

# OPEB

Other Post Employment Benefits

Leann W. Tinsley,  
CPA

Senior Professional Standards  
Compliance Officer

- Governmental Accounting Standards Board (GASB)
- AICPA Auditing Standards





# GAAP for Local Government – Governmental Accounting Standards Board (GASB)

Applicable GASB pronouncements and Definitions

## Generally Accepted Accounting Principles - GAAP

- GAAP is different for different types of entities due to the different standards setting bodies:
  - State and local governments use those developed by Governmental Accounting Standards Board (GASB);
  - The private section including not-for-profit entities use those developed by Financial Accounting Standards Board (FASB);
  - The Federal government uses those developed by Federal Accounting Standards Advisory Board (FASAB); and
  - Some entities use those developed by International Accounting Standards Committee (IASC).
- GAAP in the rest of this presentation will refer to that established by GASB as that is the standards setting body for local governments in Indiana.



## History of GASB OPEB Pronouncements

- 1990-2000:
  - GASB 43, Financial Reporting for OPEB Plans Other Than Pension Plans (Superseded)
    - Effective date – Three phases based on total annual revenues in the 1st fiscal year ending after June 15, 1999
  - GASB 45, Accounting and Financial reporting by Employers for OPEB Other Than Pensions (Superseded)
    - Effective date – Three phases based on total annual revenues in the 1st fiscal year ending after June 15, 1999
- 2010-Today for OPEB:
  - GASB 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans
    - Effective for periods beginning after June 15, 2011
  - GASB 74, Financial Reporting for OPEB Plans Other Than Pension Plans
    - Effective for period beginning after June 15, 2016
  - GASB 75, Accounting and Financial Reporting for OPEB Other Than Pensions
    - Effective for period beginning after June 15, 2017

## Definitions

- 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.
- 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.
- Postemployment healthcare benefits. Medical, dental, vision, and other health-related benefits paid subsequent to the termination of employment.
- Postemployment. The period after employment.
- 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.

## Definitions (cont.)

- Active employees. Individuals employed at the end of the reporting or measurement period, as applicable.
- 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.
- Plan members. Employees (or their beneficiaries) that are covered under the terms of an OPEB plan.
- Covered-employee payroll. The payroll of employees that are provided with OPEB through the OPEB plan.
- Covered payroll. The payroll on which contributions to an OPEB plan are based.
- 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.

## Definitions (cont.)

- 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.
- 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.
- Cost-sharing employer. An employer whose employees are provided with OPEB through a cost-sharing multiple-employer defined benefit OPEB plan.
- Agent multiple-employer defined benefit OPEB plan (agent OPEB plan). A multiple-employer defined benefit OPEB plan 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.
- Plan Administrator. Company that handles the administration of the plan for the sponsor. This is not your actuary.
- Actuarial valuation/report. 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.

## Definitions (cont.)

- Defined benefit other postemployment benefits (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 by GASB).
- Defined contribution other postemployment benefits (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.



## OPEB & Gateway Reporting

Why is this information required and what is being asked for?

## Governing State Statutes

### IC36-1-8-17.5 - Reporting of information and data on retiree benefits and expenditures

Sec. 17.5. A political subdivision must report, in the manner specified by the state board of accounts, information and data on its retiree benefits and expenditures by March 1 of each year.

*As added by P.L.205-2013, SEC.345. Amended by P.L.183-2014, SEC.24; P.L.159-2020, SEC.70.*

Per IC5-11-1-4 every municipality and local government is required to provide electronically and in a manner prescribed by the state examiner, financial reports for the fiscal year not later than sixty days after the close of the fiscal year. Completion and submission of the Gateway Annual Financial Report (AFR) will fulfill this requirement

The Gateway was developed as a collaborative project among the Department of Local Government Finance (DLGF), the State Board of Accounts (SBOA), and the Indiana Business Research Center (IBRC) at Indiana University's Kelley School of Business as part of the Information for Indiana (II) initiative. IBRC also hosts and maintains the site. Funding is provided by IBRC and the State of Indiana.

## Gateway Reporting

You if no separate plan administrator exists

### OPEB

Answer these questions for the full calendar year just ended.

