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Implementation Guide No. 2017-2, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

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

Implementation Guide No. 2017-2, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

April 2017

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INTRODUCTION

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

IMPLEMENTATION GUIDANCE

Applicability of This Implementation Guide

2. The requirements of this Implementation Guide apply to the financial statements of all state and local governments.

3. Paragraphs C6 and C7 of this Implementation Guide include provisions to remove from the *Codification of Governmental Accounting and Financial Reporting Standards* and the *Comprehensive Implementation Guide,* respectively, the following transition-related questions and answers in this Implementation Guide at the conclusion of the transition period for Statement 74: 4.158–4.161.

Questions and Answers

4. Questions and answers in this paragraph address issues related to financial reporting for postemployment benefit plans other than pension plans. Those plans are referred to as other postemployment benefit plans (OPEB plans), and the benefits that they administer are referred to as other postemployment benefits (OPEB).

Scope and Applicability of Statement 74

4.1. Q—Does Statement 74 require that stand-alone financial reports be issued for defined benefit OPEB plans?

A—No. Statement 74 establishes standards that apply to financial reporting, including stand-alone financial reports, if such reports prepared in accordance with generally accepted accounting principles (GAAP) are issued for defined benefit OPEB plans that are administered through trusts (or equivalent arrangements) that meet the criteria in paragraph 3 of that Statement, which are as follows:

a. Contributions from employers 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.
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. [Footnote references omitted].

4.2. Q—A city reports a single-employer defined benefit OPEB plan as a trust fund in its basic financial statements. The plan issues a stand-alone financial report prepared in accordance with the requirements of Statement 74. Does the city have to apply all the requirements of Statement 74 for purposes of reporting the trust fund in its financial report?

A—No. Although, in general, Statement 74 applies to financial reporting of the plan in stand-alone financial statements and in circumstances in which the plan is included as a trust fund of another government, for purposes of including the OPEB plan as a trust fund in the city's financial report, footnotes 8 and 10 of Statement 74 limit the applicability of the note disclosure and required supplementary information (RSI) requirements of that Statement to circumstances in which defined benefit OPEB plan financial statements are presented *solely* in the financial report of the city. Therefore, because a stand-alone plan financial report is prepared in accordance with the requirements of Statement 74, that Statement does not require that the city include the information identified in the detailed disclosure and RSI requirements of Statement 74 as part of its presentation of the OPEB plan as a trust fund in its financial report. Paragraph 106 of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* as amended, requires that in this circumstance, the city's notes to financial statements include information about how to obtain the stand-alone plan financial report.

4.3. Q—A city offers an unfunded ("pay-as-you-go") defined benefit OPEB plan (that is, the city's annual contributions are approximately equal to that year's benefit payments). The plan is administered through a trust that meets the criteria in paragraph 3 of Statement 74. Do the plan reporting requirements of Statement 74 apply to this circumstance?

A—Yes. Regardless of the method or timing of funding the benefits, if the OPEB is provided through a plan that is administered through a trust (or equivalent arrangement) that meets the criteria in paragraph 3 of Statement 74, the plan reporting requirements of the Statement apply.

4.4. Q—Would the answer in Question 4.3 be different if the plan were closed to new entrants?

A—No. The plan reporting requirements of Statement 74 apply to a closed plan, as well as to an open plan, administered through a trust (or equivalent arrangement) that meets the criteria in paragraph 3 of that Statement.

4.5. Q—If no trust (or equivalent arrangement) that meets the criteria in paragraph 3 of Statement 74 has been established for a defined benefit OPEB plan, is OPEB plan reporting required?

A—No. If the OPEB plan is not administered through a trust (or equivalent arrangement) that meets the criteria in paragraph 3 of Statement 74, there is no OPEB plan reporting (that is, a statement of fiduciary net position, a statement of changes in fiduciary net position, notes to basic financial statements, or RSI for the OPEB plan in accordance with the requirements in paragraphs 19–57 of Statement 74). However, paragraphs 58 and 59 of Statement 74, as applicable, establish reporting requirements for any assets accumulated for OPEB purposes. Specifically, those paragraphs require that such assets continue to be reported as assets of the employer or nonemployer contributing entity associated with the OPEB plan and provide that if a government holds such assets for others, they be reported in an agency fund.

4.6. Q—Paragraph 63 of Statement 74 defines OPEB plans as "arrangements through which OPEB is determined, assets dedicated for OPEB (if any) are accumulated and managed, and benefits are paid as they come due." For the plan reporting requirements of Statement 74 to apply, do all plan functions have to be performed by a single entity?

A—No. The applicability of the plan reporting requirements of Statement 74 is not dependent on the number of entities that are associated with the functions of an OPEB plan. A variety of plan structures may arise in practice to fit specific circumstances. In some cases, all plan functions may be carried out by the personnel of a single administrative entity, subject to the oversight of plan trustees—similar to the manner in which many state and local governmental pension plans are administered. In other cases, more than one entity or person may be significantly involved in carrying out plan functions. For example, the trustees of a trust through which assets are accumulated for OPEB may be principally responsible for holding and investing plan assets, but their responsibility with regard to paying benefits may be limited to disbursing assets at a time, to parties, and in amounts designated by another entity—for example, the health benefits department of the employer—upon receipt of a properly presented request.

In circumstances in which the OPEB plan is administered through a trust (or equivalent arrangement) that meets the criteria in paragraph 3 of Statement 74, the requirements of that Statement apply to the reporting for the balances and activity of the OPEB plan in its entirety. Therefore, in circumstances in which plan functions are not carried out by a single entity, entities associated with plan functions should evaluate whether they should report the OPEB plan. As part of that evaluation, an entity should consider the guidance in paragraph 19 of Statement No. 14, *The Financial Reporting Entity,* in regard to potential inclusion of the OPEB plan as a fiduciary fund in its financial report.

In circumstances in which the OPEB plan is not administered through a trust (or equivalent arrangement) that meets the criteria in paragraph 3 of Statement 74, the requirements in paragraphs 58 and 59 of the Statement apply to the employer or nonemployer contributing entity and the entity holding the assets accumulated for purposes of OPEB.

4.7. Q—Does Statement 74 apply to a postemployment healthcare plan in which benefits are provided through a trust that also is used to provide defined benefit pensions?

A—Consistent with prior pension and OPEB Statements, paragraph 10 of Statement 74 distinguishes between pensions and OPEB. This includes the classification of postemployment healthcare benefits as OPEB, regardless of the manner in which those benefits are provided. As a result, if (a) a trust is used to administer both a pension plan and an OPEB plan and (b) the OPEB partition of the trust meets the criteria in paragraph 3 of Statement 74 relative to the assets held for OPEB (see Question 4.12), the OPEB partition of the trust is subject to the plan reporting requirements of Statement 74. (See also Question 4.16.)

Trusts (or Equivalent Arrangements)

4.8. Q—Does Statement 74 require that an OPEB plan be administered through a trust that meets the criteria in paragraph 3 of Statement 74?

A—No. Whether to establish a trust that meets the specified criteria for purposes of administering an OPEB plan is a policy decision made by government officials.

4.9. Q—An OPEB plan's trust agreement includes a provision for return of amounts remaining in the trust to an employer if all obligations associated with the plan that is administered through the trust have been fulfilled. Is this provision consistent with the criterion in paragraph 3a of Statement 74 regarding the irrevocability of contributions?

A—Yes. As used in paragraph 3a of Statement 74, irrevocability is understood to mean that an employer no longer has ownership or control of the assets, except for any reversionary right once *all* benefits have been paid. That is, for purposes of paragraph 3 of the Statement, the trust should be so constituted that assets may flow from an employer to the trust, but not from the trust to an employer—unless and until all obligations to pay benefits in accordance with the plan terms have been satisfied by payment or by defeasance with no remaining risk regarding the amounts to be paid or the value of assets held in the trust.

4.10. Q—A defined benefit OPEB plan's trust agreement includes a provision for the return of trust assets to an employer if the funded status of the plan reaches a specified level, regardless of whether all obligations associated with the plan that is administered through the trust have been fulfilled. Is this provision consistent with the criterion in paragraph 3a of Statement 74 regarding the irrevocability of contributions?

A—No. A provision for the reversion of trust assets to an employer prior to the point at which all obligations associated with the plan have been fulfilled is not consistent with the criterion related to irrevocability of contributions. A plan that has such a provision is not within the scope of Statement 74. However, the assets accumulated for purposes of providing OPEB through such a plan should be accounted for in accordance with the requirements in paragraph 58 or paragraph 59 of that Statement, as applicable.

4.11. Q—A trust that is used to administer a defined benefit OPEB plan reimburses an employer for amounts paid for OPEB using employer resources as the benefits come due in accordance with the benefit terms. For example, the trust reimburses an employer for the share of the total age-adjusted premiums approximating claims costs that the employer paid to an insurer to provide benefits to inactive plan members. Is this provision consistent with the criterion in paragraph 3a of Statement 74 regarding the irrevocability of contributions?

A—Yes. Reimbursements paid to the employer from the trust for amounts paid for OPEB using employer resources as the benefits come due in accordance with the benefit terms should not be considered a reversion of trust assets to the employer for purposes of evaluating whether the trust meets the criterion in paragraph 3a of Statement 74.

4.12. Q—If postemployment healthcare benefits (classified as OPEB) and some other benefit that is not OPEB (for example, pensions or active employee healthcare) are administered through a single trust, can that arrangement be considered as meeting the criterion in paragraph 3b of Statement 74—that is, that "OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms"?

A—The OPEB partition of the trust would meet the criterion in paragraph 3b of Statement 74 (regarding dedicated purpose) only if steps have been taken to ensure that the assets, once initially allocated to OPEB, are dedicated solely to providing OPEB until the point in time at which all benefits provided through the OPEB plan have been paid. That is, in the context of Statement 74, dedicated purpose should be understood as referring to the purpose of providing OPEB through a single plan rather than, for example, providing OPEB and some other benefit such as pensions or active employee healthcare.

Classifying Benefits

OPEB versus pensions

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

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

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

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

Postemployment healthcare benefits provided through a pension plan

4.15. Q—Is separate financial reporting required for (a) a defined benefit pension plan that is administered through a trust that meets the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans,* and (b) a postemployment healthcare plan that is administered by the pension plan through a trust that meets the criteria in paragraph 3 of Statement 74?

A—Yes. The pension and postemployment healthcare plans are required to be reported as two plans, not one, and separate reporting of each plan is required. Paragraph 6 of Statement 67 and paragraph 10 of Statement 74 are consistent in classifying as pensions retirement income and all other benefits provided through a pension plan, except postemployment healthcare benefits, which are classified as OPEB for financial reporting purposes. Paragraph 6 of Statement 67 states, "For financial reporting purposes, assets accumulated and managed for the payment of postemployment healthcare benefits should be accounted for and reported as part of an OPEB plan." The complement to that paragraph is paragraph 10a of Statement 74, which includes as OPEB plans—to which the requirements of that Statement are applicable—plans that provide postemployment healthcare benefits, "whether provided separately from or provided through a pension plan." In regard to the latter arrangement, Statements 67 and 74 are consistent in viewing the postemployment healthcare benefits and related assets as components of an OPEB plan administered by, but separate from, the pension plan.

4.16. Q—How should a postemployment healthcare plan that is administered by a defined benefit pension plan through a trust that meets the criteria in paragraph 3 of Statement 74 be reported?

A—The postemployment healthcare plan should be reported as a separate OPEB plan in accordance with the requirements of Statement 74. (See Question 4.15.) Statement 34, as amended, provides additional guidance regarding financial reporting of the defined benefit pension plan and the postemployment healthcare plan (a) in stand-alone plan reports (for example, if the plans are included as trust funds in the report of a public employee retirement system [PERS] that administers them [paragraphs 139–141 of Statement 34, as amended]) and (b) if the plans are included as pension and other employee benefit trust funds, in the report of the employer or sponsor of the plans (paragraph 106 of Statement 34, as amended).

Stand-alone reports. A PERS that issues a financial report of the plans that it administers, including the pension plan and the postemployment healthcare plan, should present combining fiduciary fund financial statements (including notes to financial statements) for all plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, as applicable, accompanied by required schedules for each plan, as applicable. The requirement to present combining financial statements should be met by one of the following methods:

a. Presenting a separate column for each plan on the statement of fiduciary net position and the statement of changes in fiduciary net position
b. Presenting additional combining statements for those plans as part of the basic financial statements, in order to break out aggregated information.

Plans reported as trust funds by the employer or sponsor. Fiduciary fund financial statements are required to include a separate column for each fiduciary fund type, including pension and other employee benefit trust funds as one of those fund types. If separate financial reports of the individual pension and postemployment healthcare plans prepared in accordance with GAAP have been issued, the employer's or sponsor's notes to financial statements should include information about how to obtain those reports. In that case, separate plan financial statements (including notes to financial statements) for those plans are not required to be presented in the employer's or sponsor's report. If separate GAAP-basis plan reports have not been issued, separate financial statements (including notes to financial statements) for individual pension and postemployment healthcare plans should be presented in the employer's or sponsor's notes to financial statements and should be accompanied by required schedules of each plan, as applicable. (See paragraph 106 of Statement 34, as amended.)

4.17. Q—A state-administered cost-sharing multiple-employer pension plan collects $75 per plan member per month from employers for postemployment healthcare benefits. Amounts collected by the pension plan for postemployment healthcare benefits are remitted to a separate state agency that administers the postemployment healthcare plan. The cash collected for postemployment healthcare benefits is credited to a liability account in the pension trust fund, which is liquidated when money is remitted to the state agency that administers the postemployment healthcare plan. For financial reporting purposes, should the pension plan instead report those amounts in accordance with the requirements of Statement 74 for an OPEB plan?

A—No. In collecting and remitting contributions to the agency administering the postemployment healthcare plan, the pension plan's role in this case is that of a cash conduit. Reporting the cash flow through a liability account in the trust fund is an appropriate way of reporting the pension plan's involvement. (Agency fund reporting also would fit the circumstances.)

4.18. Q—Each year, an employer makes a single contribution to a trust that is used to administer a pension plan, as well as to provide postemployment healthcare benefits (OPEB) under the provisions of Internal Revenue Code (IRC) Section 401(h). A determination has been made that the Section 401(h) account meets the criteria in paragraph 3 of Statement 74 and that the pension partition of the trust meets the criteria in paragraph 3 of Statement 67. For financial reporting purposes, is it necessary to separate the assets held in the pension partition of the trust from the assets held in the Section 401(h) account within the trust?

A—Yes. Assets should be allocated between the pension plan and the OPEB plan. This requires, in part, allocation of the employer's total contribution between the pension plan and the OPEB plan and separate reporting of each plan's fiduciary net position. Statement 74 does not specify the manner in which the allocations should be made because that depends on the specific circumstances, including the benefit structure and terms and the method(s) of financing the pension and postemployment healthcare benefits. Therefore, an accounting policy should be adopted and applied consistently from period to period.

Termination benefits

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

A—Yes. Although the benefit in this scenario is a termination benefit, Statement No. 47, *Accounting for Termination Benefits,* as amended, and Statement 74 require that in the case of a termination benefit that is given in the form of an enhancement of the terms of an existing postemployment benefit (for example, by extending the period of time for which retiree healthcare will be provided, as in the situation described), the effects of that incentive on the existing postemployment benefit be included in the measure of the net OPEB liability that is required by Statement 74.

Sick leave-to-healthcare conversions

4.20. Q—If an employer converts employees' unused sick leave balances to individual healthcare accounts at the conclusion of active service to be applied to postemployment healthcare premiums or claims costs, do any of the following activities constitute OPEB: the establishment of the accounts, the payment of cash equal to the account balances to a third-party administrator, or cash payments from the accounts for premiums or benefits if the employer retains administration?

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

4.21. Q—Would there potentially be OPEB if the individual accounts discussed in Question 4.20 are used to pay terminated employees' assigned share of the cost of healthcare coverage through an insured group that also includes the employer's active employees?

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

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

A—The benefits to which unused sick leave is converted in this case—employer-paid postemployment healthcare benefits for the specified number of months for which each terminating employee is eligible—are defined benefit OPEB. Footnote 6 of Statement 74 specifies that in circumstances in which a terminating employee's unused sick leave credits are converted to provide defined benefit OPEB (for example, defined benefit postemployment healthcare benefits), the resulting benefit or increase in benefit should be included in the measures of OPEB liabilities for purposes of Statement 74. Therefore, in the circumstances described in this question, the portion of sick leave expected to be converted to postemployment healthcare benefits should be classified as OPEB for financial reporting purposes. As a result, that portion of the sick leave should be excluded from the liability for compensated absences, and the resultant expected postemployment healthcare benefits should be included in the projection of benefit payments for purposes of measuring the total OPEB liability.

Disability benefits

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

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

Workers' compensation benefits

4.24. Q—Are workers' compensation benefits considered OPEB for financial reporting purposes?

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

Types of OPEB and OPEB Plans

Classifying OPEB as Defined Benefit or Defined Contribution

4.25. Q—In an OPEB plan, the benefit terms specify that an employer is required to contribute 7.5 percent of each plan member's annual salary to an individual plan member account. Assets in each plan member account can be used only for healthcare during retirement. Individual plan member accounts are credited with interest at a rate of 5 percent per year, as specified in the benefit terms, and are assessed an administrative fee based on the average balance of assets in the account for the year. During retirement, a plan member draws down the balance of the account, with interest continuing to accrue at the specified interest rate. Should this OPEB be classified as defined benefit or as defined contribution for purposes of applying Statement 74?

A—This OPEB is defined benefit for purposes of applying Statement 74. To be classified as defined contribution OPEB, paragraph 12 of Statement 74 specifies that all three of the following criteria are required to be met:

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

Although the OPEB provided in this question meets the first two of these criteria, it does not meet the third criterion because the interest credited to a plan member's account is based on a specified rate regardless of the actual earnings on the underlying investments made with the assets in the account. Because the OPEB does not meet all three of the criteria in paragraph 12 of Statement 74 to be classified as defined contribution, it should be classified as defined benefit for purposes of applying Statement 74.

4.26. Q—If, instead of crediting interest to the plan members' accounts at a specified rate of return, the benefit terms described in Question 4.25 provide that interest on plan members' account balances is determined based on an outside index, how should the OPEB be classified for purposes of applying Statement 74?

A—Unless the investments of each plan member's account mirror the investments that comprise the outside index, the crediting of interest earnings based on a rate that is tied to the performance of an outside index does not represent actual earnings on investments in the plan members' accounts, and the OPEB should be classified as defined benefit for purposes of applying Statement 74.

4.27. Q—Rather than providing specified healthcare services (for example, medical office visits, prescription drugs, and hospitalization), an employer provides OPEB by paying a specified dollar amount to each plan member during retirement that can only be used for the member's healthcare costs. Should the OPEB be classified as defined contribution for purposes of applying Statement 74?

A—No. The requirements in paragraph 12 of Statement 74 include a provision that to be classified as defined contribution OPEB, the benefit terms define the contributions that will be made to an *active* plan member's account. The terms of this plan specify the benefit payments that will be made after a plan member terminates employment. Therefore, the benefits should be classified as defined benefit for purposes of applying Statement 74.

4.28. Q—An employer contributes defined amounts to an OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 74, but the employer does not determine the level of benefits to be provided to plan members. Instead, benefit levels are defined by the plan trustees and may be adjusted periodically by the trustees, subject to the limitation (which has been communicated to the plan members) that benefits will be provided only to the extent that plan assets are available to pay them. Plan assets are administered as a single pool; individual member accounts are not maintained. Should the benefit be classified as defined contribution OPEB?

A—No. Paragraph 12 of Statement 74 provides that if the benefit does not have all the characteristics of defined contribution, it should be classified as defined benefit OPEB. Defined contribution OPEB is discussed in paragraph 12 of Statement 74 as providing an individual account for each plan member, defining contributions that an employer is required to make to an active plan member's account, and providing that the OPEB received by a member depends only on the amounts contributed (credited) to the member's account, actual earnings on investments of those contributions (credits), the effects of forfeitures of contributions (or credits) made for other members, and plan administrative costs that may be allocated to the member's account. In the circumstance described in this question, the benefits do not have all the characteristics of defined contribution OPEB because individual accounts are not maintained, the benefit terms do not define the contributions that an employer is required to make to individual active plan members' accounts, and benefits do not depend only on the items listed in paragraph 12 of Statement 74; rather, they depend on periodic benefit determinations by the plan trustees. Therefore, the OPEB should be classified as defined benefit.

Types of Defined Benefit OPEB Plans

4.29. Q—A PERS administers the assets, the payment of benefits, and the general recordkeeping and support services for OPEB provided to the employees of three employer governments. A separate actuarial valuation is performed for separate classes of plan members (for example, general government employees versus public safety employees), and employers make contributions for each class at different specified rates. The assets are held in a trust that meets the criteria in paragraph 3 of Statement 74 and legally are available to pay benefits to any plan member. What type of plan(s) is the PERS administering?

