB) plan, including benefit payments made directly to the employees of another entity as they come due. Sections P20, P21, P22, and P24, and Sections P50, P51, P52, and P54, respectively provide guidance for accounting and financial reporting for those payments. [GASBS 24, ¶13, as amended by GASBS 68, ¶15, GASBS 73, ¶4, ¶5, and ¶7, and GASBS 75, ¶16; GASBS 33, ¶5, as amended by GASBS 68, ¶5, GASBS 70, ¶4, GASBS 73, ¶4, ¶5, and ¶7, and GASBS 75, ¶6]

.130 [Replace the second and third sentences with the following:] In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, employers should recognize revenue in conformity with the requirements of Section P20, Section P21, Section P22, or Section P24, as applicable. For on-behalf payments for postemployment benefits other than pensions, employers should recognize revenue in conformity with the requirements of Section P50, Section P51, Section P52, or Section P54, as applicable. In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, the employer government should recognize revenue equal to the amounts that third-party recipients of the payments received and that are receivable at year-end for the current fiscal year for on-behalf payments for pensions or OPEB. [GASBS 24, ¶8, as amended by GASBS 73, ¶33, ¶58, ¶59, ¶75, ¶76, ¶106, and ¶122 and GASBS 75, ¶43, ¶69, ¶106, ¶107, ¶113, ¶114, ¶157, ¶182, ¶183, ¶200, ¶201, and ¶234]

* * *

**PENSION ACTIVITIES—REPORTING FOR BENEFITS
PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED
CRITERIA—DEFINED BENEFIT**

[Revise the sources of footnote 5 as follows:] [GASBS 68, fn6, as amended by GASBS 75, ¶4 and ¶5]

* * *

PENSION ACTIVITIES—REPORTING FOR BENEFITS PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED CONTRIBUTION **SECTION P21**

[Revise the sources of footnote 5 as follows:] [GASBS 68, fn6, as amended by GASBS 75, ¶4 and ¶5]

* * *

TERMINATION BENEFITS **SECTION T25**

Sources: [Add the following:] GASB Statement 75

See also: [Add reference to Section P52.]

.102 [Revise the last sentence as follows:] Accounting requirements for pensions and OPEB are addressed in Sections P20, P21, P22, P24, P50, P51, P52, and P53. [GASBS 47, ¶4, as amended by GASBS 68, ¶4 and ¶5, GASBS 73, ¶4 and ¶7, and GASBS 75, ¶4–¶6]

.113 [Revise parenthetical as follows; add cross-reference to Section P52:] (for example, a change in an employer’s total or net pension or OPEB liability or proportionate share of the collective total or net pension or OPEB liability, or its separate liability to a defined benefit pension or OPEB plan) [GASBS 47, ¶17, as amended by GASBS 68, ¶4, ¶5, ¶20, ¶59, ¶83, ¶92, and ¶120, GASBS 73, ¶4, ¶6, ¶25, ¶47, ¶68, and ¶78, and GASBS 75, ¶4, ¶6, ¶27, ¶59, ¶99, ¶109, ¶116, ¶140, ¶146, ¶172, ¶193, and ¶203; GASBS 68, fn31 and fn32; GASBS 68, fn42 and fn43]

.115 [Revise last sentence as follows:] To meet this requirement, an employer that provides termination benefits that affect defined benefit pension or OPEB obligations should disclose in the notes to the financial statements the change attributable to the termination benefits (for example, the change in the employer’s total or net pension or OPEB liability or proportionate share of the collective total or net pension or OPEB liability, or its separate liability to a defined benefit pension or OPEB plan). [GASBS 47, ¶19, as amended by GASBS 68, ¶20, ¶59, ¶83, ¶92, and ¶120; GASBS 73, ¶4, ¶7, ¶25, ¶47, ¶68, and ¶78; GASBS 75, ¶27, ¶59, ¶99, ¶109, ¶116, ¶140, ¶146, ¶172, ¶193, and ¶203]

* * *

D3. The sections that follow update the Codification Instructions of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, for the effects of this Statement.