\*Name of the OPEB Plan  Name of your choice

\*Type of OPEB Plan

\*Select the benefits provided under this OPEB plan:

Medical  Dental  Vision  Hearing  Death Benefits  Life Insurance  Disability  Long-term Care  Other

\*Required

Needed if "Other" Selected

#### Plan Administrator

\*Company Name

\*Street Address

\*City

\*State

\*Zip (e.g. 99999)

\*Contact Person

\*Phone (e.g. 999-999-9999)

\*e-mail (e.g. example@example.com)

\*Employer Sponsoring the Plan

Typically you but could be another government if you participate in another's plan

Gateway Reporting (cont.)

OPEB

Answer these questions for the full calendar year just ended.

\*Name of the OPEB Plan

\*Type of OPEB Plan

\*Select the benefits provided under this OPEB plan:  
 Medical  Dental  Vision  Hearing  Death Benefits  Life Insurance  Disability  Long-term Care  Other  
 \*Required

Plan Administrator

\*Company Name

\*Street Address

\*City

\*State

\*Zip (e.g. 99999)

\*Contact Person

\*Phone (e.g. 999-999-9999)

\*e-mail (e.g. example@example.com)

\*Employer Sponsoring the Plan

Options available are:

- Single Employer Defined Benefit;
- Cost-Sharing Multiple Employer Defined Benefit;
- Agent Multiple Employer Defined Benefit; and
- Defined Contribution.

Gateway Reporting (cont.)

Current Number of Participants

\*Inactive employees or beneficiaries currently receiving benefit payments

\*Inactive employees entitled to but not yet receiving benefits

\*Active Employees

May not be applicable to you depending on your plan

Actuarial Information

\*Has there been an actuarial valuation done for this plan within 12 months and a full year?

Contribution Rates(as a Percentage of Payroll)

\*Employer (e.g. 99.99)

\*Plan Members (e.g. 99.99)

\*Annual Covered Payroll (e.g. 9999.99)

\*Cost Method for Funding Purposes

Contribution Rates are not the percentage of the portion of premiums paid by the employer, employee, or retiree. It is the percentage of the contributions as compared to covered payroll. This will need to be calculated by you.

Gateway Reporting (cont.)

Contribution Rates as a % of Covered Payroll:

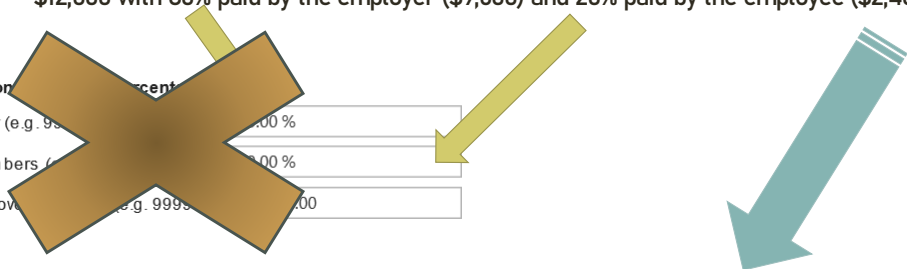
- One employee;
- Total covered payroll \$500,000
- Total annual premium of family coverage per employee:
  - \$12,000 with 80% paid by the employer (\$9,600) and 20% paid by the employee (\$2,400).

**Contribution Rates (as a Percentage of Payroll)**

\*Employer (e.g. 99.99)

\*Plan Members (e.g. 99.99)

\*Annual Covered Payroll (e.g. 9999.99)



**Contribution Rates(as a Percentage of Payroll)**

\*Employer (e.g. 99.99)  9,600/50,000=.192

\*Plan Members (e.g. 99.99)  2,400/50,000=.048

\*Annual Covered Payroll (e.g. 9999.99)

Gateway Reporting (cont.)