A—The classification of the plan depends on whether there are legal restrictions on the use of the assets to provide benefits to each of the different classes of plan members. In this situation, although different rates are specified for different classes of plan members, all plan assets legally are available to pay benefits of any plan member, regardless of their employment class. Therefore, this plan is a cost-sharing multiple-employer plan for purposes of applying Statement 74.

4.30. Q—If the facts regarding the plan in Question 4.29 were changed, to the extent that separate actuarial valuations were performed for separate employers based on their employees and an allocation of assets to each employer, rather than for separate classes of plan members, would the separate valuations change the classification of the plan from a cost-sharing multiple-employer plan to an agent multiple-employer plan?

A—No. The classification of the plan depends on whether assets held by the OPEB plan legally can be used to pay the benefits of the employees of any of the employers. In this situation, although different contribution rates are established for different employers, all plan assets legally are available to pay benefits pertaining to the employees of any employer. Therefore, this plan is classified as a cost-sharing multiple-employer plan for purposes of applying Statement 74.

4.31. Q—A defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 74 is used to provide OPEB to the employees of a state government and several governments that are component units of the state. There are no other entities whose employees are provided with OPEB through the plan. The assets in the plan legally can be used to pay benefits to the employees of the state or any of the component units. Is this plan a single-employer, agent multiple-employer, or cost-sharing multiple-employer plan?

A—This plan is a single-employer plan for financial reporting purposes. Defined benefit OPEB plans are classified according to the number of employers whose employees are provided with benefits through the plan and whether OPEB obligations and OPEB plan assets are shared. Paragraph 13 of Statement 74 specifies that a primary government and its component units should be considered to be one employer for purposes of classifying a defined benefit OPEB plan as single-employer or multiple-employer.

4.32. Q—A defined benefit OPEB plan is used to provide OPEB to the employees of a state government, several governments that are component units of the state, and governments other than the state and the component units. The plan is administered through a trust that meets the criteria in paragraph 3 of Statement 74. Is this plan a single-employer, agent multiple-employer, or cost-sharing multiple-employer plan?

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

4.33. Q—A PERS administers a single trust through which OPEB is provided to employees of local governments in a state. The trust meets the criteria in paragraph 3 of Statement 74.

For certain employers ("nonpool employers"), the PERS maintains separate asset accounts. The assets and obligations of other employers ("pool employers") are pooled. How should this arrangement be classified for purposes of applying Statement 74?

A—If the assets of each of the nonpool employers cannot legally be used to pay benefits to the employees of any other employer, the portion of the trust that is being used to administer benefits to the employees of the nonpool employers is related to a separate (agent multiple-employer) plan. In this circumstance, the portion of the trust that is being used to administer the benefits of the employees of pool employers is a cost-sharing multiple-employer plan. If, however, the assets in the trust may legally be used to pay benefits to the employees of any of the employers (pooled or nonpooled), the trust should be reported as related to one cost-sharing multiple-employer plan.

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

A—Not necessarily. The characteristics mentioned are not determinative of whether a postemployment healthcare plan is a cost-sharing multiple-employer plan for financial reporting purposes. First, the OPEB plan would be classified as cost-sharing multiple-employee only if it is administered through a trust (or equivalent arrangement) that meets the criteria in paragraph 3 of Statement 74. (If the active and retiree healthcare benefits are administered through a single trust, see Question 4.12 for additional discussion of considerations regarding that criteria.) In addition, the classification of a plan as cost-sharing multiple-employer for financial reporting purposes relates not to the current-period insurance premium structure used but to whether the employers in a plan share the OPEB liability and assets accumulated in the plan. Only if the plan has these characteristics should it be classified as a cost-sharing multiple-employer plan.

Defined Benefit OPEB Plans That Are Administered through Trusts That Meet the Criteria in Paragraph 3 of Statement 74

Number of OPEB Plans

4.35. Q—A defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 74 is used to provide OPEB to two classes of plan members—those in elected positions and those in nonelected positions. Does Statement 74 require separate financial statements (including notes to financial statements) and RSI for each class of plan members?

A—If, on an ongoing basis, all assets are available for the payment of OPEB to either class of plan members, even if the benefits differ by class, there is only one plan for financial reporting purposes, and Statement 74 requires only one set of financial statements (including notes to financial statements) and RSI. If, on an ongoing basis, a portion of the assets is legally restricted for the payment of benefits to one of the two membership classes, there are two separate plans for financial reporting purposes and Statement 74 requires separate financial statements (including notes to financial statements) and RSI for each plan—even if the assets are pooled for investment purposes.

4.36. Q—If, within a single trust that meets the criteria in paragraph 3 of Statement 74, a portion of the assets is legally restricted to pay the defined benefit OPEB of a particular class of employees of all local governments within a state (for example, elected officials) and a portion is legally restricted to pay the defined benefit OPEB of another class of employees of the local governments, should the portion of the assets associated with each class be considered assets of a separate plan?

A—Yes, if, on an ongoing basis, each portion of assets held in the trust may not legally be used to pay benefits to other classes of plan members. Paragraph 19 of Statement 74 requires in that circumstance, that the portion of trust assets restricted to pay benefits to each class of plan members be considered assets of a separate defined benefit OPEB plan for financial reporting purposes. In this case, because each plan is used to provide benefits to more than one employer, each plan would be reported as a separate multiple-employer plan.

4.37. Q—Within a trust that meets the criteria in paragraph 3 of Statement 74 and is used to administer defined benefit OPEB, a certain portion of employer contributions and earnings on those contributions are accumulated in a separate account to be used as the basis for determining ad hoc postemployment benefit increases that if granted, will adjust the benefits of all retirees. Should the assets in the separate account be reported as a separate OPEB plan?

A—No. Paragraph 19 of Statement 74 requires that "if, on an ongoing basis, all assets accumulated in a defined benefit OPEB plan for the payment of benefits may legally be used to pay benefits . . . to *any* of the plan members, 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 plan members, employers, or types of benefits be maintained. . . ." That paragraph further differentiates between a separate account used as described in this question—that is, to provide an additional benefit to *all* retirees—and an account legally restricted for the benefits to only certain classes or groups of plan members or to plan members that are employees of certain entities. Although the assets in the separate account should not be reported as a separate plan, information should be included in the plan's notes to financial statements to meet the requirements in paragraph 34e of Statement 74 related to setting aside a portion of the OPEB plan's fiduciary net position that otherwise would be available for existing OPEB or for OPEB plan administration.

Financial Statements

4.38. Q—If more than one trust that meets the criteria in paragraph 3 of Statement 74 has been established to accumulate assets for purposes of providing OPEB through a single-employer OPEB plan and assets in any of the trusts may be used interchangeably to make benefit payments to any plan member, does Statement 74 apply to the separate reporting of each trust?

A—No. Absent a legal restriction that limits the use of the assets of any of the trusts to paying benefits for a specific subset of plan members, the arrangement described is one OPEB plan that is administered using multiple trusts. The net position of all the trusts (in the aggregate) constitutes the fiduciary net position of the OPEB plan. Therefore, Statement 74 would apply only in financial statements of the OPEB plan (issued in a stand-alone OPEB plan financial report or included in the financial report of another government), which would incorporate the balances and activities of all the trusts.

4.39. Q—An employer provides OPEB through a single-employer OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 74 (Trust A). Benefits are paid through Trust A. The employer establishes a second trust (Trust B). Assets in Trust B can be used only to make contributions to Trust A and can be moved to Trust A only upon instruction from the employer. Assets accumulated in Trust B are irrevocable by the employer and are protected from creditors of the employer. Should the balances and activities of Trust A and Trust B be included in the balances and activities of the single-employer OPEB plan?

A—No. In this circumstance, only the balances and activities of Trust A should be reported as part of the single-employer OPEB plan. In the circumstance described, benefit payments can be made to plan members only through Trust A but cannot be made through Trust B. As a result, the assets in Trust B do not have present service capacity as OPEB plan assets. Therefore, the balances and activities of Trust B are not part of the OPEB plan. Instead, the assets in Trust B should continue to be reported as assets of the employer in accordance with paragraph 58 or paragraph 59 of Statement 74, as applicable.

4.40. Q—Would the answer in Question 4.39 be different if, instead, Trust A is used to administer an agent multiple-employer OPEB plan and Trust B is established by one agent employer?

A—No. For the same reasons discussed in the answer in Question 4.39, only the balances and activities of Trust A should be reported as part of the agent multiple-employer OPEB plan. The assets in Trust B should continue to be reported as assets of the individual employer in accordance with paragraph 58 or paragraph 59 of Statement 74, as applicable.

4.41. Q—Would the answer in Question 4.39 be different if, instead, Trust A is used to administer a cost-sharing multiple-employer OPEB plan and Trust B is established by one cost-sharing employer?

A—No. For the same reasons discussed in the answer in Question 4.39, only the balances and activities of Trust A should be reported as part of the cost-sharing multiple-employer OPEB plan. The assets in Trust B should continue to be reported as assets of the individual employer in accordance with paragraph 58 or paragraph 59 of Statement 74, as applicable.

Statement of fiduciary net position

4.42. Q—In paragraph 20 of Statement 74, deferred outflows of resources and deferred inflows of resources are identified in the list of elements that should be included, as applicable, in a statement of fiduciary net position for a defined benefit OPEB plan. However, paragraphs 21–27 of that Statement, which discuss recognition of specific items in a defined benefit OPEB plan's statement of fiduciary net position, do not include any specific items to be recognized as deferred outflows of resources or deferred inflows of resources. Does this mean that there are no transactions for which a defined benefit OPEB plan would be required to report a deferred outflow of resources or a deferred inflow of resources in its statement of fiduciary net position?

A—No. An OPEB plan should report deferred outflows of resources or deferred inflows of resources if that recognition is required by other accounting and financial reporting requirements applicable to the transactions and other events reported in its basic financial statements (for example, Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* as amended). Statement 74 does not include requirements for the recognition of deferred outflows of resources or deferred inflows of resources by defined benefit OPEB plans because the approach used in that Statement is to establish requirements for transactions for which the accounting or financial reporting is specific to OPEB plans. No OPEB-plan specific transactions or other events were identified during the development of Statement 74 for which reporting deferred outflows of resources or deferred inflows of resources would be required.

Assets

Receivables

4.43. Q—If, at the end of an OPEB plan's fiscal year, a contractually required contribution due from a cost-sharing employer for the last month of the year is unpaid, should the amount of the contribution be recognized as a receivable under the requirements in paragraph 22 of Statement 74? That is, is a contractually required contribution considered to be "due pursuant to legal requirements"?

A—Yes. The reference to legal requirements in paragraph 22 is intended to broadly describe circumstances in which the OPEB plan has a legally enforceable right to the resources that are due to it. Concepts Statement No. 4, *Elements of Financial Statements,* defines assets as "resources with present service capacity that the government presently controls." One embodiment of control over the present service capacity of resources is a legally enforceable right to the resources. Contractual provisions or statutory requirements for employer contributions create a legally enforceable right of the OPEB plan to the resources due. Therefore, the plan should recognize a receivable for unpaid contractually required contributions at its fiscal year-end.

4.44. Q—An agent employer that has no statutory or contractual requirement as to the amount of contributions that it makes to the OPEB plan each year has a policy of making contributions to the OPEB plan based on actuarially determined contribution rates. The employer has consistently contributed those amounts in the past, and although it has not yet made a contribution for the last month of the plan's fiscal year, it has appropriated for that purpose an amount equal to the actuarially determined contribution for that period. Should the OPEB plan recognize a receivable for the appropriated but unpaid contribution amount as of its fiscal year-end?

A—No. Paragraph 22 of Statement 74 limits receivables recognition to circumstances in which amounts are due pursuant to legal requirements. As discussed in Question 4.43, paragraph 22 was intended to require recognition of a receivable in circumstances in which the OPEB plan has a legally enforceable right to the resources. In this circumstance, the appropriation of an amount by the employer does not create a legally enforceable right of the OPEB plan to the resources as of the OPEB plan's fiscal year-end. Therefore, the plan should not recognize a receivable for the appropriated but unpaid contributions.

4.45. Q—In a cost-sharing multiple-employer OPEB plan, employers' contractually required contributions are based on an actuarially determined contribution rate, but they have the option to pay the required amount in installments over a 10-year period. How should this arrangement be reported by the OPEB plan?

A—The OPEB plan should recognize an employer contribution equal to the employers' contractually required actuarially determined contributions for the plan's fiscal year. At the end of the OPEB plan's fiscal year, the unpaid portion of the amount should be reported as a receivable. The OPEB plan also should disclose information required by paragraph 34c of Statement 74 about the terms of and outstanding balance on the installment arrangement at the end of its reporting period.

4.46. Q—An OPEB plan has a noninterest-bearing long-term receivable for employer contributions. May the plan report the receivable at its full contract value, or is the plan required to report the receivable at its discounted present value?

A—Neither Statement 74 nor other pronouncements applicable to OPEB plans for purposes of preparing financial statements in accordance with GAAP require that a receivable be valued at its discounted present value. (Guidance in Statement No. 62*, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* as amended, addresses this issue but is not applicable to fiduciary activities.) Therefore, the OPEB plan may report the contributions receivable at its full contract value. If, however, the receivable is reported at its discounted present value, paragraph 23 of Statement 74 requires that interest be accrued using the effective interest method, unless use of the straight-line method would not produce significantly different results.

4.47. Q—May receivables and payables arising from trade-date accounting be reported net?

A—No. Receivables and payables should be reported net only if there is a right of offset and offsetting is not prohibited by another financial reporting standard.

4.48. Q—A state has created a "window of opportunity" during which enhanced retirement benefits through the state's cost-sharing multiple-employer OPEB plan may be offered by individual employers to encourage their employees to take early retirement. Employers are not required to participate in this initiative. Because of this, the cost of the additional benefits will be determined for each participating employer and will not affect the required contributions of employers that do not participate in the initiative. Each participating employer will make contributions—in addition to its regular contractually required contributions—with interest, in equal amounts over the next five plan years, with respect to its employees that elect to retire under the offer. Should the plan treat the additional contribution requirements as a contribution receivable pursuant to an installment contract? If so, should the entire estimated amount of the additional contributions be recognized as a receivable in the year that the employees accept the offer (and as a contribution for that year in the statement of changes in fiduciary net position)?

A—Yes. The OPEB plan should account for the additional contribution requirements as contributions receivable pursuant to an installment agreement (see paragraph 23 of Statement 74) and as additions (employer contributions) in full in the year in which the installment agreements with the employers become effective. Also, the plan should disclose the terms and outstanding balances of installment contracts. (See paragraph 34c of Statement 74.)

Investments

4.49. Q—A defined benefit OPEB plan has certain debt securities that management intends to hold to maturity. May these investments be reported at cost? Would the answer be different if the plan is legally restricted from selling the securities below cost?

A—No. Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* as amended, Statement No. 72, *Fair Value Measurement and Application,* and Statement 74 do not provide for valuing such investments at cost based on management's intent to hold the securities to maturity or in circumstances in which the likelihood of selling the security is significantly limited by legal provisions.

4.50. Q—How should the principal components of defined benefit OPEB plan investments be reported if almost all of the plan's investments are in mutual funds or external investment pools, each of which invests in a cross section of investments? For example, should the plan report its share of each category of assets held by the various funds or pools—in effect "looking through" the funds or pools to the securities they hold?

A—The mutual funds or investment pools in which the plan invests should be categorized and displayed by type (for example, "Mutual Funds—Equities" and "State Treasury Investment Pool"). (See Question 1.3.2 in *Implementation Guide No. 2015-1* for additional discussion of investment types.) There is no basis for looking through a mutual fund or investment pool to report the plan's share of each category of assets held by the fund or pool. Moreover, the latter method of presentation could be misleading. For example, presenting a pro rata share of a pool's bonds as an investment of an OPEB plan in bonds would imply that such investments have fixed maturities; however, typically the plan's investment in the *investment pool* would have no maturity.

Liabilities

4.51. Q—Because benefit payments not yet due and payable are not recognized as OPEB plan liabilities, should plan liabilities, as reported in the OPEB plan's financial statements, be limited to current liabilities?

A—No. OPEB plan liabilities should include noncurrent liabilities other than those related to benefits. For example, a plan might have a mortgage loan or a liability under a long-term capital lease on the office building used for plan administration.

Statement of changes in fiduciary net position

4.52. Q—An employer provides OPEB through a plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 74. The employer made a contribution to the trust during the period. Assets in the trust were invested, which produced investment income to the trust. Assets in the trust were not used to make benefit payments during the period. Instead, the employer made benefit payments to inactive plan members from its own resources. Should the OPEB plan's statement of changes in fiduciary net position report only the activity that passed through the trust?

A—No. The requirements of Statement 74 for reporting a statement of changes in fiduciary net position apply to reporting for the *OPEB plan,* not solely the activities of a trust through which the OPEB plan is administered, and the objective of Statement 74 is to report on all activity of the OPEB plan. Accordingly, the OPEB plan's statement of changes in fiduciary net position should include all additions to and deductions from plan fiduciary net position required by Statement 74. Paragraph 28a of Statement 74 requires that additions to plan fiduciary net position include contributions from the employers and specifically indicates that those contributions should include amounts for OPEB as the benefits come due that will not be reimbursed to the employers using OPEB plan assets. In addition, paragraph 31 of Statement 74 provides that deductions from OPEB plan fiduciary net position should include benefit payments, whether made through the trust or by employers for OPEB as the benefits come due. In the circumstances described, an amount equal to the benefit payments should be recognized both as an addition to and a deduction from OPEB plan fiduciary net position. (See also Questions 4.54 and 4.55 related to additions to fiduciary net position for employer contributions and Questions 4.63 and 4.64 related to deductions from fiduciary net position for benefit payments.)

4.53. Q—A PERS administers more than one defined benefit OPEB plan for state employees. Those plans remit money to an investment pool for operating expenses of the pool. Also, movements of member account asset balances occur between OPEB plans when members change employment from one state department or agency to another and, thereby, from one plan to another. In each OPEB plan's statement of changes in fiduciary net position, should an additional section, below the additions and deductions sections, be added for transfers? If not, how should these types of transactions be reported?

A—All changes in fiduciary net position should be reported either in the additions section or in the deductions section of the statement of changes in fiduciary net position. The term *transfer* implies activity internal to an entity, whereas, from the standpoint of Statement 74, each defined benefit OPEB plan is effectively a separate entity. Thus, for purposes of financial reporting under Statement 74, movements of resources between a defined benefit OPEB plan and any other plan, fund, government, company, or individual are external transactions, rather than transfers. With regard to the particular types of resource movements in question:

a. Those to an investment pool for operating expenses of the pool should be reported by the OPEB plan as investment expense.
b. Those that move member account asset balances from one OPEB plan to another may be reported as separate line items within the deductions and additions sections, respectively, of each plan's statement of changes in fiduciary net position.

Additions

4.54. Q—A government makes contributions to a defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 74. The government also remits premiums to insurers for active-employee and retiree healthcare coverage and then bills for and receives payment from the trust in reimbursement for the portion of those premiums related to retirees (the portion of age-adjusted premiums approximating claims costs for retirees in excess of amounts required to be paid by retirees for those benefits). Should the OPEB plan report an employer contribution for both the receipt of resources from the employer and the payment of benefits by the employer?

A—No. In the circumstances described, the OPEB plan should report an employer contribution only for amounts received or receivable by the trust from the employer. The reimbursable portion of the employer's remittance of premiums to insurers (that is, the portion of the age-adjusted premiums approximating claims costs for retirees in excess of amounts required to be paid by retirees for those benefits) should be reported by the OPEB plan as a deduction from fiduciary net position (a benefit payment) and either (a) a liability (a payable to the employer) or (b) a reduction of assets (when reimbursement is made to the employer).

4.55. Q—An employer provides healthcare benefits to active employees and retirees (inactive plan members). The amounts to be paid by the employer, active employees, and inactive plan members receiving benefits are stated in terms of the blended premium rates for all covered individuals. The employer remits premium payments directly to the insurer and is not reimbursed from trust resources for any portion of those payments. What amount of the total current-period (blended) premiums for active employees and inactive plan members should the OPEB plan report as employer contributions?

A—Of the total current blended premiums, the OPEB plan generally should report employer contributions for the difference between (a) the total claims costs, or age-adjusted premiums approximating claims costs, for the inactive plan members in the group for the current period and (b) the amounts required to be paid by the inactive plan members for that period. If the total of the blended premiums for the employer's active employees and inactive plan members differs from the total of the claims costs, or age-adjusted premiums approximating claims costs, for the employer's active employees and inactive plan members, any portion of the difference that is not specifically identifiable with payments for active employees or payments for inactive plan members should be allocated between the employer's payments for active-employee healthcare and the employer's contributions for healthcare for inactive plan members. Statement 74 does not establish a requirement for a specific allocation approach for those amounts. Therefore, an accounting policy should be adopted related to the allocation, and that policy should be applied in a consistent manner from period to period.