* * *

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SECTION 2200

Sources: [Delete GASB Statement 45.]

.205 [Revise sources as follows:] GASBS 34, ¶6; GASBS 34, ¶129, as amended by GASBS 67, ¶32–¶34, GASBS 68, ¶46, ¶47, ¶81, ¶82, ¶114, ¶115, and ¶117, GASBS 73, ¶45, ¶46, ¶66, ¶93, ¶94, ¶96, ¶115, and ¶116, GASBS 74, ¶36–¶38 and ¶59, and GASBS 75, ¶57, ¶97, ¶134, ¶137, ¶170, ¶191, ¶218, and ¶221

* * *

NOTES TO FINANCIAL STATEMENTS

SECTION 2300

Sources: [Delete GASB Statement 45.]

.107 [Add the following to cross-references in subparagraph (x) as follows:] Section P50, paragraphs .151, .191, .222–.228, and .231; Section P51, paragraphs .111, .113, .117, .118, and .220; and Section P52, paragraphs .136, .157, .180–.184, and .187, as applicable

[Revise footnote 5 as follows:] Information about pension and OPEB liabilities to employees should be reported in a separate pension or OPEB note, as required by Sections P20, P21, P22, P24, P50, P51, P52, and P54, as applicable. Payables to a defined benefit pension or defined benefit OPEB plan administered through a trust that meets the criteria of paragraph .101 of Section P20 or paragraph .101 of Section P50 should be disclosed with short-term or long-term liabilities, as appropriate, and governments also should apply the requirements of paragraph .222 of Section P20 or .237 of Section P50, as applicable. [GASBS 34, fn47, as amended by GASBS 68, ¶37–¶45, ¶74–¶80, ¶109–¶113,

¶116, and ¶122, GASBS 73, ¶38–¶44, ¶61–¶65, ¶77, ¶89–¶92, ¶95, ¶101, ¶105, ¶107, ¶111, and ¶114, and GASBS 75, ¶47–¶56, ¶89–¶96, ¶127–¶133, ¶136, ¶142, ¶162–¶169, ¶185–¶190, ¶213–¶217, ¶220, ¶229, ¶233, ¶239, ¶240, and ¶242]

REPORTING ENTITY AND COMPONENT UNIT PRESENTATION AND DISCLOSURE

SECTION 2600

.123 [Revise the first sentence after subparagraph (b) as follows:] Except for required disclosures about certain pensions (see paragraph .116 of Section P20 and .118 of Section P22) and certain OPEB (see paragraph .119 of Section P50 and paragraph .110 of Section P52), determining which discretely presented component unit disclosures are essential to fair presentation is a matter of professional judgment and should be done on a component unit-by-component unit basis. [GASBS 14, ¶63, as amended by GASBS 34, ¶6, GASBS 68, ¶18, GASBS 73, ¶24, and GASBS 75, ¶24 and ¶143; GASBS 34, ¶113]

* * *

[Replace current Section P50 with the following; use boldface type for the first use of terms that are presented in the glossary.]

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS—REPORTING FOR BENEFITS PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED BENEFIT

SECTION P50

.101–.103 [GASBS 75, ¶4–¶6, including heading and footnotes, except footnote 3; revise footnote 1 as follows:] Terms defined in paragraphs .502–.554 of this section are shown in **boldface type** the first time they appear in this section. [GASBS 75, fn1]

.104–.113 [GASBS 75, ¶8–¶17, including headings and footnotes]

.114 [GASBS 75, ¶18, including heading; revise the lead-in to subparagraph (a) as follows:] For purposes of this section, special funding situations are circumstances in which a nonemployer entity is legally responsible for providing financial support for OPEB of the employees of another entity by making

contributions *directly to* an OPEB plan that is administered through a trust that meets the criteria in paragraph .101 (including making benefit payments as the OPEB comes due for benefits provided through such a plan) *and* either of the following criteria is met:

.115 [GASBS 75, ¶19]