**Current Number of Participants**

\*Inactive employees or beneficiaries currently receiving benefit payments

\*Inactive employees entitled to but not yet receiving benefits

\*Active Employees

**Actuarial Information**

\*Has there been an actuarial valuation done for this plan within two and a half years from your mo

**Contribution Rates(as a Percentage of Payroll)**

\*Employer (e.g. 99.99)

\*Plan Members (e.g. 99.99)

\*Annual Covered Payroll (e.g. 9999.99)

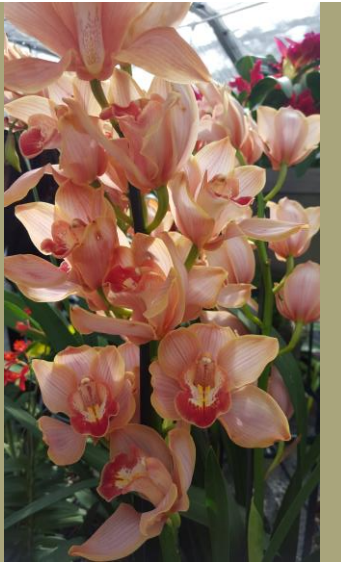
\*Cost Method for Funding Purposes

**Options include:**

- Unit Credit;
- Projected Unit Credit;
- Entry Age Normal (Level Dollar);
- Entry Age Normal (% Salary);
- Aggregate;
- Attained Age Normal;
- Individual Aggregate;
- Frozen Initial Liability;
- Individual Level Premium;
- Pay as you go; and
- Other.







## OPEB Gateway Reporting - **FAQ**

### FAQ – Do I offer an OPEB Plan?

- Inactive employees or retirees pay 100% of the premium so I am not offering an OPEB plan because it doesn't cost me anything and I don't need to complete the Gateway OPEB section correctly?
  - No, you will need to complete the Gateway OPEB section. Regardless of the premium paid by the inactive employee or retiree, you made coverage available to them after employment as a result of their employment meaning you are offering them an OPEB plan.
  - This offer of coverage may be in a written policy, labor contract, employment contract, or simply precedent due to standard operating procedure.
  - And it may be costing you something due to the implicit rate subsidy.
    - ✓ When older inactive employees are included in the pool of individuals insured, the blended premiums for everyone increases because older individuals access medical insurance more often and often for more expensive procedures. The difference between these premiums and the premiums that would have been charged if these older individuals were not in the pool of those insured (typically a lesser amount) is called the implicit rate subsidy.

## FAQ – Do I offer an OPEB Plan? (cont.)

- We do not have a separate plan for inactive employees or retirees only. They may stay on the plan the active employees can participate in but they must pay 100% of the premium. This is not an OPEB plan because active employees participate in it also correct?
  - No, this is an OPEB plan. OPEB plans do not require that coverage is only offered to inactive employees or retirees. Often the benefit offered is that coverage offered current employees can be retained by inactive employees.
- We only allow former employees and others to remain on our health insurance coverage in accordance with Consolidated Omnibus Budget Reconciliation Act (COBRA). Does this qualify as OPEB to be reported in Gateway?
  - COBRA does not need to be reported as OPEB in Gateway. COBRA provides certain former employees, retirees, spouses, former spouses and dependent children the right to temporary continuation of health coverage at group rates as required by law. It is not an optional plan designed and offered by the employer to the employee as a result of their employment.

## FAQ – Do I offer an OPEB Plan? (cont.)

- We do not offer any of the benefits listed on the Gateway OPEB section so we don't offer an OPEB plan correct?
  - No, the most comment types of OPEB plans where listed but other types exist.
- We contribute to our employees' 403(b) plans which are tax-sheltered annuity plans for retirement available to public school and government employees. These is an OPEB plan correct?
  - No, the purpose of a 403(b) plan is to provide retirement income. All retirement income should be considered as pensions and not OPEB.
- Are workers compensation benefits considered OPEB?
  - No, workers' compensation benefits are not provided as compensation for employee service.



## FAQ – Do I offer an OPEB Plan? (cont.)

- We provide our retirees postemployment health insurance subsidy in the form of an additional monthly cash payment to each pension recipient. There is no limitation on the use of the additional cash payment by recipients. This is an OPEB plan correct?
  - No, as this benefit is intended for healthcare costs but is not limited to that purpose it is a pension and not OPEB.
- We provide our retirees reimbursement of postemployment health costs, up to established limits, if they provide proof of healthcare insurance costs or direct healthcare claims that are not reimbursed by others. This is an OPEB plan correct?
  - Yes, as this benefit is limited to providing postemployment healthcare.
- We convert our employees' unused sick leave balances to individual healthcare accounts at the conclusion of active service to be applied to postemployment healthcare premiums or claims costs. This is an OPEB plan correct?
  - No, conversion of unused sick leave to an individual healthcare account is an example of a termination payment of sick leave and not OPEB.