4.56. Q—Should a defined benefit OPEB plan report amounts collected from inactive plan members that are receiving benefits as an addition in the statement of changes in fiduciary net position?

A—No. Amounts collected from inactive plan members are recorded by the OPEB plan as an asset and a liability when received, and the asset and liability balances are reduced when benefits are paid. Therefore, amounts received during the period from inactive plan members related to benefit payments *during the period* should not be reported by the OPEB plan in its financial statements. The portion, if any, of amounts from inactive plan members that is received *in advance of the period to which the payments relate* and that is held by the OPEB plan at the end of the reporting period should be reported as a liability in the OPEB plan's statement of fiduciary net position.

Investment Income

4.57. Q—May a defined benefit OPEB plan separately display (a) realized gains and losses on sales of investments during the reporting period and (b) unrealized gains and losses on investments?

A—No. In accordance with paragraph 13 of Statement 31, if identified separately as a component of investment income, the net increase (decrease) in the fair value of investments during the reporting period should be displayed as a single line item in the statement of changes in fiduciary net position. In fair value reporting, the increase (decrease) in an investment's fair value is recognized as an addition to (deduction from) the plan's fiduciary net position each reporting period. However, a realized gain or loss on an investment sold during a reporting period is the difference between the proceeds of the sale and the *original* cost of the investment. Thus, when an investment that has been held for more than one year is sold, the realized gain (loss) may include amounts that were recognized as increases (decreases) in prior periods.

Although realized gains and losses should not be displayed separately in the financial statement, disclosure of realized gains and losses is permitted in notes to financial statements, if disclosure also is made of both of the following, as required by paragraph 15 of Statement 31:

a. That the calculation of the realized gains and losses disclosed is independent of the calculation of the net change in the fair value of OPEB plan investments reported in the financial statements
b. Realized gains and losses on investments sold in the current year that had been held for more than one year were included in investment income reported for a previous year or years (as part of the reported net increase or decrease for those years).

4.58. Q—Is the net increase (decrease) in fair value required to be reported separately for each principal component of investments?

A—No. OPEB plans may choose to compute the net increase (decrease) separately for each category of investments, but a single line item is all that is required for financial reporting.

4.59. Q—An OPEB plan chooses to separately display interest income in its statement of changes in fiduciary net position. Should the amortization of a premium (discount) on bonds be included in the amount reported as interest income?

A—No. Interest income should be reported at the stated (or coupon) interest rate. If the stated rate is zero, no interest income should be reported for that bond. (Effectively, interest on a zero-coupon bond is reflected in the reported fair value and, therefore, in the reported net increase [decrease] in fair value.)

4.60. Q—In its reports to its investors, an investment company that offers pooled investment vehicles for OPEB plans reports all investment income as an increase (decrease) in investors' accounts. Is this form of reporting acceptable for use by the OPEB plan in its financial statements?

A—Yes. Paragraph 29 of Statement 74 provides that a net increase (decrease) may be combined for financial reporting purposes with interest, dividends, and other investment income. In addition, paragraph 30 provides that investment-related costs should be reported as investment expense if they are separable from (a) investment income and (b) the administrative expense of the OPEB plan. Based on those provisions, because the income is reported to the plan net of related expense and, therefore, investment-related costs are not readily separable from investment income, a plan could comply with the requirements of Statement 74 with regard to reporting investment income using the form of reporting provided by the investment company. (See also Question 4.61.)

Investment Expense

4.61. Q—What determines whether investment-related expenses that are included in general administrative expenses are readily separable and, thus, should be reported in the additions section of a plan's statement of changes in fiduciary net position as part of investment expense in accordance with paragraph 30 of Statement 74? For example, should chief investment officer and investment staff salaries, payroll taxes for these, hardware and software purchases for those employees, and costs of subscriptions, data services, and supplies for them be reported as investment expense?

A—Paragraph 28d(2) of Statement 74 requires separate display of investment expense, including investment management and custodial fees and all other significant investment-related costs. The purpose of that requirement is to help users of the OPEB plan's financial statements assess both gross and net investment income. Paragraph 30 of Statement 74 provides that investment-related costs should be reported as investment expense if they are separable from (a) investment income and (b) the administrative expense of the OPEB plan. For purposes of applying those paragraphs, each investment-related cost should be evaluated on its own merits. The cost associated with each of the examples given in the question (that is, salaries of the chief investment officer and of the investment staff, related payroll taxes, depreciation of software and hardware used by the investment staff, and subscriptions, data services, and supplies for the investment staff) is readily identifiable as an investment-related cost and should be reported as an investment expense.

4.62. Q—Should the salary and fringe benefits of an OPEB plan employee whose time is allocated 50 percent to investments and 50 percent to general plan administrative duties be allocated between investment expense and administrative expense?

A—If the employee spends a significant portion of time on tasks related to investments, allocation to investment expense of a portion of salary and related costs for a plan employee is appropriate. In contrast, if a plan employee whose responsibilities are basically administrative spends only an insignificant or highly variable percentage of time on tasks that are investment related, so that the investment-related costs are not readily separable from general administrative expense, professional judgment should be used to determine whether to separately measure the cost of that person's investment-related activities.

Deductions

4.63. Q—An employer provides healthcare benefits to active employees and retirees (inactive plan members). The amounts to be paid by the employer, active employees, and inactive plan members receiving benefits are stated in terms of the blended premium rates for all covered individuals. What amounts should the OPEB plan report as benefit payments for the period?

A—The OPEB plan generally should report benefit payments measured as the difference between (a) the total claims costs, or age-adjusted premiums approximating claims costs, for the inactive plan members in the group for the period and (b) the amounts required to be paid by the inactive plan members for that period. (An example of this approach is presented in Illustration B1-1 in nonauthoritative Appendix B of this Implementation Guide.)

4.64. Q—In a risk-retention plan, what amounts should the OPEB plan report as benefit payments?

A—In a risk-retention plan, benefit payments are the amounts of claims costs paid for inactive plan members, net of amounts required to be paid by inactive plan members for those benefits.

Notes to Financial Statements

4.65. Q—Does Statement 74 establish specific requirements for a defined benefit OPEB plan that is closed to new entrants?

A—The only requirement of Statement 74 that is specific to a closed plan is the requirement in paragraph 34a(4) that if an OPEB plan is closed to new entrants, that fact should be disclosed. Apart from that provision, a defined benefit OPEB plan that is closed to new entrants is required to follow the same requirements as plans that are not closed.

4.66. Q—A government includes the OPEB plan through which it provides benefits to its employees as a fiduciary fund in its financial report. The OPEB plan does not issue a stand-alone financial report. Should the government make the note disclosures required by Statement 74 for the OPEB plan, as well as the note disclosures required for an employer that provides benefits through the plan?

A—Yes. In this circumstance, the presentation of information from two perspectives is required within the same report—first, from the perspective of an employer that provides its employees with benefits through the OPEB plan and, second, from the standpoint of the OPEB plan itself. Accordingly, in addition to applying employer reporting requirements, the government should include in its financial report information required by Statement 74 for the OPEB plan. However, footnote 8 of Statement 74 provides for coordination of employer and plan note disclosures within the employer's financial report with the objective of avoiding unnecessary duplication of information within that report.

Disclosures applicable to all defined benefit OPEB plans

Paragraph 34a

4.67. Q—In the disclosure required by paragraph 34a(4) of Statement 74, should spouses or other dependents be included in the plan membership count?

A—A plan member, their spouse, and their other dependents are considered to be one unit. Therefore, a spouse or other dependent should be included in the plan membership count only if the plan member is not already included.

4.68. Q—Should the information that is required by paragraphs 34a(4) and 34a(5) of Statement 74 about the number of employees that are covered by the benefit terms and the benefit terms themselves, respectively, be current as of (a) the actuarial valuation date that is used as the basis for the total OPEB liability or (b) the OPEB plan's fiscal year-end?

A—The requirements in paragraphs 34a(4) and 34a(5) of Statement 74 are intended to result in the disclosure of information about the benefit terms at the OPEB plan's fiscal year-end.

Paragraph 34b

Investment Concentrations

4.69. Q—Paragraph 34b(2) of Statement 74 requires OPEB plans to identify investments in any one organization that represent 5 percent or more of the OPEB plan's fiduciary net position. Do the requirements in paragraph 11 of Statement No. 40, *Deposit and Investment Risk Disclosures,* for governments to provide information about the concentration of credit risk associated with their investments by disclosing, by amount and issuer, investments in any one issuer that represent 5 percent or more of total investments also apply to OPEB plans?

A—Yes. The focus of the two disclosures is different, and an OPEB plan should include both, if applicable. The disclosure requirement of Statement 40 is limited to concentrations of credit risk—a notion associated with the risk of loss on fixed-income investments if a creditor or other counterparty fails to meet its obligations to repay. The requirement in paragraph 34b(2) of Statement 74 is broader—that is, concentrations of investments.

4.70. Q—How should investments in mutual funds be viewed in relation to the requirement in paragraph 34b(2) of Statement 74 to disclose investments in any one organization that represent 5 percent or more of the OPEB plan's fiduciary net position? For example, is a mutual fund an *organization,* as the term is used in that paragraph, to which the 5 percent criterion applies?

A—Mutual funds diversify investments among organizations. Therefore, for purposes of the requirement in paragraph 34b(2) of Statement 74, the 5 percent test need not be applied to a mutual fund.

Money-Weighted Rate of Return on OPEB Plan Investments

4.71. Q—For purposes of determining the money-weighted rate of return on OPEB plan investments, should the beginning and ending values of investments that are used as the basis for the calculation equal the amounts reported in the investments line item in the OPEB plan's statements of fiduciary net position?

A—Generally, no. For purposes of determining the money-weighted rate of return on OPEB plan investments, investments should include cash, investments, and other investment-related balances, such as receivables for investment income, receivables from/payables to brokers for unsettled trades, and assets/liabilities associated with securities lending cash collateral. (See Illustration B4 in nonauthoritative Appendix B of this Implementation Guide for an example of the determination of beginning and ending OPEB plan investment balances using amounts reported in an OPEB plan's financial statements for purposes of calculating the money-weighted rate of return.)

4.72. Q—What should be considered an investment expense for purposes of the calculation of the annual money-weighted rate of return?

A—Similar to the manner in which investment expense is defined for financial statement recognition purposes, for purposes of calculating the money-weighted rate of return on OPEB plan investments, investment expense should include, to the extent separable from investment income and the administrative expense of the OPEB plan, investment management fees, custodial fees, and other significant investment-related costs. Within the context of calculating the money-weighted rate of return, investment expense should include such fees and costs that are associated with the types of assets and liabilities that are discussed in Question 4.71, whether or not those items are reported as investments in the OPEB plan's statement of fiduciary net position.

4.73. Q—Should cash flows associated with investment expense be included in the calculation of the money-weighted rate of return on OPEB plan investments?

A—No. In the calculation of the money-weighted rate of return on OPEB plan investments, the beginning and ending values of investments reflect the effects of net investment income, which includes the effect of investment expense. (See Illustration B4 in nonauthoritative Appendix B of this Implementation Guide.) Accordingly, cash flows for transactions associated with investment expense should not be included in the measures of the periodic external cash flows used to determine the money-weighted rate of return.

4.74. Q—Should the money-weighted rate of return be calculated net of OPEB plan administrative expense?

A—No. Consistent with the measure of the long-term expected rate of return required by paragraph 52 of Statement 74, the money-weighted rate of return for purposes of that Statement should be determined net of investment expense but not net of OPEB plan administrative expense. Therefore, cash flows associated with transactions included in OPEB plan administrative expense, along with all other noninvestment-related cash flows, should be included in the measures of the periodic external cash flows used to determine the money-weighted rate of return.

4.75. Q—For purposes of determining the money-weighted rate of return on OPEB plan investments, if external cash flows are determined monthly, how should those cash flows be weighted?

A—The OPEB plan should use a cash flow weighting methodology that is representative of the pattern of the plan's external cash flows. Depending on the timing of the cash flows throughout the month, weighting methodologies could include, for example, beginning of the month (1.0 weight), middle of the month (0.5 weight), and end of the month (zero weight).

Disclosures specific to single-employer and cost-sharing multiple-employer OPEB plans

4.76. Q—In a defined benefit OPEB plan's financial statements for the fiscal year ended June 30, 20X7, is the plan's *most recent fiscal year-end,* as referred to in paragraph 35 of Statement 74, the fiscal year ended June 30, 20X7, or the fiscal year ended June 30, 20X6?

A—For purposes of application of Statement 74 to the OPEB plan in this question, the plan's most recent fiscal year-end is June 30, 20X7. Therefore, for example, the information required by paragraph 35 of Statement 74 about the net OPEB liability should relate to the net OPEB liability measured as of June 30, 20X7.

Paragraph 35c

4.77. Q—If a single-employer or cost-sharing multiple-employer OPEB plan reports a net OPEB liability that is based on the results of an actuarial valuation that has been updated to the OPEB plan's fiscal year-end, what information is the OPEB plan required to disclose regarding the update?

A—Information about the measure of the total OPEB liability (for example, the assumptions used in the measurement) should reflect amounts and circumstances as of the OPEB plan's fiscal year-end. However, if update procedures were used to develop the measure of the total OPEB liability, paragraph 35c of Statement 74 requires that the OPEB plan disclose that fact. No other specific information about the update process is required.

Required Supplementary Information

4.78. Q—A government includes the OPEB plan through which it provides benefits to its employees as a fiduciary fund in its financial report. The OPEB plan does not issue a stand-alone financial report. Should the government present the schedules of RSI required by Statement 74 for the OPEB plan, as well as the schedules of RSI required for an employer that provides benefits through the plan?

A—Yes. In this circumstance, the presentation of information from two perspectives is required within the same report—first, from the perspective of an employer that provides its employees with benefits through the OPEB plan and, second, from the standpoint of the OPEB plan itself. Accordingly, in addition to applying employer reporting requirements, the government should present information required by Statement 74 with regard to the OPEB plan. However, footnote 10 of Statement 74 provides for coordination of employer and plan schedules of RSI within the employer's financial report with the objective of avoiding unnecessary duplication of information within that report.

Single-employer and cost-sharing multiple-employer OPEB plans

4.79. Q—Within a single-employer plan, multiple tiers of benefits have been created such that each tier provides different benefits to plan members hired between certain dates. Separate actuarial valuations are performed to establish the employer's annual contributions for plan members in each tier. Is the OPEB plan required to present separate schedules of RSI with information about the employer's obligations relative to plan members in each tier?

A—No. The OPEB plan is required to present schedules of RSI for the plan as a whole. RSI is limited to information specifically required. Therefore, the plan should not present the schedules of RSI by tier.

4.80. Q—A cost-sharing multiple-employer OPEB plan covers only volunteer firemen. Employer contributions are assessed as a dollar amount per active plan member. How does this affect requirements for presentation of information in schedules of RSI about measures of the net OPEB liability and contributions in relation to a measure of payroll?

A—Employer contributions to the OPEB plan are not based on a measure of pay; as a result, there is no covered payroll. Therefore, the requirements in paragraphs 36b and 36c of Statement 74, as amended, for ratios that present the net OPEB liability and contributions, respectively, as a percentage of covered payroll would not be applicable for this plan, and those ratios should not be presented in the RSI schedules.

Paragraph 36a

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

A—No. Paragraph 63 of Statement 74 defines service cost as "the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year." The actuarial present value of projected benefit payments generally would not include a reduction for expected active plan member contributions for OPEB. Therefore, the amount presented as service cost in each year in the schedule of changes in the net OPEB liability should be the *total* service cost of the period.

4.82. Q—For a plan's fiscal year ended June 30, 20X7, can the portion of the change in the net OPEB liability attributable to service cost be calculated based on the results of the actuarial valuation used to determine the net OPEB liability reported at June 30, 20X6?

A—Yes. Use of a service cost measure based on the results of the actuarial valuation that determined the beginning net OPEB liability for the reporting period is consistent with the requirement to calculate interest on the total OPEB liability over the period. Interest on service cost should be included in the amount reported as interest on the total OPEB liability. (See Question 4.83.)

4.83. Q—If the approach described in Question 4.82 is used to determine the service cost reported in the schedule of changes in the net OPEB liability for the OPEB plan's fiscal year ended June 30, 20X7, should the amounts identified as interest on the total OPEB liability be calculated on the beginning total OPEB liability, adjusted for service cost and *actual* benefit payments (including refunds of plan member contributions), or should *projected* benefit payments from the actuarial valuation that is used to determine the service cost be used for purposes of the adjustment?

A—Interest on the total OPEB liability should be determined based on the beginning total OPEB liability, adjusted for service cost and *actual* benefit payments (that is, the amount that is required by Statement 74 to be reported as benefit payments in the OPEB plan's statement of changes in fiduciary net position). (See also Questions 4.63 and 4.64.) Because the actual amounts of benefit payments and contributions are components of the total change in the plan's fiduciary net position, it would be consistent to use actual amounts to determine other components of the change in the net OPEB liability, including the changes in the total OPEB liability resulting from benefit payments and interest on the total OPEB liability.

4.84. Q—The effects of a postemployment benefit increase that was determined to be substantively automatic were included in the present value of projected benefit payments in the total OPEB liability as of the OPEB plan's prior fiscal year-end. The postemployment benefit increase was not provided in the current fiscal year. At the plan's current fiscal year-end, the postemployment benefit increase still is determined to be substantively automatic. In this circumstance, how should the effects on the total OPEB liability that result from not providing the postemployment benefit increase be classified in the schedule of changes in the net OPEB liability of the employers and nonemployer contributing entities?

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

4.85. Q—Would the answer in Question 4.84 be different if, at the current fiscal year-end, the postemployment benefit increase is no longer considered to be substantively automatic?

A—No. The effects on the total OPEB liability that result from the postemployment benefit increase not being provided in the current period should be classified as a difference between expected and actual experience, even if the postemployment benefit increase is determined to no longer be substantively automatic at the plan's current fiscal year-end. The reclassification of the postemployment benefit increase as ad hoc rather than as substantively automatic is a separate event, and the effects of that reclassification on the total OPEB liability should be classified as a change of benefit terms.

4.86. Q—If the terms of a defined benefit OPEB plan are amended and a change of assumption is made as a direct result of the amendment, should the effect of the change of assumption on the total OPEB liability be included with the effect of the change of benefit terms in the schedule of changes in the net OPEB liability?

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

4.87. Q—If an OPEB plan purchases an allocated insurance contract that meets the criteria in paragraph 25 of Statement 74, how should the effects on the components of the net OPEB liability be classified in the schedule of changes in the net OPEB liability?

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

4.88. Q—How should the effects of a change in the discount rate on the total OPEB liability be classified in the schedule of changes in the net OPEB liability?

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

Paragraph 36c

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

A—The actuarially determined contribution is an amount determined based on the most recent measurement available when the contribution for the reporting period was adopted. Therefore, in this example, assuming that the results of the June 30, 20X5 actuarial valuation are the most recent results available as of October 31, 20X5, amounts based on those results should first be presented in the contribution schedule required by paragraph 36c for the plan's fiscal year ended June 30, 20X7.

4.90. Q—If an actuarially determined contribution is calculated for an employer's fiscal year and the plan's fiscal year does not coincide with the fiscal year of the employer, what amount should be reported in the contribution-related schedule required by paragraph 36c of Statement 74?

A—The amount reported in the contribution schedule required by paragraph 36c should be the amount that is applicable to the plan's fiscal year for which the information is being reported. Therefore, if the actuarially determined contribution is not calculated for the plan's fiscal year, the amount to be included in the schedule would be determined as the aggregate of the employer's actuarially determined contributions for the portions of the employer's fiscal years that overlap the plan's fiscal year. For example, a plan's fiscal year is from July 1 to June 30, and the employer's fiscal year is from January 1 to

December 31. The actuarially determined contribution applicable to the plan's fiscal year ended June 30, 20X7, would be the actuarially determined contribution for the last six months of the employer's fiscal year 20X6 (because that fiscal year overlapped the first six months of the plan's fiscal year), plus the actuarially determined contribution for the first six months of the employer's fiscal year 20X7 (because that fiscal year overlapped the last six months of the plan's fiscal year).

4.91. Q—Should the schedule of contribution-related information required by paragraph 36c of Statement 74 include information for the year between actuarial valuations if actuarially determined contributions are calculated biennially?

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

4.92. Q—What actuarial methods and assumptions should be used to calculate the actuarially determined contribution reported in accordance with the requirements in paragraph 36c of Statement 74?