.116–.237 [GASBS 75, ¶21–¶142, including headings and footnotes]

.238–.240 [GASBS 75, ¶224–¶226, including heading and footnotes]

DEFINITIONS

.501–.554 [GASBS 75, ¶246, including footnotes; insert the following source after each paragraph:] [GASBS 75, ¶246]

GASB TECHNICAL BULLETINS

Recognition of Certain OPEB Expenditures and Liabilities in Financial Statements Prepared Using the Current Financial Resources Measurement Focus and Modified Accrual Basis of Accounting

.601 This paragraph clarifies the requirements of paragraph .236 of this section by cost-sharing employers and governmental nonemployer contributing entities with a legal requirement to contribute to cost-sharing OPEB plans in financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting. [GASBTB 2004-2, ¶1, as amended by GASBS 75, ¶4, ¶6, and ¶141]

Question 1

[Insert Question 2 from current Section P50, paragraph .601, and delete */expense.*] [GASBTB 2004-2, ¶5, as amended by GASBS 75, ¶4, ¶6, and ¶140]

Response

[Insert Response to Question 2 from current Section P50, paragraph .601.] [GASBTB 2004-2, ¶6, as amended by GASBS 75, ¶4 and ¶6]

Question 2

How should the requirements of paragraph .236 of this section be applied to recognize governmental fund expenditures and liabilities on the modified accrual basis of accounting for contributions to cost-sharing OPEB plans? [GASBTB 2004-2, ¶7, as amended by GASBS 75, ¶4, ¶6, and ¶141]

Response

[Insert Response to Question 3 from current Section P50, paragraph .601.]

Accounting and Financial Reporting by Employers for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D

.602 This paragraph clarifies the application of existing standards of accounting and financial reporting to payments that an employer receives from the federal government pursuant to the retiree drug subsidy (RDS) provisions of Medicare Part D, as established in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. [GASBTB 2006-1, ¶1]

[Insert Question 1 and related response from current Section P50, paragraph .602, including related headings; revise the last sentence of the response as follows:] An employer should apply the measurement requirements of this section to determine its liability to employees for OPEB, OPEB expense/expenditures, and deferred outflows of resources and deferred inflows of resources related to OPEB *without reduction* for RDS payments. [GASBTB 2006-1, ¶3, as amended by GASBS 75, ¶21; GASBS 75, ¶15, ¶30, and ¶73]

[Insert Question 2 from current Section P50, paragraph .602, including related heading; replace *OPEB plan* with *OPEB plan that is administered through a trust that meets the criteria in paragraph .101*.]

Response

An RDS payment from the federal government to a plan that is administered through a trust that meets the criteria in paragraph .101 should be accounted for by the employer in accordance with the requirements in paragraph .233 of this section or in paragraphs .129–.134 of Section N50, as applicable. The mea-

surement requirements of this section or Section N50 should be applied to determine the employer’s OPEB liability to its employees and OPEB expense/ expenditures without reduction for RDS payments. [GASBTB 2006-1, ¶7, as amended by GASBS 75, ¶4 and ¶6]

* * *

**POSTEMPLOYMENT BENEFITS OTHER THAN
PENSIONS—REPORTING FOR BENEFITS NOT
PROVIDED THROUGH TRUSTS THAT MEET
SPECIFIED CRITERIA—DEFINED BENEFIT**

SECTION P52

.602 [Insert Response to Question 2 as follows:]

Response

If an OPEB plan is not administered through a trust that meets the criteria in paragraph .101, paragraph .107 of Section P53 requires that any assets accumulated for OPEB purposes continue to be reported as assets of the employer, and paragraph .108 of that Section requires that a government that holds such assets in a fiduciary capacity report the assets in an agency fund. RDS payments to such plans should be considered as payments to the employers. Accordingly, an employer in such a plan should account for its RDS payments as discussed in the response to Question 1 in this paragraph. [GASBTB 2006-1, ¶8, as amended by GASBS 74, ¶58 and ¶59, and GASBS 75, ¶5 and ¶16]

* * *