## FAQ – Do I offer an OPEB Plan? (cont.)

- We only offer healthcare benefits for five years to any employee with at least 20 years of service as an incentive to retire early. This is an OPEB plan correct?
  - No, although this is healthcare provided in the postemployment period, its purpose is to provide an incentive for early termination of services rather than as compensation for the employee's years of service. Furthermore, as the employer does not otherwise provide postemployment healthcare benefits, it does not enhance existing OPEB benefits. These are termination benefits and not OPEB.
- We provide disability benefits as a source of income until a recipient becomes eligible for pension benefits. An employee is required to terminate his or her employment to become eligible for the disability benefits. This is an OPEB plan correct?
  - Yes, as these are benefits provided after employment as part of an employee's total compensation for services, as indicated by the facts that eligibility for the benefits requires terminating employment and that the benefits are long term. If those long-term disability benefits are provided through a defined benefit pension plan, they should be classified as pensions. If those disability benefits are provided separately from a defined benefit pension plan, they should be classified as OPEB.

## FAQ – Who are active and inactive employees?

- How can we have active employees in an OPEB plan?
  - Frequently active and inactive employees participate in the same plan such as health insurance.
  - Also, active employee may be earning credits or contributing to accounts to be used after terminating employment.
- How can we have inactive employees not receiving benefits?
  - Some plans may allow time after termination of employment before inactive employees can participate in the OPEB plan or time to consider whether they will or will not participate.
- At what point in time do we determine our number of active and inactive employees?
  - The end of the fiscal period is the appropriate time to determine the number of active and inactive employees.



## FAQ – Covered Payroll

- How can we determine what is covered payroll?
  - This will be based on the type of payroll system you have. Covered payroll is the payroll on which the contributions to an OPEB plan are based. You will need to determine the available reports that provide you this information or the best method to calculate this amount.
- How do we determine covered payroll if our contributions are a flat fee per employee and is not based on payroll?
  - You will still use the payroll of those employees that participate in the plan.
- Is covered payroll the net paid to employees, gross, or something else?
  - Gross payroll is the appropriate amount.
- Is covered payroll only for employees that participated in the plan for the entire fiscal period?
  - No, covered payroll is any payroll on which contributions to an OPEB plan were based regardless how long the employee was in the plan.
- If the employees contributed nothing to the plan, is there covered payroll?
  - Yes, because the employer usually contributes to the OPEB plan.
- What time period do I use for covered payroll?
  - The entire fiscal period covered by the AFR report.

## FAQ – Contribution Rates

- How can I calculate a contribution rate if only retirees participate in the plan as they have no covered payroll?
  - The percentage of contributions would be zero for both plan members and employer if only retirees participate in the plan as there is no covered payroll.
- If I have both active and inactive participants do I eliminate inactive participants' contributions from the calculation as they have no covered payroll?
  - No both active and inactive participants contributions are used in the calculation although, by definition, inactive participants have no covered payroll.
- We have different contribution/premium levels for different coverages (family, single, etc.). Do I need to calculate different percentages for each level of coverage?
  - No, we are asking for a single percentage for each OPEB plan and not each level of coverage offered in that OPEB plan.
- What time period do I use for the contributions?
  - The entire fiscal period covered by the AFR report.



## AUDIT OF OPEB

How to prepare for an audit?

## Useful Documents

- Any OPEB plan documents that details benefits, how employees qualify for benefits, how premiums are determined, etc.
  - This can be the Employee Personnel Policy or a separate document.
  - This can be an employment contract.
  - This can be labor union negotiation documentation.
- Contract with outside administrator, if one exists.
  - Periodic reports from outside administrator.
- Documentation supporting information provided in the AFR report (reports from payroll system, from HR, and/or calculations performed):
  - Number of active employees, inactive employees or beneficiaries currently receiving benefits, and inactive employees entitled to but not yet receiving benefits.
  - Contribution rates as a % of payroll:
    - Contributions made by employees for fiscal period;
    - Contributions made by employer for fiscal period; and
    - Annual covered payroll.
- Actuarial report if one was obtained.
  - Information requested and provided to actuary if an actuarial valuation was obtained.



## OPEB

Questions from you.