A—For purposes of applying the requirements in paragraph 36c of Statement 74, an actuarially determined contribution is defined, in part, as a contribution calculated in conformity with Actuarial Standards of Practice—that is, a calculation that applies relevant guidance from Actuarial Standards of Practice, for example, standards related to the selection of economic or demographic assumptions. Statement 74 does not establish requirements for the specific methods and assumptions used to calculate an actuarially determined contribution.

4.93. Q—If an OPEB plan uses an actuarial value of assets that incorporates differences between projected and actual earnings on OPEB plan investments over a three-year period for purposes of determining contribution requirements of employers that provide OPEB through the plan, can the plan continue to use that method after implementation of Statement 74?

A—Yes. As noted in Question 4.92, Statement 74 does not establish requirements for the specific methods and assumptions, if any, used for funding purposes. Therefore, an actuarial value of assets can continue to be used for funding purposes. However, for purposes of complying with Statement 74, all changes in plan fiduciary net position, including the full amount of the actual earnings on OPEB plan investments, should be included in the calculation of the net OPEB liability and changes in the net OPEB liability in the reporting period in which they occur.

4.94. Q—Paragraph 62 of Statement 74 states that schedules of RSI "should not include information that is not measured in conformity with the requirements of this Statement." Does that mean that information about actuarially determined contributions should be presented only if it is calculated using the same methods and assumptions as are required to be applied for purposes of measuring the net OPEB liability?

A—No. As noted in Question 4.92, an actuarially determined contribution is defined, in part, as a contribution calculated in conformity with Actuarial Standards of Practice; however, Statement 74 does not establish requirements for the specific methods and assumptions that are used to calculate an actuarially determined contribution. Therefore, if calculated, the OPEB plan should present measures of actuarially determined contributions, regardless of the methods and assumptions used to calculate them.

4.95. Q—Should contributions recognized by a cost-sharing multiple-employer OPEB plan for amounts payable to the plan by an employer pursuant to an installment contract for the amount of an employer's unfunded past service liability when it entered the plan be included in the amount reported by the plan as contributions in relation to the actuarially determined contribution?

A—No. The installment contract is an example of an individual employer's separately financed liability to the OPEB plan. The measure of the actuarially determined contribution that is required by paragraph 36c(1) of Statement 74 excludes amounts, if any, to separately finance specific liabilities of an individual employer or nonemployer contributing entity to the OPEB plan. Similarly, the amount of contributions recognized during the fiscal year by the OPEB plan in relation to the actuarially determined contribution should exclude amounts recognized as additions to the OPEB plan for separately financed specific liabilities of an individual employer or nonemployer contributing entity to the OPEB plan.

4.96. Q—If actuarially determined contribution rates are calculated for the employer in a single-employer OPEB plan and a nonemployer contributing entity, should the schedule of RSI that presents actual contributions as compared to actuarially determined contributions (paragraph 36c of Statement 74) include amounts for the nonemployer contributing entity?

A—Yes. If an actuarially determined contribution is calculated for both the employer and a nonemployer contributing entity, the contribution-related information in the schedule should present the aggregated totals for the employer and nonemployer contributing entity. In that case, paragraph 36c of Statement 74 indicates that the schedule should identify that the information includes amounts related to both the employer and the nonemployer contributing entity.

4.97. Q—May active plan member contributions for OPEB be added to the RSI schedule that presents contributions made as compared to actuarially determined contributions (paragraph 36c of Statement 74)?

A—No. Including active plan member contributions for OPEB in the schedule could obscure information about employer or nonemployer contributing entity contribution decisions. Instead, active plan member contribution rates for OPEB (in dollars or as a percentage of covered payroll) should be disclosed in notes to financial statements of all types of defined benefit OPEB plans—single-employer, agent multiple-employer, and cost-sharing multiple-employer—as required by paragraph 34a(6) of Statement 74.

4.98. Q—The dollar amount of an employer's actuarially determined contribution is calculated based on the projected payroll for the year to which the contribution will apply. An actuarially determined contribution rate, expressed as a percentage of the *projected* payroll also is calculated. The employer contributes based on that actuarially determined contribution rate, applied to its *actual* payroll, which frequently is not the same as the projected payroll. Thus, the dollar amount of employer contributions may differ from the dollar amount of the actuarially determined contribution that is calculated because of the difference between projected and actual payrolls. Which amount should be reported as the actuarially determined contribution in the plan's schedule of contribution-related information required by paragraph 36c of Statement 74?

A—The intent of the schedule required by paragraph 36c of Statement 74 is to provide information to allow a reader to evaluate the degree to which employers and nonemployer contributing entities are meeting actuarially determined financing requirements. Therefore, the actuarially determined contribution and the amount of contributions recognized by the plan in relation to that contribution should be presented on a comparable basis. Thus, for that schedule, the dollar amount of the actuarially determined contribution should be adjusted, if necessary, so that the amount reported is based on the same measure of payroll as the contributions recognized as additions in the OPEB plan's statement of changes in fiduciary net position. (See Illustration B5 in nonauthoritative Appendix B of this Implementation Guide for an example.)

Measurement of the Net OPEB Liability

Total OPEB liability

Timing and frequency of actuarial valuations

4.99. Q—In a single-employer OPEB plan with a June 30 fiscal year-end, actuarial valuations are obtained annually as of December 31. To meet the requirement in paragraph 39 of Statement 74 that the net OPEB liability reported in the OPEB plan's notes to financial statements and schedules of RSI be measured as of the OPEB plan's most recent fiscal year-end, each reporting period, the results from the mid-year actuarial valuation are updated to June 30. Are there specific procedures that are required for an update for financial reporting purposes?

A—No. Statement 74 does not establish specific procedures for this purpose. Therefore, professional judgment should be applied to determine the extent of procedures necessary to faithfully represent the total OPEB liability as of the OPEB plan's fiscal year-end. In all circumstances, the total OPEB liability should include all significant effects of transactions and other events between the actuarial valuation date and the OPEB plan's fiscal year-end. In some circumstances, for example, if there are few differences between expected and actual experience, no changes in benefit terms, and no circumstances suggesting that a significant change of assumption is needed, it might be reasonable to roll forward the results of the mid-year actuarial valuation to the plan's fiscal year-end with few adjustments. However, in other circumstances, more significant adjustments might be necessary to update the results of the mid-year actuarial valuation to the plan's fiscal year-end. (See Question 4.100 for examples of events that might result in a significant change.) Statement 74 also requires that in evaluating the extent of procedures necessary to update the measure to the OPEB plan's fiscal year-end, among the factors that should be considered is whether a new actuarial valuation is needed for this purpose.

4.100. Q—What are some examples of transactions or other events that can occur between the actuarial valuation date and the OPEB plan's fiscal year-end that might have a significant effect on the total OPEB liability?

A—A change in the total OPEB liability can arise from a single factor or a combination of factors. Some examples of circumstances that might have a significant effect on the total OPEB liability include a change of benefit terms, a change in the size or composition of the covered group, a change in the municipal bond yield or index rate component of the discount rate, and a change in the OPEB plan's fiduciary net position such that the discount rate used in the calculation of the total OPEB liability is affected.

4.101. Q—If a single-employer or cost-sharing multiple-employer OPEB plan has biennial actuarial valuations, does Statement 74 require an update in the intervening year for financial reporting purposes?

A—Yes. Statement 74 requires that information presented in notes to financial statements and in schedules of RSI about the net OPEB liability for benefits provided through a single-employer or cost-sharing multiple-employer OPEB plan be measured as of the end of the OPEB plan's fiscal year. That requirement can be met through the use of the results of an actuarial valuation as of the plan's fiscal year-end or through the use of update procedures to roll forward the results of an actuarial valuation performed as of a date no earlier than 24 months prior to the fiscal year-end of the OPEB plan. For plans, if update procedures are used and significant changes in, for example, benefits, the covered population, or other factors affecting the valuation results have occurred between the actuarial valuation date and the OPEB plan's fiscal year-end, professional judgment should be used to determine the extent of the procedures needed to roll forward the measurement of the total OPEB liability, and consideration should be given to whether a new actuarial valuation is needed.

4.102. Q—Is the actuarial valuation date required to have the same relationship to the OPEB plan's fiscal year-end in each reporting period (or, for OPEB plans that have biennial actuarial valuations, to the OPEB plan's fiscal year-end in every other reporting period)?

A—No. The date of the actuarial valuation that is used to determine the net OPEB liability at the OPEB plan's fiscal year-end can vary from period to period (or every 2 periods if biennial valuations are used) provided that it is within 24 months of the OPEB plan's fiscal year-end.

Projection of benefit payments

The Substantive Plan and Historical Pattern of Sharing of Benefit-Related Costs between the Employer and Inactive Plan Members

4.103. Q—What is meant by the term *substantive plan* in paragraph 43 of Statement 74?

A—The term *substantive plan* is used to describe the terms of the OPEB plan as they are understood by the employer and plan members. As noted in paragraph 43 of Statement 74, the substantive plan may differ from the benefit terms that are described in a written document. (See Question 4.104.)

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

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

4.105. Q—Should OPEB be excluded from the determination of the actuarial present value of total projected benefit payments for purposes of applying Statement 74 for any of the following reasons: (a) the benefits are not vested, (b) the plan documents include a provision that specifies that the employer can unilaterally decide to amend or discontinue the benefits, (c) the benefits or employer contributions for benefits are collectively bargained, or (d) the benefits are substantially financed as they come due (sometimes referred to as “pay-as-you-go” financing)?

A—No. The projection of benefit payments should include all benefits provided for under the substantive plan, including changes that already have been announced to the plan members at the OPEB plan’s fiscal year-end, regardless of whether those changes will not begin to affect benefit payments until a future period. The projection should include both vested and nonvested plan members, considering relevant demographic assumptions with regard to all plan members, and the requirements of Statement 74 related to the projection of benefit payments apply without regard for the timing or method of an employer’s financing of the benefits.

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

A—Generally, no. The projection of benefit payments should exclude amounts that are expected to be paid by inactive plan members through the sharing of benefit-related costs to the extent that those amounts are consistent with an established pattern of practice or other provisions of the substantive plan for OPEB. (See also Question 4.117.)

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

A—No. The projection of benefit payments should include all types and levels of postemployment benefits provided under the substantive plan. The substantive plan includes the benefits as they are understood by the employer and plan members. (See Question 4.103.) Therefore, the projection of benefits would include the effects of any changes that already have been announced to the plan members at the OPEB plan’s fiscal year-end, regardless of whether those changes will not begin to affect benefit payments until a future period. Changes of benefit terms that are contemplated for the future should not be incorporated into the projection of benefit payments until those changes are part of the substantive plan.

4.108. Q—If postemployment healthcare benefits are limited by the amount of funding approved by the legislature on an annual basis, how would this affect the projection of benefit payments for purposes of applying Statement 74?

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

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

OPEB plan's benefit terms be included in the projection of benefit payments for purposes of Statement 74?

A—Paragraph 43 of Statement 74 requires that projected benefit payments include all benefits in accordance with the benefit terms and any additional legal agreements to provide benefits that are in force at the OPEB plan's fiscal year-end. In addition, that paragraph requires that the projection include consideration of the established pattern of the sharing of benefit-related costs between the employer and inactive plan members. To the extent that the effects of the anticipated benefit changes are determined to be part of an established pattern of the sharing of benefit-related costs with inactive plan members, those effects should be considered in the projection of benefit payments beginning in the period in which that determination is made. Any portion of the expected effects of the anticipated benefit changes that is not determined to be part of the pattern of sharing of benefit-related costs with inactive plan members is not part of the substantive plan until the benefit change has been adopted. Therefore, although the state statute requires a change in benefit terms in the future if certain conditions arise, those effects of anticipated changes should not be incorporated into the projection of benefit payments for purposes of Statement 74 until the OPEB plan's fiscal year-end in which the benefit change has been adopted, that is, the benefit change is part of the substantive plan.

4.110. Q—A local school district provides defined benefit postemployment healthcare. In 3 of the past 10 years, the district has offered voluntary early termination incentives that included additional postemployment healthcare benefits to employees that accepted the district's offer to take early retirement by the end of the school year. The incentive has been provided in the form of a reduction in inactive plan members' share of insurance premiums. Because the termination benefits affect the district's existing net OPEB liability, the district includes the termination benefits in the measurement of its OPEB liability in accordance with the requirements of Statement 47, as amended, and Statement 74. Should such ad hoc increases in the district's net OPEB liability as a result of voluntary termination incentive programs be viewed as part of a "pattern of sharing of benefit-related costs with inactive plan members" as referred to in paragraph 43 of Statement 74?

A—No. Paragraph 43 of Statement 74 refers to a pattern of sharing of benefit-related costs with inactive plan members related to the underlying objective of OPEB—providing compensation for services. In the circumstances cited in this question, the employer's history of providing additional benefits from time to time reflects a different objective—providing an incentive for early termination of services. Therefore, such actions should not be viewed as part of the pattern of sharing of benefit-related costs for purposes of financial reporting of OPEB.

Postemployment Benefit Changes

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

A—Yes. Paragraph 44 of Statement 74 requires that the effects of any postemployment benefit changes that are embedded in the benefit terms and for which there is no discretion as to timing or amount be included in the projection of future benefit payments. In this example, although a certain economic condition is required to be met for the postemployment benefit increase to be effective, if that condition is met, there is no discretion regarding whether the increase will be granted.

4.112. Q—In the circumstance described in Question 4.111, can the long-term expected rate of return that is used to establish the discount rate be reduced by a factor that is anticipated to represent the assets that are expected to be used to pay the automatic postemployment benefit change instead of incorporating the anticipated effects of the postemployment benefit change into the projection of benefit payments?

A—No. Paragraph 44 of Statement 74 requires that the effects of automatic postemployment benefit changes be included in the projection of benefit payments. The long-term expected rate of return that is used as the basis for the discount rate should not be adjusted to approximate the effects of the postemployment benefit change on the measurement of the total OPEB liability.

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

A—This postemployment benefit change is not automatic because approval of the board of trustees is required to authorize the benefit increase. Therefore, the effects of the postemployment benefit change provision should be included in the projection of future benefit payments only if the provision is evaluated to be *substantively automatic.* Footnote 11 of Statement 74 identifies some of the factors that might be relevant in making this determination—the historical pattern of granting the changes, the consistency in the amounts of the changes or in the amounts of the changes relative to a defined cost-of-living or inflation index, and whether there is evidence to conclude that changes might not continue to be granted in the future despite what might otherwise be a pattern that would indicate such changes are substantively automatic. If, after evaluation, the postemployment benefit change is determined not to be *substantively automatic,* the projected effects of future postemployment benefit changes should not be included in the measurement. In the latter case, the increased benefits should be included in the measurement of the total OPEB liability as of the first plan fiscal year-end at which the postemployment benefit change has been granted and the amount is known or reasonably estimable.

4.114. Q—A collective-bargaining agreement that includes a provision for a postemployment benefit change has been made prior to the OPEB plan's fiscal year-end. However, the change does not go into effect until the next fiscal year. Should the change in projected benefit payments as a result of this agreement be included in the measurement of the total OPEB liability?

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

4.115. Q—A collective-bargaining agreement that includes a provision for a postemployment benefit change has been made *after* the plan's June 30, 20X7 fiscal year-end (the measurement date of the net OPEB liability) but *before* the completion of the June 30, 20X7 actuarial valuation. Should the change in projected benefits as a result of this agreement be included in the measurement of the total OPEB liability presented in the plan's June 30, 20X7 financial report?

A—No. Paragraph 43 of Statement 74 requires that projected benefit payments include "all benefits . . . to be provided to current active and inactive plan members through the

OPEB plan . . . in accordance with the benefit terms and any additional legal agreements to provide benefits that are in force at the OPEB plan's fiscal year-end." Because the *agreement* was not in effect at the plan's June 30, 20X7 fiscal year-end, the effect of the change of benefit terms should not be included in the total OPEB liability reported by the plan at that date.

4.116. Q—Significant changes to benefit terms for OPEB provided through a single-employer or cost-sharing multiple-employer plan are announced after the OPEB plan's December 31, 20X7 fiscal year-end but before the financial statements are issued. Should the changes to the benefit terms be reflected in the measure of the employer's net OPEB liability in the OPEB plan's December 31, 20X7 financial report?

A—No. In accordance with paragraph 10 of Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards,* as amended, the changes to the benefit terms should be disclosed as a subsequent event in the OPEB plan's December 31, 20X7 financial report.

Projecting Postemployment Healthcare Benefits Based on Claims Costs or Age-Adjusted Premiums Approximating Claims Costs

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

A—Generally, no. Except in the limited circumstances addressed in Actuarial Standard of Practice No. 6 (ASOP 6), *Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions,* the total OPEB liability should be measured based on the difference between (a) the claims costs, or age-adjusted premiums approximating claims costs, for the inactive plan members in the group for the period and (b) the amounts required to be paid by the inactive plan members for that period. (An example of this approach is presented in Illustration B1-1 in nonauthoritative Appendix B of this Implementation Guide.)

4.118. Q—With regard to the scenario in Question 4.117, if the employer's stated payment for the active-employee healthcare benefits is capped and the employees are required to pay the difference, if any, between the blended premium and the amount of the employer's stated payment, would the active employees be subsidizing the inactive-plan member benefits?

A—Only if the amounts expected to be paid by active employees exceed the expected claims costs, or age-adjusted premiums approximating claims costs, on an ongoing basis can it be concluded that the active employees are subsidizing the inactive-plan member healthcare benefit. Otherwise, the amount of the benefit payments that is used as the basis for the projection of the total OPEB liability is determined in the manner discussed in Question 4.117. That is, generally, the first step is to determine the claims costs, or age-adjusted premiums approximating claims costs, for inactive plan members for the period. The second step is to subtract the amounts paid by the inactive plan members for the period from their claims costs, or age-adjusted premiums approximating claims costs. (An example of this approach is presented in Illustration B1-2 in nonauthoritative Appendix B of this Implementation Guide.)

4.119. Q—For purposes of Statement 74, is there an effect on the projection of benefit payments if the benefit payments are implicit (sometimes referred to as an "implicit rate subsidy") rather than explicit?

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

Benefit Caps

4.120. Q—What is the difference between a cap on benefit payments and a cap on employer contributions in an OPEB plan for which an employer makes contributions to a trust that meets the criteria in paragraph 3 of Statement 74?

A—A cap on benefit payments explicitly imposes an upper limit on the amount of per capita benefit payments in each period. For example, the contractual agreement between an employer and the employees' union for retiree healthcare stipulates that the employer's per capita benefit payments should not exceed $4,000 per year per retiree. Such a benefit cap is part of the definition of the benefits to be provided to current active and inactive plan members through the OPEB plan in accordance with the substantive plan and, thus, potentially should be considered in the computation of the actuarial present value of total projected benefit payments. (See also Questions 4.121 and 4.122.)

To illustrate the effect of including a benefit cap in the projection of benefit payments for purposes of Statement 74, assume that the employer in the example currently provides benefits equal to an average of $3,000 per retiree per year and that its historical pattern of sharing the benefit-related costs with retirees has been to adjust the benefit terms to pay for 80 percent of the anticipated total per capita benefit payments for retirees for the year. In the absence of a benefit cap, that pattern of sharing of benefit-related costs would be assumed to continue as total per capita benefit payments for retirees are assumed to continue to increase. However, inclusion of the benefit cap described in the example would result in capping the benefit payments at $4,000 per retiree per year in any year in which a higher amount otherwise would have been projected.

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

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

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

a. The cap sets an upper limit on the benefit payments to be provided to inactive plan members each period, as distinguished from a cap on the employer's contributions to a defined benefit OPEB plan. (See also Question 4.120.)
b. The cap is assumed to be effective, taking into consideration all relevant facts and circumstances, including the employer's record of enforcing the cap in the past. (For example, has the employer ever previously increased the benefit cap when the original capped amount was reached?)

4.122. Q—If a legal or contractual cap on benefit payments meets the two conditions identified in the answer in Question 4.121, what is the assumed effect on benefits that are projected to be paid at or after the point that the benefit payments reach an effective benefit cap?

A—If a legal or contractual cap on benefit payments meets the two conditions identified in the answer in Question 4.121, the benefit payments for OPEB each period should be projected to increase based on continuation of the historical pattern of sharing of benefit-related costs between the employer and the inactive plan members up to the point at which the benefit payments reach the capped amount. From that point forward, the benefit should be projected to not exceed the capped amount.

Discount rate

4.123. Q—Should the discount rate calculated in accordance with the requirements of Statement 74 be the same discount rate that is used for purposes of determining a funding policy?

A—The requirements of Statement 74, including the requirement that the discount rate used for purposes of determining the total OPEB liability for OPEB plan financial reporting and employer financial reporting be developed using the same assumptions, establish standards within the context of accounting and financial reporting, not within the context of funding OPEB. Therefore, if the discount rate that is used to determine the funding policy is determined in a manner that differs from the requirements of Statement 74 and the rates are different, the rate that is used to determine a funding policy should not be used for financial reporting purposes.

4.124. Q—If the actuarial valuation date is earlier than the plan's fiscal year-end and the long-term expected rate of return assumption remains the same at the OPEB plan's fiscal year-end as it was at the actuarial valuation date, does the discount rate have to be evaluated for significant changes between the actuarial valuation date and the plan's fiscal year-end?

A—Yes. A change in the discount rate can occur due to factors other than a change in the long-term expected rate of return. For example, a change in the municipal bond yield or index rate (if used in the determination of the discount rate) or a change in the projected fiduciary net position of the OPEB plan that affects the relative weighting of the long-term expected rate of return and the municipal bond yield or index rate can affect the discount rate. Therefore, those and other factors, if applicable, should be considered when evaluating whether changes have occurred that should be reflected in the total OPEB liability at the OPEB plan's fiscal year-end, either through update procedures or through a new actuarial valuation. (See Question 4.99 for a discussion of update procedures.)

Comparing Projections of the OPEB Plan's Fiduciary Net Position to Projected Benefit Payments

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

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

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

A—Yes. Paragraph 50 of Statement 74 requires that if a formal, written policy related to contributions exists, application of professional judgment should consider the most recent five-year contribution history as a key indicator of future contributions. Therefore, in this circumstance, the fact that the employer has historically contributed only 80 percent of the actuarially determined contribution should be considered a key indicator in determining future contributions.

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

A—Paragraphs 49 and 52 of Statement 74 require that projected benefit payments for a period be compared to the OPEB plan's projected fiduciary net position in the period for purposes of determining whether the long-term expected rate of return or the municipal bond yield or index rate should be used to discount the benefit payments of the period when determining the discount rate. The Statement does not require that a specific approach be used to assign the total of the projected benefit payments in each period to the projected "funded" and "unfunded" categories. Therefore, the total of the benefit payments that are projected to occur in a period during which the OPEB plan's fiduciary net position is projected to not be sufficient to make those benefit payments may be divided into projected funded and unfunded portions, or the entire total may be classified as unfunded.

4.128. Q—Paragraph 51 of Statement 74 indicates that if the results are sufficiently reliable, any approach to evaluating the sufficiency of the OPEB plan's projected fiduciary net position to make projected benefit payments can be used in place of the projections of cash flows that are described in paragraphs 49 and 50 of the Statement. Is a specific method contemplated?

A—No. The determination of whether the results of an alternative approach to making the evaluation required in paragraph 49 of Statement 74 are sufficiently reliable for this purpose is subject to professional judgment.

4.129. Q—Does the requirement in paragraph 49 of Statement 74 to exclude the portion of projected contributions intended to finance benefits of future plan members from projected contributions for purposes of determining the discount rate apply to situations in which benefits are substantially financed as they come due (sometimes referred to as “pay-as-you-go” financing)?

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

4.130. Q—For purposes of determining the discount rate in accordance with the requirements of Statement 74, if an employer has an adopted policy of making benefit payments from its own resources as the benefits come due and the employer will not be reimbursed for those amounts from trust assets, would projected cash flows from employer contributions always equal projected cash flows for benefit payments?

A—Generally, no. All projected benefit payments, including those that are expected to be made from the employer’s resources, should be included in projected outflows from OPEB plan fiduciary net position. In contrast, unless an OPEB plan is closed to new entrants, a portion of the projected cash flows from employer contributions should be allocated to future plan members. (See Question 4.129.) In addition, for purposes of projecting cash flows from employer contributions, regardless of whether the plan is closed to new entrants, an evaluation should be made as to whether the employer will have the ability and willingness to make benefit payments from its own resources for all periods in the projection. In any periods in which those conditions are not expected to be met, the projected cash flows from employer contributions should not exceed the amounts expected to be paid from the employer’s resources.

Calculating the Discount Rate

4.131. Q—As of what date should the long-term expected rate of return and the municipal bond yield or index rate that are used to establish the discount rate be determined—the valuation date or the OPEB plan’s fiscal year-end?

A—The long-term expected rate of return on OPEB plan investments is an assumption, and assumptions generally are not required to be updated between actuarial valuation dates unless there is an indication that the assumption is no longer valid. Therefore, the expectation developed as of the actuarial valuation date can be used at the OPEB plan’s fiscal year-end unless it is determined to no longer be appropriate. In contrast, the municipal bond yield or index rate is not an assumption and should be determined as of the OPEB plan’s fiscal year-end. If the actuarial valuation to determine the total OPEB liability is performed earlier than the OPEB plan’s fiscal year-end, consideration should be given to changes in the municipal bond yield or index rate, along with other factors that potentially affect the discount rate, such as the OPEB plan’s fiduciary net position, to evaluate whether those factors would result in changes that should be reflected in the total OPEB liability at the OPEB plan’s fiscal year-end, either through update procedures or through a new actuarial valuation. (See Question 4.99 for a discussion of update procedures.)

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

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

A—Generally, the end point of the attribution period would not be a single age or single date. Rather, assumptions are made as to when plan members will exit from active service. Examples of events that might result in a plan member's exit from active service are the termination of employment, incurrence of a disability, retirement, and death. Assumptions about events that result in exit from active employment are expressed as the probability of the occurrence of the triggering event based on, for example, the plan member's age or number of years of service. Those probabilities are applied to all projected ages/years of service of a plan member, resulting in multiple exit ages for each plan member.

4.133. Q—If a plan member in a single-employer plan is inactive but is expected to return to work for the employer, should the attribution period for the plan member extend over expected future years of service?

A—Yes, generally an inactive plan member that is expected to return to service would be assumed to have exit ages that extend through future periods. Therefore, to meet the requirement in paragraph 54d of Statement 74, the attribution period generally should extend through all of the plan member's assumed ages of exit from active service.

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

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

Alternative measurement method

See also Questions 4.99–4.134 regarding issues related to measurement of the total OPEB liability by all single-employer and cost-sharing multiple-employer OPEB plans.

4.135. Q—How frequently should the alternative measurement method calculations be made for plan reporting purposes?

A—Paragraph 39 of Statement 74 requires single-employer and cost-sharing multiple-employer OPEB plans to present a measure of the net OPEB liability determined as of the end of the OPEB plan's most recent fiscal year-end. Measures of the net OPEB liability that result from application of the alternative measurement method are subject to the same timing and frequency requirements as measures that result from an actuarial valuation. Therefore, the requirements in paragraph 41 of Statement 74 with regard to the total OPEB liability also apply. Within the context of using the alternative measurement method in place of an actuarial valuation, that paragraph requires that the total OPEB liability be determined as of the OPEB plan's most recent fiscal year-end or by the use of update procedures to roll forward to the OPEB plan's fiscal year-end amounts from application of the alternative measurement method as of a date no more than 24 months earlier than the OPEB plan's most recent fiscal year-end. In addition, if significant changes occur between the date of the measure determined using the alternative measurement method and the OPEB plan's fiscal year-end, professional judgment should be applied to determine the extent of the procedures necessary to roll forward the measure, and consideration should be given to whether a full new measurement is needed.

4.136. Q—If using the alternative measurement method to estimate a government's obligation for OPEB, which requirements of Statement 74 apply?

A—The alternative measurement method requires application of all requirements of Statement 74 related to calculation of the net OPEB liability, including the requirement regarding the timing and frequency of measurements and the requirement that the selection of assumptions used in determining the net OPEB liability be made in conformity with Actuarial Standards of Practice. However, the method allows for simplifications related to the specific methods and assumptions that are discussed in paragraphs 56 and 57 of Statement 74. In addition, OPEB plans using the alternative measurement method should comply with all requirements of Statement 74 for note disclosures and RSI.

4.137. Q—At the beginning of its fiscal year, a single-employer postemployment healthcare plan includes 55 active plan members, 10 terminated plan members that are eligible to receive benefits but have not yet begun receiving them, 20 retirees currently receiving benefits, 9 surviving spouses (spouses of deceased plan members) currently receiving benefits, and 10 spouses and other dependents of retirees that also receive benefits. Does this OPEB plan meet the criterion in paragraph 55 of Statement 74 to use the alternative measurement method?

A—Yes. Paragraph 55 of Statement 74 permits the alternative measurement method provisions in paragraphs 56 and 57 to be applied if there are fewer than 100 plan members (active and inactive) as of the beginning of the OPEB plan's fiscal year. A retiree (or beneficiary) and a covered spouse or other dependent should be counted as a single plan member for this purpose. Accordingly, the total plan membership should be calculated by adding the 55 active members, the 10 terminated/eligible members not currently receiving benefits, the 20 retirees currently receiving benefits, and the 9 surviving spouses that are currently receiving benefits, for a total of 94. The 10 additional spouses and other dependents currently receiving benefits under retiree-and-spouse or retiree-and-family coverage should not be included for this purpose. In this circumstance, the plan membership is fewer than 100; therefore, the alternative measurement method provisions of Statement 74 may be applied.

Expected Point in Time at Which Benefit Payments Will Begin to Be Made

4.138. Q—Paragraph 56b of Statement 74 permits simplification of the assumption about the expected point in time at which benefit payments will begin to be made. In an OPEB plan that requires members to attain a certain age in order to qualify for benefits but that does not have a years-of-service requirement, how could the expected point in time at which benefit payments will begin to be made be determined?

A—The expected point in time at which benefit payments will begin to be made should be determined using information about the covered group (if credible experience data are available) and the benefit terms. Paragraph 56b of Statement 74 indicates that the assumption may incorporate a single assumed age for active plan members. Therefore, in the case of a plan that has only an age requirement (no length-of-service requirement), the point in time at which benefit payments will begin to be made to plan members may, for example, be set at an age equal to the historical average retirement age of plan members that qualified for benefits if the benefit terms provide that benefit payments begin at retirement.

4.139. Q—Would the answer in Question 4.138 be different if the benefit terms require plan members to have a certain number of years of service, rather than to attain a particular age, in order to qualify for benefits?

A—Yes. The OPEB plan still would be required to apply the general requirement in paragraph 56b of Statement 74 that the assumption of the point in time at which benefit payments will begin to be made should be based on information specific to the covered group (if credible experience data are available). However, in this scenario, rather than setting that assumption based on age, the OPEB plan may set the assumption based, for example, on the average number of years of service attained at retirement by plan members that qualified for benefits if the benefit terms provide that benefit payments begin at retirement.

4.140. Q—If an OPEB plan has both age and years-of-service requirements that are required to be met by a plan member in order to qualify for benefits, how should the expected point in time at which benefit payments will begin to be made be determined?

A—As is the case for an OPEB plan without a years-of-service requirement, the general requirement in paragraph 56b of Statement 74 applies. That paragraph specifies that information about the employer's covered group (if credible experience data are available) and the benefit terms should be used to determine the expected point in time at which benefit payments will begin to be made. In addition, that paragraph indicates that the assumption may incorporate a single assumed age at which benefit payments will begin to be made or an assumption that benefit payments will begin to be made upon attaining a certain number of years of service. In the case of benefit terms that consider both age and years-of-service requirements, the OPEB plan may consider the historical average age at which benefits have begun to be paid to plan members in the past. However, the assumption that an active plan member will begin to receive benefit payments when they attain that age should only be made if the years-of-service requirement also is expected to have been met by the plan member at the point in time that the plan member attains that age. If the years-of-service requirement is not expected to be met by a plan member at that age, it would be appropriate to assume that the plan member will begin to receive benefits at the point in time at which both the age and years-of-service requirements are expected to be met. Therefore, in this circumstance, two plan members might be expected to begin to receive benefits at different ages. It should not be assumed that the plan member will begin to receive benefit payments before the point in time at which both requirements are met. (See Illustration B7 in nonauthoritative Appendix B of this Implementation Guide for an example of an OPEB plan that has both an age requirement and a years-of-service requirement.)

Marital and Dependency Status

4.141. Q—Paragraph 56c of Statement 74 allows the employer to base assumptions about marital and dependency status on "the current status of active and inactive plan members or on historical demographic data for inactive plan members." What does this mean?

A—The simplification in paragraph 56c of Statement 74 permits an OPEB plan to assume, for financial reporting purposes, that the marital or dependency status of a plan member at the valuation date will remain unchanged until the assumed death of the spouse or other dependent. For example, this approach would permit an OPEB plan to assume that plan members that are married at the valuation date will be married at and throughout the period that benefit payments are made, until the spouse's projected age exceeds his or her projected life expectancy. Using this approach, demographic data about the individual plan member's spouse or other dependent would serve as the basis for other assumptions—for example, life expectancy would be determined for each individual spouse or dependent based on his or her particular age.

Alternatively, an employer may analyze credible data related to the historical experience of the inactive plan member group to develop an expectation of marital status or dependency status of future inactive plan members. Using this approach, projected future benefit payments would be based on a probability-weighted average of expected benefit payments that considers the effects of the expected distribution of marital status or dependency status of the group on the election of coverage options available under the benefit terms. When projecting future benefit payments, the decision to use this approach would affect the manner in which other assumptions should be made. For example, if this approach is used, an assumption about life expectancy of each spouse also should be based on historical data for the current and former plan members at the point in time at which they began to receive benefit payments and should be applied at an aggregate level. One approach would be to determine the historical age difference between inactive plan members and their spouses and to assume this age differential for all plan members, regardless of the plan member's current marital status and age of his or her spouse, if any.

Mortality

4.142. Q—Where can mortality tables be obtained for purposes of applying the alternative measurement method?

A—Statement 74 does not specify a particular source for information about mortality. However, the source that is used should be publicly available, objective, unbiased (that is, it does not intentionally or systematically understate or overstate the estimates), current, and based on a population generally consistent with that of the plan membership.

Turnover

4.143. Q—The turnover assumption in paragraph 56e of Statement 74 requires the use of historical age-based turnover data for the covered group and a particular calculation method if credible experience data are available. What is meant by "age-based turnover experience"?

A—Age-based turnover experience, as used in paragraph 56e of Statement 74, refers to the probability that an active plan member, at any particular age, will terminate his or her employment within the next year—for example, the probability that a plan member that is 32 years old will not remain employed until the plan member is 33 years old.

Application of Paragraph 57a

4.144. Q—How is paragraph 57a of Statement 74, as amended, applied to determine the turnover-related probabilities that are used in the measurement of the total OPEB liability?

A—For each plan member, the probability of remaining employed from entry age or current age until the assumed age at which all employment-related eligibility requirements are met or, if applicable, the probability of remaining employed from entry age or current age until the assumed age at which benefit payments begin to be made, can be determined by applying the calculation approach in paragraph 57a of Statement 74, as amended, using information from the plan member's entry age in the first row. For example, the probability of remaining employed from the plan member's current age until the assumed age at which all employment-related eligibility requirements are met is the value shown in column d of that table in the row associated with the plan member's current age. That probability is used to calculate a probability-adjusted interest-discounted present value of total projected benefit payments. The probability of remaining employed from the plan member's entry age until the assumed age at which all employment-related eligibility requirements are met is the value shown in column d of that table in the row associated with the plan member's entry age. That probability is used in determining the present value of future service cost. (For examples of the application of these items to the calculation of the total OPEB liability, see Illustration B7 in nonauthoritative Appendix B of this Implementation Guide.)

Healthcare Cost Trend Rate

4.145. Q—From what source(s) can information about future healthcare costs be obtained?

A—Statement 74 does not specify a particular source for information about future changes in healthcare costs. However, the source selected should be publicly available, objective, unbiased (that is, it does not intentionally or systematically understate or overstate the estimates), and generally representative of the demographic characteristics of the covered group and the benefits that are provided under the benefit terms.

4.146. Q—When developing expectations about future changes in healthcare costs, is it necessary to consider the types of benefits that are provided? For example, if the benefit terms include prescription coverage, should the source used as a basis for assumptions about changes in healthcare costs consider expected future trends related to the cost of prescription drugs?

A—Yes. To the extent possible, expectations about changes in healthcare costs should be based on data developed for groups that mirror the demographic composition of plan participants and the types of benefits to be provided under the benefit terms.

Use of Health Insurance Premiums

Application of Paragraph 57c

4.147. Q—Paragraph 57c of Statement 74 provides a calculation method that can be used to determine the age-adjusted premiums for inactive plan members that are used to meet the requirements in paragraph 56g of that Statement. In what circumstances can this method be used?

A—The method described in paragraph 57c of Statement 74 may be used to age-adjust premiums for inactive plan members for purposes of the alternative measurement method in circumstances in which (a) postemployment healthcare benefits are provided by allowing inactive plan members to obtain health insurance in a plan that rates active employees and inactive plan members in a single group, (b) the same premium rates (blended premium rates) are given for both active employees and inactive plan members in the group, and (c) information cannot be obtained from the insurer about claims costs, or age-adjusted premiums approximating claims costs, for inactive plan members. Paragraph 57c(1) is for use in determining age-adjusted premiums for inactive plan members that are younger than 65 years old; paragraph 57c(2) is for use in determining age-adjusted premiums for inactive plan members age 65 or older.

4.148. Q—How should paragraph 57c of Statement 74 be used to age-adjust premiums if all active employees and inactive plan members are charged a single, common premium and healthcare benefits are provided to both inactive plan members under age 65 and inactive plan members age 65 or older?

A—If age-adjusted cost information cannot be obtained from the insurer, the age-adjustment procedures discussed in paragraph 57c(1) of Statement 74 should be applied to develop the basis for projecting future benefit payments for members until age 65, at which point the basis for the projection of future benefit payments should be determined using the age-adjustment procedures in paragraph 57c(2). That is, the employer should determine two separate rates—one for inactive plan members younger than age 65 and one for inactive plan members age 65 or older—using the calculation methodologies outlined in those paragraphs. After those rates are determined, the age-adjusted premium appropriate to the inactive plan member's projected age in each year should be used as the basis for the projection of benefit payments.

Plans with Coverage Options

4.149. Q—If a postemployment benefit plan allows plan members to choose among multiple coverage options, on what basis should an assumption be developed about plan members' choices in the future?

A—Assumptions about the selection of coverage options by plan members should be developed based on information specific to the covered group, to the extent credible experience data are available. Statement 74 does not specify a particular approach, and there likely are several approaches that potentially would be reasonable depending on the benefit terms. For example, if the same choices are provided to active employees and inactive plan members, it might be assumed that an inactive plan member's choice of coverage will be the same as the choice of coverage made as an active employee. Alternatively, the expectation might be based on the type of coverage chosen by inactive plan members in the past.

Use of Grouping

4.150. Q—What is meant by "grouping techniques" in paragraph 56i of Statement 74, and how might they be used in measurements made using the alternative measurement method?

A—Paragraph 56i of Statement 74 permits plan members to be grouped for purposes of calculations using the alternative measurement method. In other words, projections of benefit payments need not be made individually for each plan member. For example, projections may be made for male plan members and female plan members—each grouped by age (25–29, 30–34, and so forth) and completed years of service (0–4, 5–9, and so forth)—for which benefit payments are expected to be similar, in circumstances in which all those in a given age/service group are treated as if they had the midpoint age and years of service. Also, members in one plan might be grouped with members from a second plan for purposes of projecting benefit payments associated with each plan if the plans have similar benefit terms and are expected to have similar costs (for example, two plans provide similar benefits and have similar demographic distributions of members).

Other Issues

4.151. Q—How should a plan member's expected remaining service life be determined when applying the attribution requirements in paragraph 54d of Statement 74 using the alternative measurement method simplification related to use of a single assumed age of exit from active service?

A—In this circumstance, a plan member's expected remaining service life should be calculated as the difference between (a) the plan member's entry or current age (as applicable to the calculation being made) and (b) the assumed age at which the plan member will exit from active service.

Statistical Section Information

For additional implementation guidance about the presentation of statistical section information, see paragraph 15 of Implementation Guide 2015-1.

4.152. Q—For purposes of presenting supplementary information about principal participating employers as required by paragraph 39c of Statement No. 44, *Economic Condition Reporting: The Statistical Section,* should a primary government and its component units be listed as separate employers?

A—No. Information about principal participating employers in an OPEB plan's statistical section should present a primary government and its component units as one employer, consistent with the requirement in paragraph 13 of Statement 74.

Assets Accumulated for Purposes of Providing OPEB through Defined Benefit OPEB Plans That Are Not Administered through Trusts That Meet the Criteria in Paragraph 3 of Statement 74

4.153. Q—A city provides retiree healthcare benefits through a single-employer OPEB plan that is administered through a revocable trust—that is, the city retains the right to revoke its contributions of assets to the trust at its discretion. The trust is not reported as a fiduciary fund in the financial report of another entity. How should the city report assets that it accumulates in the trust?

A—Because the trust does not meet the criterion in paragraph 3a of Statement 74 that employer contributions to the OPEB plan, as well as earnings on those contributions, be irrevocable, the requirements in paragraph 58 of Statement 74 apply. Paragraph 58 requires that assets accumulated to pay benefits through an OPEB plan that is not administered through a trust (or equivalent arrangement) that meets the criteria in paragraph 3 of the Statement continue to be reported as assets of the employer. Therefore, the city in this case should report the balances and activity of the trust as part of a governmental or proprietary fund, rather than as a fiduciary fund.

4.154. Q—A group of governments formed a multiple-employer retiree healthcare plan. The plan is administered by one of the governments, and the plan is not administered through a trust (or equivalent arrangement) that meets the criteria in paragraph 3 of Statement 74. Retiree healthcare is provided through annual contracts with a third-party insurer. The insurer rates all retirees as a single group for purposes of establishing annual insurance premiums. The funding policy adopted by the plan and employers is to contribute an amount sufficient to cover the premium payment requirements of the plan and provide an operating reserve equal to the projected cash requirements for the next six months. The participants describe the plan as a cost-sharing multiple-employer plan. How should the plan be reported?

A—In this circumstance, because the plan is not administered through a trust (or equivalent arrangement) that meets the criteria in paragraph 3 of Statement 74, it should not be classified for financial reporting purposes as a cost-sharing multiple-employer OPEB plan. The plan reporting requirements of Statement 74 do not apply. Instead, paragraph 59 of Statement 74 requires the administrator of the accumulated assets to report using an agency fund to the extent that balances pertain to other employers. Amounts that pertain to the employer that is acting as the plan administrator should be excluded from the agency fund. Instead, those amounts should continue to be reported by that employer in its own governmental or proprietary fund. Similarly, each other employer that provides benefits through the plan should report in its own governmental or proprietary fund any assets accumulated for OPEB purposes in accordance with paragraph 58 of Statement 74.

4.155. Q—Does the notion of a payable to the OPEB plan (for example, a short-term payable for legally or contractually required contributions outstanding as of the end of the reporting period) apply if a multiple-employer OPEB plan through which an employer provides OPEB is not administered through a trust (or equivalent arrangement) that meets the criteria in paragraph 3 of Statement 74?

A—No. The notion of a payable to the OPEB plan does not apply if an employer provides OPEB through a multiple-employer OPEB plan that is not administered through a trust (or equivalent arrangement) that meets the criteria in paragraph 3 of Statement 74 because assets accumulated in such an arrangement remain assets of the employer.

Defined Contribution OPEB Plans That Are Administered through Trusts That Meet the Criteria in Paragraph 3 of Statement 74

4.156. Q—For defined benefit OPEB plans that are administered through trusts (or equivalent arrangements) that meet the criteria in paragraph 3 of Statement 74, Statement 74 addresses financial statement display, as well as note disclosures and RSI. However, Statement 74 addresses only note disclosures for defined contribution OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of that Statement. Does this mean that financial statements for defined contribution OPEB plans that are administered through trusts (or equivalent arrangements) that meet the criteria in paragraph 3 of Statement 74 are not required?

A—No. A defined contribution OPEB plan that is administered through a trust (or equivalent arrangement) that meets the criteria in paragraph 3 of Statement 74 should follow the disclosure requirements of Statement 74, as well as all other accounting and financial reporting requirements applicable to transactions and other events reported in its basic financial statements, including notes to those statements, and RSI. Those requirements include the provisions in paragraphs 106–109 of Statement 34, as amended, which discuss the required financial statements for fiduciary funds—a statement of fiduciary net position and a statement of changes in fiduciary net position.

Effective Date and Transition of Statement 74

4.157. Q—At the beginning of the initial period of implementation of Statement 74, a defined benefit OPEB plan has a balance of $750,000 of receivables for employer contributions due pursuant to formal commitments. Because Statement 74 does not permit the recognition of receivables based solely on formal commitments, the plan “derecognizes” those receivables. The plan makes no other changes to amounts recognized in its financial statements to comply with the requirements of Statement 74. The plan does not present comparative financial statements. How should the change be reported in the OPEB plan's financial statements?

A—Paragraph 61 of Statement 74 requires that changes made to comply with Statement 74 be treated as an adjustment of prior periods. Therefore, the OPEB plan in this question should reduce its beginning fiduciary net position by $750,000—the cumulative effect of applying the Statement. The plan also should disclose the nature of the restatement and its effect.

4.158. Q—In the initial year of implementation, is a single-employer or cost-sharing multiple-employer OPEB plan required to present a schedule of changes in the net OPEB liability?

A—Yes. The schedule is required and should present at least one year of information, including information about the net OPEB liability as of the beginning of the fiscal year, in order to present changes in the net OPEB liability during the initial year of implementation. If information is not available to present the additional nine years of historical information calculated in accordance with the requirements of Statement 74 at transition, the plan should present information in the schedule for as many years as are available. If this approach is used, additional years should be added prospectively until 10 years of information is available.

4.159. Q—A single-employer OPEB plan intends to have annual actuarial valuations for purposes of determining the net OPEB liability information required to be presented in its financial statements. On an ongoing basis, the plan intends to base the measurement of the net OPEB liability on an actuarial valuation performed as of the end of the prior fiscal year, updated to the end of the current fiscal year. In the initial year of implementation (the OPEB plan's fiscal year ended June 30, 2017), can the results of the June 30, 2016 actuarial valuation be used as the basis for determining the total OPEB liability at both July 1, 2016, and June 30, 2017?

A—Yes. Use of the results of an actuarial valuation as of June 30, 2016, for purposes of determining the total OPEB liability as of the OPEB plan's June 30, 2017 fiscal year-end would be consistent with the timing requirements in paragraph 41 of Statement 74. That is, the actuarial valuation date would be within 24 months of the OPEB plan's fiscal year-end. Therefore, the same actuarial valuation can be used to determine the total OPEB liability as of the beginning and as of the end of the initial year of implementation, provided that amounts reported as of the end of the plan's fiscal year are updated to June 30, 2017, to include the significant effects of transactions and other events that occur during the year.

4.160. Q—A single-employer OPEB plan intends to have annual actuarial valuations for purposes of determining the net OPEB liability information required by Statement 74 to be presented in its financial report. On an ongoing basis, the plan intends to base the measurement of the net OPEB liability on an actuarial valuation performed as of the end of its fiscal year. In the initial year of implementation (the OPEB plan's fiscal year ended June 30, 2017), can the results of the June 30, 2017 actuarial valuation be used as the basis for determining the total OPEB liability at both July 1, 2016, and June 30, 2017?

A—Yes. Use of the results of an actuarial valuation as of the plan's fiscal year-end would be consistent with the timing requirements in paragraph 41 of Statement 74. Therefore, the same actuarial valuation can be used to determine the total OPEB liability as of the beginning and as of the end of the initial year of implementation, provided that the rollback of the amounts to the beginning of the plan's fiscal year reflect the significant effects of only transactions and other events that occurred to that date.

Effective Date and Transition of This Implementation Guide

5. Except for the requirements in Questions 4.80, 4.144, and 4.151, the requirements of this Implementation Guide are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged if Statement 74 has been implemented.

6. The requirements in Questions 4.80, 4.144, and 4.151 are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged if the related OPEB plan provision of Statement No. 85, *Omnibus 2017,* has been implemented.

7. Changes adopted to conform to the provisions of this Implementation Guide should be applied retroactively by restating financial statements, if practicable, for all prior periods presented. If restatement for prior periods is not practicable, the cumulative effect, if any, of applying this Implementation Guide should be reported as a restatement of beginning fiduciary net position for the earliest period restated. In the first period that this Implementation Guide is applied, the notes to financial statements should disclose the nature of the restatement and its effect. Also, the reason for not restating prior periods presented should be disclosed.

The Governmental Accounting Standards Board has authorized its staff to prepare Implementation Guides that provide timely guidance on issues encountered during the implementation and application of GASB pronouncements. The GASB has reviewed this Implementation Guide and does not object to its issuance.

The requirements in this Implementation Guide need not be applied to immaterial items.

Appendix A

BACKGROUND

A1. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* was issued in June 2015 and became effective for financial statements for fiscal years beginning after June 15, 2016. Immediately following issuance of Statement 74 and the companion Statement on employer and nonemployer contributing entity reporting for postemployment benefits other than pensions (OPEB)—Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*—the GASB added a project to its technical agenda to develop implementation guidance related to those Statements.

A2. Questions and answers are included in this Implementation Guide to address issues raised by the GASB's stakeholders through inquiries posed to the GASB or through comments submitted in response to GASB due process documents. Still others address issues identified by the GASB in anticipation of questions that will arise during implementation of Statement 74.

A3. The Board assembled a consultative group for the project that was broadly representative of the GASB's stakeholders. Members of the group provided suggestions regarding potential topics to be addressed in the Implementation Guide and were provided with drafts of potential questions and answers for review and comment.

A4. The Exposure Draft of this Implementation Guide was issued for public comment in October 2016. Twenty-one comment letters were received in response to the proposal. Respondents to the Exposure Draft recommended specific changes to the proposed questions and answers. In response to those comments, certain questions and answers were clarified and certain others were removed. Respondents also suggested additional topics for consideration. Generally, those issues are not addressed in this Implementation Guide but will continue to be monitored.

Appendix B

ILLUSTRATIONS

B1. This nonauthoritative appendix presents illustrations related to Statement 74, as amended. The facts assumed in these examples are illustrative only and may not be indicative of current economic conditions. These examples are not intended to modify or limit the requirements being illustrated or to indicate the GASB's endorsement of the policies or practices shown. Application of certain provisions may require accounting treatments, disclosures, or formats other than those illustrated. In some cases, amounts that may be considered immaterial are used to illustrate specific requirements or alternatives. No inferences regarding determining materiality should be drawn from these illustrations. Amounts presented may include rounding differences.

Contents

Illustration B1—Determination of Benefit Payments If Blended Premium Rates Are Stated

Illustration B1-1 Blended Premium Rates with No Active Employee Payments

Illustration B1-2 Blended Premium Rates with Active Employee Payments

Illustration B1-1—Blended Premium Rates with No Active Employee Payments

Assumptions

- A single-employer healthcare plan has 500 total plan members with an average age of 47, of which 400 are active employees and 100 are retirees with a midpoint age of 60.
- As required by state law, the employer, a local government, permits retirees to continue to participate in the combined group and to receive healthcare benefits to age 65 at the blended premium rate for the group.
- The normal retirement age is 55.
- Annual insurance premiums are based on the experience of the combined active employees and retirees of only the single employer.
- The total insurance premiums for the group in the current period are $1,440,000 (500 plan members at a blended, or average, premium rate of $2,880 per plan member).
- The employer pays the blended premium rate for each active employee and, as required by state law, each retiree pays the blended premium rate for his or her coverage.
- An actuary determines that the age-adjusted premium rates approximating claims costs for each retiree average $4,810 and the age-adjusted premium rates approximating claims costs for each active employee in the group average $2,397.50.

Stated Benefit Payments

The stated benefit payments in the current period based on the use of blended premium rates are as follows:

	Active Employees	Retirees	Total
Total blended premiums at $2,880 per plan member	$ 1,152,000	$ 288,000	$ 1,440,000
Less: active employee/retiree payments	-	288,000	288,000
Benefit payments	$ 1,152,000	$ 0	$ 1,152,000

Age-Adjusted Benefit Payments

The benefit payments in the current period based on age-adjusted premiums approximating claims costs for active employees and for retirees are calculated as follows:

	Active Employees	Retirees	Total
Age-adjusted premiums approximating claims costs	$ 959,000	$ 481,000	$ 1,440,000
Less: active employee/retiree payments	-	288,000	288,000
Benefit payments	$ 959,000	$ 193,000	$ 1,152,000

The $193,000 employer payment for retiree healthcare shown in the preceding table is a cash payment in the current period. Based on stated payments, it is part of the employer's payment for active-employee healthcare benefits; however, the employer's stated payment for active-employee benefits ($1,152,000) exceeds the net age-adjusted premiums approximating claims costs for active employees ($959,000) by $193,000. The $193,000, therefore, is not a payment for active-employee benefits; rather, it is the benefit payment for healthcare coverage for the current year for retirees.

Illustration B1-2—Blended Premium Rates with Active Employee Payments

Assumptions

The assumptions in Illustration B1-1, with the following changes:

- The employer's payment for active-employee healthcare coverage is capped at $1,800.
- The amount paid by each active employee and retiree is calculated based on the blended premium rate of $2,880.
- Each retiree is required to pay the full $2,880. Each active employee is required to pay $2,880, less the $1,800 stated payment by the employer in relation to the blended rate, or $1,080.

Age-Adjusted Benefit Payments

As in Illustration B1-1, in this illustration, the benefit payment for retiree healthcare is $193,000, as explained below.

Step 1:

Determine the age-adjusted premiums approximating claims costs for retirees and for active employees, respectively. In the illustration, the average age-adjusted premium rates have been determined to be $4,810 for retirees and $2,397.50 for active employees.

Step 2:

Subtract the active employees' and retirees' payments for the period from their associated age-adjusted premiums approximating claims costs for the period to determine the benefit payments for active employees and retirees for the period.

Applying the individual payment rates to the full group in the order discussed, the benefit payments are calculated as follows:

	Active Employees	Retirees	Total
Age-adjusted premiums approximating claims costs	$ 959,000	$ 481,000	$ 1,440,000
Less: active employee/retiree payments	432,000	288,000	720,000
Benefit payments	$ 527,000	$ 193,000	$ 720,000

Comparing the result in this illustration with the result in Illustration B1-1, it should be noted that the same calculation methodology is applied in both cases. Also, it should be noted that the age-adjusted premiums, the retiree payments, and the benefit payments to retirees are the same with or without the cap on the employer's share of active-employee healthcare benefits. Therefore, in this illustration, the effect of the cap is to lower the amount of the benefit payments for active-employee healthcare benefits. The benefit payments for retiree healthcare are not affected. Therefore, the total OPEB liability would not be affected.

Illustration B2—Determination of the Discount Rate in Circumstances in Which Benefits Are Paid by the Employer with Its Own Resources as They Come Due

The following illustration is an example of the projections and calculations used to determine the discount rate as required by paragraphs 48–53 of Statement 74. The discount rate is the single rate that reflects (1) the long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and OPEB plan assets are expected to be invested using a strategy to achieve that return, and (2) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another scale), to the extent that the conditions for use of the long-term expected rate of return are not met.

In this illustration, projected cash flows into and out of the OPEB plan are assumed to be contributions to the OPEB plan (Table 1), benefit payments (Table 2), OPEB plan administrative expense (Table 2), and OPEB plan investment earnings (Table 2). These projected cash flows are used to project the OPEB plan's fiduciary net position at the beginning of each period (Table 2). The OPEB plan's projected fiduciary net position at the beginning of each period is compared to the amount of benefit payments projected to occur in that period (Table 3). In this illustration, it is assumed that the OPEB plan's fiduciary net position is expected to always be invested using a strategy to achieve the long-term expected rate of return on OPEB plan investments. Consequently, in this illustration, the benefit payments that are projected to occur in a period are discounted using the long-term expected rate of return on OPEB plan investments if the amount of the OPEB plan's beginning fiduciary net position is projected to be sufficient to make the benefit payments in that period (Table 3, column (f)). In periods in which benefit payments are projected to be greater than the amount of the OPEB plan's fiduciary net position, they are discounted using a municipal bond rate as required by paragraph 48 of Statement 74 (Table 3, column (g)).

Determining the single rate that is the discount rate for purposes of Statement 74 is an iterative process that involves the following steps:

1. A single rate that is between the long-term expected rate of return on OPEB plan investments and the municipal bond rate used to calculate amounts in Table 3, column (g), is selected.
2. The selected rate is used to calculate the total actuarial present value of all projected benefit payments.
3. The total actuarial present value resulting from step 2 is compared to the sum of the actuarial present values determined in Table 3, columns (f) and (g).
4. If the selected rate results in a total actuarial present value greater than the sum of the actuarial present values determined in columns (f) and (g) in Table 3, a new higher rate is selected. If the total actuarial present value is less than the sum of the actuarial present values determined in columns (f) and (g) in Table 3, a new lower rate is selected.
5. Steps 2–4 are repeated until the single rate is determined that results in a total actuarial present value of all projected benefit payments equal to the sum of the actuarial present values determined in Table 3, columns (f) and (g).

In this illustration, solving for the single rate that satisfies the condition of step 5 results in a discount rate of 3.90 percent (rounded). The proof of this calculation is shown in Table 3, column (h).

Facts and Assumptions

The following facts are assumed in this illustration:

a. Active plan members do not contribute to the OPEB plan.

b. In all years, the employer pays benefits from its own resources as the benefits come due and makes no other contributions to the OPEB plan. The employer is expected to have the ability and willingness to make benefit payments from its own resources in all periods in the projection. Therefore, the amount of the projected total employer contributions in each period equals the amount of the projected benefit payments for that period.
c. Benefit payments are projected as required by paragraphs 43–47 of Statement 74.
d. For purposes of determining service cost, total payroll increases 4.25 percent per year.
e. The service cost is 6.60 percent of payroll.
f. The OPEB plan's initial fiduciary net position is $22,000,000.
g. Initial OPEB plan administrative expense is $33,000.
h. Total OPEB plan administrative expense increases 3.00 percent per year and is allocated to current plan members based on the ratio of current plan members to total plan members.
i. Contributions, benefit payments, and OPEB plan administrative expense occur halfway through the year.
j. The long-term expected rate of return on OPEB plan investments is 7.00 percent.
k. The tax-exempt, high-quality general obligation municipal bond index rate is 3.85 percent.

Table 1: Projection of Contributions

	Projected Payroll			Projected Contributions		
Year	Payroll for Current Plan Members (a)	Payroll for Future Plan Members (b) = (c) – (a)	Total Payroll (c)	Total Employer Contributions (d)	Employer Contributions Related to Payroll of Future Plan Members (e) = (b) × 6.60%	Employer Contributions for Current Plan Members (f) = (d) – (e)
1	$ 87,187,000	$ -	$ 87,187,000	$ 11,068,000	$ -	$ 11,068,000
2	84,529,977	6,362,471	90,892,448	12,460,195	419,923	12,040,272
3	83,384,732	11,370,645	94,755,377	13,996,550	750,463	13,246,087
4	82,977,284	15,805,197	98,782,481	15,676,684	1,043,143	14,633,541
5	81,354,781	21,625,955	102,980,736	17,486,113	1,427,313	16,058,800
6	80,518,063	26,839,354	107,357,417	19,391,311	1,771,397	17,619,914
7	79,463,276	32,456,831	111,920,107	21,372,519	2,142,151	19,230,368
8	77,006,630	39,670,082	116,676,712	23,441,012	2,618,225	20,822,787
9	75,413,993	46,221,479	121,635,472	25,553,540	3,050,618	22,502,922
10	73,546,888	53,258,092	126,804,980	27,661,463	3,515,034	24,146,429
11	71,384,864	60,809,328	132,194,192	29,875,541	4,013,416	25,862,125
12	68,906,223	68,906,222	137,812,445	32,189,780	4,547,811	27,641,969
13	66,087,958	77,581,516	143,669,474	34,567,854	5,120,380	29,447,474
14	64,403,434	85,371,993	149,775,427	37,030,089	5,634,552	31,395,537
15	62,456,353	93,684,530	156,140,883	39,529,373	6,183,179	33,346,194
16	58,599,674	104,177,197	162,776,871	42,069,376	6,875,695	35,193,681
17	55,999,313	113,695,575	169,694,888	44,663,663	7,503,908	37,159,755
18	54,841,146	122,065,775	176,906,921	47,273,333	8,056,341	39,216,992
19	51,639,130	132,786,335	184,425,465	49,880,771	8,763,898	41,116,873
20	48,065,887	144,197,660	192,263,547	52,479,264	9,517,046	42,962,218
21	46,099,992	154,334,756	200,434,748	55,058,620	10,186,094	44,872,526
22	43,880,177	165,073,048	208,953,225	57,619,329	10,894,821	46,724,508
23	41,388,410	176,445,327	217,833,737	60,133,366	11,645,392	48,487,974
24	38,605,584	188,486,087	227,091,671	62,606,905	12,440,082	50,166,823
25	35,511,460	201,231,607	236,743,067	65,042,834	13,281,286	51,761,548
26	32,084,604	214,720,043	246,804,647	67,417,580	14,171,523	53,246,057

(Table continued on next page.)

Table 1 (continued)

	Projected Payroll			Projected Contributions		
Year	Payroll for Current Plan Members (a)	Payroll for Future Plan Members (b) = (c) – (a)	Total Payroll (c)	Total Employer Contributions (d)	Employer Contributions Related to Payroll of Future Plan Members (e) = (b) × 6.60%	Employer Contributions for Current Plan Members (f) = (d) – (e)
27	28,302,323	228,991,521	257,293,844	69,691,993	15,113,440	54,578,553
28	26,822,883	241,405,949	268,228,832	71,843,331	15,932,793	55,910,538
29	22,370,285	257,258,272	279,628,557	73,835,147	16,979,046	56,856,101
30	20,405,894	271,106,877	291,512,771	75,630,683	17,893,054	57,737,629
31	18,234,124	285,667,940	303,902,064	77,210,515	18,854,084	58,356,431
32	15,840,895	300,977,007	316,817,902	78,554,617	19,864,482	58,690,135
33	13,211,307	317,071,356	330,282,663	79,579,641	20,926,709	58,652,932
34	10,329,590	333,990,086	344,319,676	80,303,814	22,043,346	58,260,468
35	10,768,598	348,184,664	358,953,262	80,704,382	22,980,188	57,724,194
36	7,484,176	366,724,600	374,208,776	80,814,099	24,203,824	56,610,275
37	7,802,253	382,310,396	390,112,649	80,644,054	25,232,486	55,411,568
38	4,066,924	402,625,513	406,692,437	80,171,205	26,573,284	53,597,921
39	4,239,769	419,737,097	423,976,866	79,436,819	27,702,648	51,734,171
40	4,419,959	437,575,924	441,995,883	78,462,525	28,880,011	49,582,514
41	4,607,807	456,172,901	460,780,708	77,225,993	30,107,411	47,118,582
42	-	480,363,888	480,363,888	75,772,139	31,704,017	44,068,122
43	-	500,779,353	500,779,353	74,074,431	33,051,437	41,022,994
44	-	522,062,476	522,062,476	72,157,530	34,456,123	37,701,407
45	-	544,250,131	544,250,131	70,039,090	35,920,509	34,118,581
46	-	567,380,762	567,380,762	67,725,558	37,447,130	30,278,428
47	-	591,494,444	591,494,444	65,264,128	39,038,633	26,225,495
48	-	616,632,958	616,632,958	62,677,753	40,697,775	21,979,978
49	-	642,839,859	642,839,859	59,984,112	42,427,431	17,556,681
50	-	670,160,553	670,160,553	57,209,851	44,230,596	12,979,255
51	-	698,642,377	698,642,377	54,368,176	46,110,397	8,257,779
52	-	728,334,678	728,334,678	51,476,568	48,070,089	3,406,479
53	-	759,288,902	759,288,902	48,549,573	50,113,068	-
54	-	791,558,680	791,558,680	45,598,771	52,242,873	-
55	-	825,199,924	825,199,924	42,635,550	54,463,195	-

(Table continued on next page.)

Table 1 (continued)

	Projected Payroll			Projected Contributions		
Year	Payroll for Current Plan Members (a)	Payroll for Future Plan Members (b) = (c) – (a)	Total Payroll (c)	Total Employer Contributions (d)	Employer Contributions Related to Payroll of Future Plan Members (e) = (b) × 6.60%	Employer Contributions for Current Plan Members (f) = (d) – (e)
56	-	860,270,921	860,270,921	39,671,028	56,777,881	-
57	-	896,832,435	896,832,435	36,718,048	59,190,941	-
58	-	934,947,813	934,947,813	33,789,188	61,706,556	-
59	-	974,683,095	974,683,095	30,899,282	64,329,084	-
60	-	1,016,107,127	1,016,107,127	28,063,838	67,063,070	-
61	-	1,059,291,680	1,059,291,680	25,299,952	69,913,251	-
62	-	1,104,311,576	1,104,311,576	22,625,954	72,884,564	-
63	-	1,151,244,818	1,151,244,818	20,060,992	75,982,158	-
64	-	1,200,172,723	1,200,172,723	17,625,046	79,211,400	-
65	-	1,251,180,064	1,251,180,064	15,336,450	82,577,884	-
66	-	1,304,355,217	1,304,355,217	13,211,112	86,087,444	-
67	-	1,359,790,314	1,359,790,314	11,263,209	89,746,161	-
68	-	1,417,581,402	1,417,581,402	9,501,739	93,560,373	-
69	-	1,477,828,612	1,477,828,612	7,930,977	97,536,688	-
70	-	1,540,636,328	1,540,636,328	6,549,363	101,681,998	-
71	-	1,606,113,372	1,606,113,372	5,352,263	106,003,483	-
72	-	1,674,373,190	1,674,373,190	4,329,324	110,508,631	-
73	-	1,745,534,051	1,745,534,051	3,466,261	115,205,247	-
74	-	1,819,719,248	1,819,719,248	2,748,132	120,101,470	-
75	-	1,897,057,316	1,897,057,316	2,157,496	125,205,783	-
76	-	1,977,682,252	1,977,682,252	1,676,768	130,527,029	-
77	-	2,061,733,748	2,061,733,748	1,290,257	136,074,427	-
78	-	2,149,357,432	2,149,357,432	981,826	141,857,591	-
79	-	2,240,705,123	2,240,705,123	739,013	147,886,538	-
80	-	2,335,935,091	2,335,935,091	549,368	154,171,716	-
81	-	2,435,212,332	2,435,212,332	403,365	160,724,014	-
82	-	2,538,708,856	2,538,708,856	291,903	167,554,784	-

(Table continued on next page.)

Table 1 (continued)

Year	Projected Payroll: Payroll for Current Plan Members (a)	Payroll for Future Plan Members (b) = (c) – (a)	Total Payroll (c)	Projected Contributions: Total Employer Contributions (d)	Employer Contributions Related to Payroll of Future Plan Members (e) = (b) × 6.60%	Employer Contributions for Current Plan Members (f) = (d) – (e)
83	-	2,646,603,982	2,646,603,982	208,633	174,675,863	-
84	-	2,759,084,651	2,759,084,651	147,279	182,099,587	-
85	-	2,876,345,749	2,876,345,749	101,689	189,838,819	-
86	-	2,998,590,443	2,998,590,443	69,847	197,906,969	-
87	-	3,126,030,537	3,126,030,537	47,071	206,318,015	-
88	-	3,258,886,835	3,258,886,835	31,534	215,086,531	-
89	-	3,397,389,525	3,397,389,525	20,364	224,227,709	-
90	-	3,541,778,580	3,541,778,580	13,014	233,757,386	-
91	-	3,692,304,170	3,692,304,170	8,871	243,692,075	-
92	-	3,849,227,097	3,849,227,097	5,442	254,048,988	-
93	-	4,012,819,249	4,012,819,249	3,710	264,846,070	-
94	-	4,183,364,067	4,183,364,067	1,897	276,102,028	-
95	-	4,361,157,040	4,361,157,040	970	287,836,365	-
96	-	4,546,506,214	4,546,506,214	992	300,069,410	-
97	-	4,739,732,728	4,739,732,728	-	312,822,360	-

Table 2: Projection of the OPEB Plan's Fiduciary Net Position

Year	Projected Beginning Fiduciary Net Position (a)	Employer Contributions for Current Plan Members (b)	Projected Benefit Payments (c)	Projected Administrative Expense (d)	Projected Investment Earnings (e)	Projected Ending Fiduciary Net Position (f) = (a) + (b) – (c) – (d) + (e)
1	$ 22,000,000	$ 11,068,000	$ 11,068,000	$ 33,000	$ 1,538,845	$ 23,505,845
2	23,505,845	12,040,272	12,460,195	32,208	1,629,585	24,683,299
3	24,683,299	13,246,087	13,996,550	31,878	1,700,449	25,601,407
4	25,601,407	14,633,541	15,676,684	31,581	1,754,483	26,281,166
5	26,281,166	16,058,800	17,486,113	31,251	1,788,632	26,611,234
6	26,611,234	17,619,914	19,391,311	30,921	1,799,705	26,608,621
7	26,608,621	19,230,368	21,372,519	30,591	1,786,558	26,222,437
8	26,222,437	20,822,787	23,441,012	30,261	1,742,874	25,316,825
9	25,316,825	22,502,922	25,553,540	29,931	1,664,359	23,900,635
10	23,900,635	24,146,429	27,661,463	29,568	1,548,983	21,905,016
11	21,905,016	25,862,125	29,875,541	29,205	1,391,859	19,254,254
12	19,254,254	27,641,969	32,189,780	28,875	1,187,614	15,865,182
13	15,865,182	29,447,474	34,567,854	28,545	930,350	11,646,607
14	11,646,607	31,395,537	37,030,089	28,215	617,066	6,600,906
15	6,600,906	33,346,194	39,529,373	27,885	244,676	634,518
16	634,518	35,193,681	42,069,376	27,555	-	-
17	-	37,159,755	44,663,663	27,258	-	-
18	-	39,216,992	47,273,333	26,928	-	-
19	-	41,116,873	49,880,771	26,565	-	-
20	-	42,962,218	52,479,264	26,202	-	-
21	-	44,872,526	55,058,620	25,806	-	-
22	-	46,724,508	57,619,329	25,377	-	-
23	-	48,487,974	60,133,366	24,948	-	-
24	-	50,166,823	62,606,905	24,486	-	-
25	-	51,761,548	65,042,834	23,958	-	-
26	-	53,246,057	67,417,580	23,430	-	-

(Table continued on next page.)

Table 2 (continued)

Year	Projected Beginning Fiduciary Net Position (a)	Employer Contributions for Current Plan Members (b)	Projected Benefit Payments (c)	Projected Administrative Expense (d)	Projected Investment Earnings (e)	Projected Ending Fiduciary Net Position (f) = (a) + (b) – (c) – (d) + (e)
27	-	54,578,553	69,691,993	22,869	-	-
28	-	55,910,538	71,843,331	22,275	-	-
29	-	56,856,101	73,835,147	21,648	-	-
30	-	57,737,629	75,630,683	21,021	-	-
31	-	58,356,431	77,210,515	20,361	-	-
32	-	58,690,135	78,554,617	19,701	-	-
33	-	58,652,932	79,579,641	19,041	-	-
34	-	58,260,468	80,303,814	18,348	-	-
35	-	57,724,194	80,704,382	17,622	-	-
36	-	56,610,275	80,814,099	16,929	-	-
37	-	55,411,568	80,644,054	16,236	-	-
38	-	53,597,921	80,171,205	15,510	-	-
39	-	51,734,171	79,436,819	14,784	-	-
40	-	49,582,514	78,462,525	14,091	-	-
41	-	47,118,582	77,225,993	13,365	-	-
42	-	44,068,122	75,772,139	12,672	-	-
43	-	41,022,994	74,074,431	11,979	-	-
44	-	37,701,407	72,157,530	11,286	-	-
45	-	34,118,581	70,039,090	10,626	-	-
46	-	30,278,428	67,725,558	9,966	-	-
47	-	26,225,495	65,264,128	9,339	-	-
48	-	21,979,978	62,677,753	8,712	-	-
49	-	17,556,681	59,984,112	8,085	-	-
50	-	12,979,255	57,209,851	7,524	-	-
51	-	8,257,779	54,368,176	6,963	-	-
52	-	3,406,479	51,476,568	6,402	-	-
53	-	-	48,549,573	5,874	-	-
54	-	-	45,598,771	5,379	-	-
55	-	-	42,635,550	4,884	-	-

(Table continued on next page.)

Table 2 (continued)

Year	Projected Beginning Fiduciary Net Position (a)	Employer Contributions for Current Plan Members (b)	Projected Benefit Payments (c)	Projected Administrative Expense (d)	Projected Investment Earnings (e)	Projected Ending Fiduciary Net Position (f) = (a) + (b) – (c) – (d) + (e)
56	-	-	39,671,028	4,422	-	-
57	-	-	36,718,048	3,993	-	-
58	-	-	33,789,188	3,564	-	-
59	-	-	30,899,282	3,168	-	-
60	-	-	28,063,838	2,805	-	-
61	-	-	25,299,952	2,475	-	-
62	-	-	22,625,954	2,145	-	-
63	-	-	20,060,992	1,848	-	-
64	-	-	17,625,046	1,584	-	-
65	-	-	15,336,450	1,353	-	-
66	-	-	13,211,112	1,122	-	-
67	-	-	11,263,209	924	-	-
68	-	-	9,501,739	759	-	-
69	-	-	7,930,977	627	-	-
70	-	-	6,549,363	495	-	-
71	-	-	5,352,263	396	-	-
72	-	-	4,329,324	297	-	-
73	-	-	3,466,261	231	-	-
74	-	-	2,748,132	198	-	-
75	-	-	2,157,496	132	-	-
76	-	-	1,676,768	99	-	-
77	-	-	1,290,257	66	-	-
78	-	-	981,826	66	-	-
79	-	-	739,013	33	-	-
80	-	-	549,368	33	-	-
81	-	-	403,365	33	-	-
82	-	-	291,903	-	-	-

(Table continued on next page.)

Table 2 (continued)

Year	Projected Beginning Fiduciary Net Position (a)	Employer Contributions for Current Plan Members (b)	Projected Benefit Payments (c)	Projected Administrative Expense (d)	Projected Investment Earnings (e)	Projected Ending Fiduciary Net Position (f) = (a) + (b) – (c) – (d) + (e)
83	-	-	208,633	-	-	-
84	-	-	147,279	-	-	-
85	-	-	101,689	-	-	-
86	-	-	69,847	-	-	-
87	-	-	47,071	-	-	-
88	-	-	31,534	-	-	-
89	-	-	20,364	-	-	-
90	-	-	13,014	-	-	-
91	-	-	8,871	-	-	-
92	-	-	5,442	-	-	-
93	-	-	3,710	-	-	-
94	-	-	1,897	-	-	-
95	-	-	970	-	-	-
96	-	-	992	-	-	-
97	-	-	-	-	-	-

Table 3: Actuarial Present Values of Projected Benefit Payments

		Projected Benefit Payments			Actuarial Present Values of Projected Benefit Payments		
Year (a)	Projected Beginning Plan Fiduciary Net Position (b)	Projected Benefit Payments (c)	"Funded" Portion of Benefit Payments (d)	"Unfunded" Portion of Benefit Payments (e)	Present Value of "Funded" Benefit Payments (f) = (d) / (1 + 7.0%)$^{(a - 0.5)}$	Present Value of "Unfunded" Benefit Payments (g) = (e) / (1 + 3.85%)$^{(a - 0.5)}$	Present Value of Benefit Payments Using the Single Discount Rate (h) = (c) / (1 + 3.90%)$^{(a - 0.5)}$
1	$ 22,000,000	$ 11,068,000	$ 11,068,000	$ -	$ 10,699,839	$ -	$ 10,858,180
2	23,505,845	12,460,195	12,460,195	-	11,257,687	-	11,764,906
3	24,683,299	13,996,550	13,996,550	-	11,818,478	-	12,719,217
4	25,601,407	15,676,684	15,676,684	-	12,371,176	-	13,711,006
5	26,281,166	17,486,113	17,486,113	-	12,896,334	-	14,719,199
6	26,611,234	19,391,311	19,391,311	-	13,365,844	-	15,709,914
7	26,608,621	21,372,519	21,372,519	-	13,767,692	-	16,664,723
8	26,222,437	23,441,012	23,441,012	-	14,112,307	-	17,591,161
9	25,316,825	25,553,540	-	25,553,540	-	18,535,138	18,456,314
10	23,900,635	27,661,463	-	27,661,463	-	19,320,279	19,228,473
11	21,905,016	29,875,541	-	29,875,541	-	20,093,127	19,987,624
12	19,254,254	32,189,780	-	32,189,780	-	20,846,985	20,727,129
13	15,865,182	34,567,854	-	34,567,854	-	21,557,141	21,422,459
14	11,646,607	37,030,089	-	37,030,089	-	22,236,529	22,086,526
15	6,600,906	39,529,373	-	39,529,373	-	22,857,339	22,691,768
16	634,518	42,069,376	-	42,069,376	-	23,424,229	23,242,895
17	-	44,663,663	-	44,663,663	-	23,946,777	23,749,488
18	-	47,273,333	-	47,273,333	-	24,406,329	24,193,120
19	-	49,880,771	-	49,880,771	-	24,797,785	24,568,835
20	-	52,479,264	-	52,479,264	-	25,122,391	24,877,968
21	-	55,058,620	-	55,058,620	-	25,380,025	25,120,498
22	-	57,619,329	-	57,619,329	-	25,575,753	25,301,535
23	-	60,133,366	-	60,133,366	-	25,702,138	25,413,819
24	-	62,606,905	-	62,606,905	-	25,767,333	25,465,512
25	-	65,042,834	-	65,042,834	-	25,777,464	25,462,754
26	-	67,417,580	-	67,417,580	-	25,728,081	25,401,235

(Table continued on next page.)

Table 3 (continued)

		Projected Benefit Payments			Actuarial Present Values of Projected Benefit Payments		
Year (a)	Projected Beginning Plan Fiduciary Net Position (b)	Projected Benefit Payments (c)	"Funded" Portion of Benefit Payments (d)	"Unfunded" Portion of Benefit Payments (e)	Present Value of "Funded" Benefit Payments (f) = (d) / (1 + 7.0%)$^{(a - 0.5)}$	Present Value of "Unfunded" Benefit Payments (g) = (e) / (1 + 3.85%)$^{(a - 0.5)}$	Present Value of Benefit Payments Using the Single Discount Rate (h) = (c) / (1 + 3.90%)$^{(a - 0.5)}$
27	-	69,691,993	-	69,691,993	-	25,610,061	25,272,041
28	-	71,843,331	-	71,843,331	-	25,421,881	25,073,770
29	-	73,835,147	-	73,835,147	-	25,158,102	24,801,165
30	-	75,630,683	-	75,630,683	-	24,814,541	24,450,216
31	-	77,210,515	-	77,210,515	-	24,393,728	24,023,534
32	-	78,554,617	-	78,554,617	-	23,898,296	23,523,823
33	-	79,579,641	-	79,579,641	-	23,312,599	22,935,801
34	-	80,303,814	-	80,303,814	-	22,652,618	22,275,316
35	-	80,704,382	-	80,704,382	-	21,921,630	21,545,698
36	-	80,814,099	-	80,814,099	-	21,137,633	20,764,732
37	-	80,644,054	-	80,644,054	-	20,311,176	19,942,854
38	-	80,171,205	-	80,171,205	-	19,443,508	19,081,351
39	-	79,436,819	-	79,436,819	-	18,551,181	18,196,518
40	-	78,462,525	-	78,462,525	-	17,644,343	17,298,342
41	-	77,225,993	-	77,225,993	-	16,722,462	16,386,321
42	-	75,772,139	-	75,772,139	-	15,799,370	15,474,024
43	-	74,074,431	-	74,074,431	-	14,872,776	14,559,209
44	-	72,157,530	-	72,157,530	-	13,950,792	13,649,818
45	-	70,039,090	-	70,039,090	-	13,039,208	12,751,506
46	-	67,725,558	-	67,725,558	-	12,141,066	11,867,229
47	-	65,264,128	-	65,264,128	-	11,266,065	11,006,444
48	-	62,677,753	-	62,677,753	-	10,418,486	10,173,295
49	-	59,984,112	-	59,984,112	-	9,601,099	9,370,445
50	-	57,209,851	-	57,209,851	-	8,817,572	8,601,428
51	-	54,368,176	-	54,368,176	-	8,068,940	7,867,201
52	-	51,476,568	-	51,476,568	-	7,356,560	7,169,037
53	-	48,549,573	-	48,549,573	-	6,681,041	6,507,473
54	-	45,598,771	-	45,598,771	-	6,042,343	5,882,418
55	-	42,635,550	-	42,635,550	-	5,440,234	5,293,591

(Table continued on next page.)

Table 3 (continued)

		Projected Benefit Payments			Actuarial Present Values of Projected Benefit Payments		
Year (a)	Projected Beginning Plan Fiduciary Net Position (b)	Projected Benefit Payments (c)	"Funded" Portion of Benefit Payments (d)	"Unfunded" Portion of Benefit Payments (e)	Present Value of "Funded" Benefit Payments $(f) = (d) / (1 + 7.0\%)^{(a - 0.5)}$	Present Value of "Unfunded" Benefit Payments $(g) = (e) / (1 + 3.85\%)^{(a - 0.5)}$	Present Value of Benefit Payments Using the Single Discount Rate $(h) = (c) / (1 + 3.90\%)^{(a - 0.5)}$
56	-	39,671,028	-	39,671,028	-	4,874,304	4,740,539
57	-	36,718,048	-	36,718,048	-	4,344,225	4,222,888
58	-	33,789,188	-	33,789,188	-	3,849,497	3,740,102
59	-	30,899,282	-	30,899,282	-	3,389,753	3,291,773
60	-	28,063,838	-	28,063,838	-	2,964,560	2,877,427
61	-	25,299,952	-	25,299,952	-	2,573,513	2,496,621
62	-	22,625,954	-	22,625,954	-	2,216,191	2,148,897
63	-	20,060,992	-	20,060,992	-	1,892,109	1,833,736
64	-	17,625,046	-	17,625,046	-	1,600,728	1,550,567
65	-	15,336,450	-	15,336,450	-	1,341,237	1,298,557
66	-	13,211,112	-	13,211,112	-	1,112,535	1,076,592
67	-	11,263,209	-	11,263,209	-	913,334	883,384
68	-	9,501,739	-	9,501,739	-	741,932	717,243
69	-	7,930,977	-	7,930,977	-	596,323	576,190
70	-	6,549,363	-	6,549,363	-	474,184	457,946
71	-	5,352,263	-	5,352,263	-	373,146	360,187
72	-	4,329,324	-	4,329,324	-	290,640	280,405
73	-	3,466,261	-	3,466,261	-	224,073	216,074
74	-	2,748,132	-	2,748,132	-	171,064	164,875
75	-	2,157,496	-	2,157,496	-	129,320	124,579
76	-	1,676,768	-	1,676,768	-	96,779	93,184
77	-	1,290,257	-	1,290,257	-	71,710	69,011
78	-	981,826	-	981,826	-	52,545	50,542
79	-	739,013	-	739,013	-	38,084	36,614
80	-	549,368	-	549,368	-	27,261	26,196
81	-	403,365	-	403,365	-	19,274	18,512
82	-	291,903	-	291,903	-	13,431	12,893

(Table continued on next page.)

Table 3 (continued)

		Projected Benefit Payments			Actuarial Present Values of Projected Benefit Payments		
Year (a)	Projected Beginning Plan Fiduciary Net Position (b)	Projected Benefit Payments (c)	"Funded" Portion of Benefit Payments (d)	"Unfunded" Portion of Benefit Payments (e)	Present Value of "Funded" Benefit Payments $(f) = (d) / (1 + 7.0\%)^{(a - 0.5)}$	Present Value of "Unfunded" Benefit Payments $(g) = (e) / (1 + 3.85\%)^{(a - 0.5)}$	Present Value of Benefit Payments Using the Single Discount Rate $(h) = (c) / (1 + 3.90\%)^{(a - 0.5)}$
83	-	208,633	-	208,633	-	9,244	8,869
84	-	147,279	-	147,279	-	6,283	6,026
85	-	101,689	-	101,689	-	4,178	4,004
86	-	69,847	-	69,847	-	2,763	2,647
87	-	47,071	-	47,071	-	1,793	1,717
88	-	31,534	-	31,534	-	1,157	1,107
89	-	20,364	-	20,364	-	719	688
90	-	13,014	-	13,014	-	443	423
91	-	8,871	-	8,871	-	291	278
92	-	5,442	-	5,442	-	172	164
93	-	3,710	-	3,710	-	113	108
94	-	1,897	-	1,897	-	55	53
95	-	970	-	970	-	27	26
96	-	992	-	992	-	27	26
97	-	-	-	-	-	-	-
Total					$ 100,289,357 +	$ 929,983,171 =	$ 1,030,272,528

Illustration B3—Calculation of a Money-Weighted Rate of Return

The following illustration depicts the calculation of a money-weighted rate of return on OPEB plan investments as required by paragraph 34b(3) of Statement 74. A money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of OPEB plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates (1) the sum of the weighted external cash flows into and out of OPEB plan investments to (2) the ending value of OPEB plan investments.

In this illustration, the value of OPEB plan investments at the beginning of the fiscal year is $5,110,119, and the value of OPEB plan investments at the end of the fiscal year is $5,346,079. Inputs (external cash flows) are determined on a monthly basis and are assumed to occur at the end of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash outflow in each month of this illustration.

The following details the two broad steps of the calculation of the money-weighted rate of return for the period from July 1 to June 30.

Step 1:

	Plan Investments/ Net External Cash Flows (a)	Periods Invested (b)	Period Weight (c) = (b) ÷ 12	(d) = (a) × (1 + r_{mw})$^{(c)}$
Beginning value—July 1	$ 5,110,119	12	1.00	$5,110,119 × (1+$r_{mw}$)$^{1.0}$
Monthly net external cash flows:				
July	(6,731)	11	0.92	(6,731) × (1 + r_{mw})$^{0.92}$
August	(8,487)	10	0.83	(8,487) × (1 + r_{mw})$^{0..83}$
September	(9,054)	9	0.75	(9,054) × (1 + r_{mw})$^{0.75}$
October	(8,600)	8	0.67	(8,600) × (1 + r_{mw})$^{0.67}$
November	(9,026)	7	0.58	(9,026) × (1 + r_{mw})$^{0.58}$
December	(7,825)	6	0.50	(7,825) × (1 + r_{mw})$^{0.50}$
January	(7,640)	5	0.42	(7,640) × (1 + r_{mw})$^{0.42}$
February	(7,116)	4	0.33	(7,116) × (1 + r_{mw})$^{0.33}$
March	(8,005)	3	0.25	(8,005) × (1 + r_{mw})$^{0.25}$
April	(8,254)	2	0.17	(8,254) × (1 + r_{mw})$^{0.17}$
May	(7,596)	1	0.08	(7,596) × (1 + r_{mw})$^{0.08}$
June	(8,737)	0	0.00	(8,737) × (1 + r_{mw})$^{0.00}$
Ending value—June 30	$ 5,346,079			

Step 2:

Solve for r_{mw} such that the ending value of OPEB plan investments, which is $5,346,079, equals the sum of amounts in column (d). In this illustration, r_{mw} is 6.57 percent (rounded).

Illustration B4—Reconciliation of Amounts Presented in the Statements of Fiduciary Net Position and Changes in Fiduciary Net Position to Amounts Used in Determining the Money-Weighted Rate of Return on OPEB Plan Investments

This illustration identifies how some of the key components used in calculating a money-weighted rate of return on OPEB plan investments, as required by paragraph 34b(3) of Statement 74, reconcile with amounts reported in an OPEB plan's financial statements. These key components include the beginning and ending amounts for OPEB plan investments and the net external cash flows into and out of OPEB plan investments.

For purposes of reconciling to amounts reported in the OPEB plan's financial statements in this illustration, the external cash flows are determined in the aggregate for the year. For use in determining the money-weighted rate of return, external cash flows should be determined at least monthly, and use of more frequently determined cash flows for this purpose is encouraged.

In this example, the amounts of OPEB plan investments and aggregate external cash flows are determined from the amounts in the following OPEB plan financial statements:

LOCAL GOVERNMENT RETIREE
HEALTHCARE PLAN

Statement of Fiduciary Net Position
June 30, 20X7 and 20X6

	20X7	20X6
Assets		
Cash and cash equivalents	$ 1,145,649	$ 1,261,283
Receivables and prepaid expenses:		
Contributions	93,494	3,458
Accrued interest	48,287	48,285
Prepaid expenses	2,234	2,149
Total receivables and prepaid expenses	144,015	53,892
Investments:		
Fixed income	8,378,536	7,821,189
Stocks	12,857,635	12,603,251
Real estate	739,401	329,865
Total investments	21,975,572	20,754,305
Total assets	23,265,236	22,069,480
Liabilities		
Benefits payable	708,604	420,603
Investment management fees payable	358	374
Prepaid premiums—retiree share	42,073	41,641
Total liabilities	751,035	462,618
Net position restricted for OPEB	$ 22,514,201	$ 21,606,862

LOCAL GOVERNMENT RETIREE
HEALTHCARE PLAN

Statement of Changes in Fiduciary Net Position
for the Year Ended June 30, 20X7

		20X7
Additions		
Employer contributions	$	5,230,700
Investment income (loss):		
Interest and dividends		359,994
Net increase in fair value of investments		239,942
Less direct investment expense		(60,260)
Net investment income		539,676
Total additions		5,770,376
Deductions		
Benefit payments		4,853,643
Administrative expenses		9,394
Total deductions		4,863,037
Net increase (decrease)		907,339
Net position restricted for OPEB		
Beginning of year		21,606,862
End of year	$	22,514,201

Schedule 1

The following schedule identifies the amounts reported in the statement of fiduciary net position that are used in determining the beginning and ending balances of OPEB plan investments. Note that for this purpose, OPEB plan investments include cash, amounts identified in the investments line item, and other investment-related balances.

Determination of Beginning and Ending Balances of OPEB Plan Investments for Purposes of Calculating the Annual Money-Weighted Rate of Return

	Ending OPEB Plan Investments *	Beginning OPEB Plan Investments †
Assets:		
Cash and cash equivalents	$ 1,145,649	$ 1,261,283
Receivables:		
Accrued interest	48,287	48,285
Investments:		
Fixed income	8,378,536	7,821,189
Stocks	12,857,635	12,603,251
Real estate	739,401	329,865
Liabilities:		
Investment management fees payable	(358)	(374)
Total OPEB plan investments	$ 23,169,150	$ 22,063,499

* From statement of fiduciary net position balances at June 30, 20X7.

† From statement of fiduciary net position balances at June 30, 20X6.

Schedule 2

The following schedule demonstrates how the aggregate external cash flows reconcile with amounts reported in the OPEB plan's financial statements. Note that external cash flows used in determining the money-weighted rate of return on OPEB plan investments are required to be determined more frequently.

Aggregate External (Noninvestment) Cash Flows

	20X7
Additions:	
Employer contributions	$ 5,230,700
Deductions:	
Benefit payments	(4,853,643)
Administrative expenses	(9,394)
Beginning balances of noninvestment-related assets and liabilities: *	
Contributions receivable	3,458
Prepaid expenses	2,149
Benefits payable	(420,603)
Prepaid premiums—retiree share	(41,641)
Ending balances of noninvestment-related assets and liabilities: †	
Contributions receivable	(93,494)
Prepaid expenses	(2,234)
Benefits payable	708,604
Prepaid premiums—retiree share	42,073
Aggregate external cash flows	$ 565,975

* From statement of fiduciary net position balances at June 30, 20X6.

† From statement of fiduciary net position balances at June 30, 20X7.

Schedule 3

The following schedule reconciles the amounts of beginning and ending OPEB plan investments, aggregate external cash flows, and net investment income, demonstrating that the changes from beginning OPEB plan investments consist solely of the external cash flows and net investment income.

Reconciliation of Beginning and Ending Balances of OPEB Plan Investments, Aggregate External Cash Flows, and Net Investment Income

	20X7	
Total OPEB plan investments, beginning of year	$ 22,063,499	*
Aggregate external cash flows	565,975	
Net investment income	539,676	
Total OPEB plan investments, end of year	$ 23,169,150	*

* From Schedule 1.

Illustration B5—Determination of Certain Amounts to Be Presented in an OPEB Plan's RSI Schedule of Contribution-Related Information

The following examples illustrate the determination of certain amounts in the contribution-related schedules that are required by paragraph 36c of Statement 74, as amended, to be presented in RSI by single-employer and cost-sharing multiple-employer plans if certain conditions are met. Specifically, they illustrate circumstances in which the measure of payroll on which actual contributions are determined differs from the measure of payroll on which actuarially determined contribution rates are calculated or in which the actuarially determined rate differs from the required contribution rate.

Example A

As a result of an actuarial valuation, both the plan (single-employer plan with the same fiscal year-end as the employer) and the employer are notified that the actuarially determined contribution rate for the coming year is 15 percent of payroll. The calculation of the actuarially determined contribution rate was based on a projected payroll of $2.0 million for the year to which the actuarially determined contribution will apply. The employer is legally required to contribute to the plan an amount equal to the actuarially determined contribution rate applied to the actual payroll, rather than the projected payroll. The actual payroll for the year is $2.1 million. By year-end, the plan has recognized (on the accrual basis) $315,000 of employer contributions (that is, $2,100,000 × 0.15).

To ensure an appropriate comparison of actuarially determined contributions to contributions received (on the accrual basis), the information in the plan's schedule of contribution-related information should be on the same measure of payroll. In this example, the plan should report $315,000 (the actual payroll for the year times the actuarially determined contribution rate) as the actuarially determined contribution for the year. Actual amounts should be equal to those recognized by the pension plan in relation to the actuarially determined contribution (in this case, $315,000). Thus, the amounts presented in the most recent year of the plan's schedule of contribution-related information should be the following:

Actuarially determined contribution	$ 315,000
Contributions in relation to the actuarially determined contribution	315,000
Contribution deficiency (excess)	$ -
Covered payroll	$ 2,100,000
Contributions as a percentage of covered payroll	15.0%

Example B

As in Example A, the actuarially determined contribution rate is 15 percent of payroll, based on a projected payroll of $2.0 million. The actual payroll for the current year is $2.1 million. In contrast to Example A, however, the employer is legally required to contribute to the plan at a statutory rate of 10 percent of actual payroll. Therefore, the employer's statutorily required contributions for the year are $210,000 ($2,100,000 × 0.10). This is the amount that the plan recognizes as an addition to fiduciary net position from employer contributions in its statement of changes in fiduciary net position for the year. The amounts presented in the most recent year of the plan's schedule of contribution-related information should be the following:

Actuarially determined contribution	$ 315,000
Contributions in relation to the actuarially determined contribution	210,000
Contribution deficiency (excess)	$ 105,000
Covered payroll	$ 2,100,000
Contributions as a percentage of covered payroll	10.0%

Example C

If, in Example B, the employer was required to contribute based on projected payroll instead of actual payroll, the amount recognized by the plan as employer contributions in its statement of changes in fiduciary net position would be $200,000 ($2,000,000 × 0.10), and the amounts presented in the most recent year of the plan's schedule of contribution-related information should be the following:

Actuarially determined contribution	$ 300,000
Contributions in relation to the actuarially determined contribution	200,000
Contribution deficiency (excess)	$ 100,000
Covered payroll	$ 2,000,000
Contributions as a percentage of covered payroll	10.0%

Illustration B6—Note Disclosures and RSI for a Cost-Sharing Multiple-Employer OPEB Plan

[This illustration includes only note disclosures and RSI required by Statement 74, as amended. If the OPEB plan is included in the financial report of a government that applies the requirements of Statement 75 for benefits provided through the OPEB plan, the OPEB plan should apply the requirements of footnote 8 of Statement 74, as applicable. The circumstances of this OPEB plan do not include all circumstances for which note disclosures and RSI should be presented.]

Notes to Financial Statements
for the Year Ended December 31, 20X8

(Dollar amounts in thousands)

Plan Description

Plan administration. The Teachers Retirement System (TRS) administers the Teachers OPEB Plan (TOP)—a cost-sharing multiple-employer defined benefit OPEB plan that provides OPEB for teaching-certified employees of 369 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).

Management of TOP is vested in the TRS Board, which consists of nine members—five elected by the active and retired plan members, and the state director of finance, the state superintendent, the state treasurer, and the state controller, who serve as ex-officio members.

Plan membership. At December 31, 20X8, TOP membership consisted of the following:

Inactive employees currently receiving benefits	51,392
Active employees	92,096
	143,488

[If the OPEB plan was closed to new entrants, the OPEB plan should disclose that fact, as required by paragraph 34a(4) of Statement 74.]

Benefits provided. TOP provides healthcare benefits for TRS retirees with more than 10 years of service 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 OPEB plan should disclose information about those terms, as required by paragraph 34a(5) of Statement 74.]

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 December 31, 20X8, was 11.39 percent of covered payroll, actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Investments

Investment policy. The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the TRS Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The following was the TRS Board's adopted asset allocation policy as of December 31, 20X8:

Asset Class	Target Allocation
Fixed income	33%
Domestic equity	19
International	18
Private equity	13
Real estate	12
Commodities	4
Cash	1
Total	100%

[If there had been a significant change in the OPEB plan's investment policy during the reporting period, the OPEB plan should disclose information required by paragraph 34b(1)(c) of Statement 74.]

[If the OPEB plan held investments (other than those issued or explicitly guaranteed by the U.S. government) in any one organization that represent 5 percent or more of the OPEB plan's fiduciary net position, the OPEB plan should disclose information required by paragraph 34b(2) of Statement 74.]

Rate of return. For the year ended December 31, 20X8, the annual money-weighted rate of return on investments, net of investment expense, was 8.94 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Receivables

[If the OPEB plan reported receivables from long-term contracts with the school districts for contributions, the OPEB plan should disclose information required by paragraph 34c of Statement 74.]

Allocated Insurance Contracts

[If the OPEB plan had allocated insurance contracts that are excluded from OPEB plan assets, the OPEB plan should disclose information required by paragraph 34d of Statement 74.]

Reserves

[If the OPEB plan had reserves, the OPEB plan should disclose information required by paragraph 34e of Statement 74.]

Net OPEB Liability of the School Districts

The components of the net OPEB liability of the participating school districts at December 31, 20X8, were as follows:

Total OPEB liability	$	25,082,825
Plan fiduciary net position		(19,035,462)
School districts' net OPEB liability	$	6,047,363
Plan fiduciary net position as a percentage of the total OPEB liability		75.89%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of December 31, 20X8, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.5 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	9.5 percent for 20X9, decreasing 0.5 percent per year to an ultimate rate of 5.5 percent for 20Y7 and later years

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the December 31, 20X8 valuation were based on the results of an actuarial experience study for the period January 1, 20X6–October 31, 20X8. As a result of the 20X8 actuarial experience study, the expectation of life after disability was adjusted in the December 31, 20X8 actuarial valuation to more closely reflect actual experience.

[If the benefit terms included ad hoc postemployment benefit changes, the OPEB plan should disclose information about assumptions related to those changes, as required by paragraph 35b of Statement 74.]

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 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. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 20X8 (see the discussion of TOP's investment policy) are summarized in the following table:

Asset Class	**Long-Term Expected Real Rate of Return**
Fixed income	1.2%
Domestic equity	6.4
International equity	6.5
Private equity	6.7
Real estate	6.2
Commodities	2.1
Cash	0.0

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 plan members will be made at the current contribution rate and that contributions from school districts 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 future benefit payments of current plan members. 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 end of the prior fiscal year, the OPEB plan should disclose information about that change, as required by paragraph 35b(2)(a) of Statement 74.]

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the school districts, as well as what the school districts' 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	$ 9,057,302	$ 6,047,363	$ 3,539,080

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the school districts, as well as what the school districts' 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	$ 2,535,517	$ 6,047,363	$ 10,311,192

Schedules of Required Supplementary Information

SCHEDULE OF CHANGES IN THE SCHOOL DISTRICTS' NET OPEB LIABILITY

Last 10 Fiscal Years
(Dollar amounts in thousands)

	20X8	20X7	20X6	20X5	20X4	20X3	20X2	20X1	20X0	20W9
Total OPEB liability										
Service cost	$ 615,369	$ 589,127	$ 565,889	$ 533,698	$ 502,336	$ 493,656	$ 487,788	$ 445,497	$ 388,231	$ 375,944
Interest	1,760,601	1,668,117	1,511,144	1,407,156	1,344,648	1,255,221	948,133	951,006	907,166	887,807
Changes of benefit terms	-	-	-	-	-	-	-	(866,951)	-	-
Differences between expected and actual experience	(103,589)	(259,983)	369,952	135,892	(359,925)	89,926	786,574	209,103	(258,922)	(575,851)
Changes of assumptions	42,586	-	375,822	-	-	-	2,503,689	(235,899)	-	-
Benefit payments	(798,281)	(756,226)	(726,686)	(685,993)	(652,588)	(648,993)	(620,242)	(504,158)	(456,988)	(414,872)
Net change in total OPEB liability	1,516,686	1,241,035	2,096,121	1,390,753	834,471	1,189,810	4,105,942	(1,402)	579,487	273,028
Total OPEB liability—beginning	23,566,139	22,325,104	20,228,983	18,838,230	18,003,759	16,813,949	12,708,007	12,709,409	12,129,922	11,856,894
Total OPEB liability—ending (a)	$ 25,082,825	$ 23,566,139	$ 22,325,104	$ 20,228,983	$ 18,838,230	$ 18,003,759	$ 16,813,949	$ 12,708,007	$ 12,709,409	$ 12,129,922
Plan fiduciary net position										
Contributions—employer	$ 653,665	$ 645,569	$ 625,699	$ 589,652	$ 575,263	$ 552,562	$ 495,892	$ 475,008	$ 420,914	$ 385,624
Net investment income	1,569,982	1,822,569	1,258,331	(650,863)	1,389,718	1,658,911	974,017	(470,064)	1,308,775	974,057
Benefit payments	(798,281)	(756,226)	(726,686)	(685,993)	(652,588)	(648,993)	(620,242)	(504,158)	(456,988)	(414,872)
Administrative expense	(27,669)	(25,259)	(26,952)	(23,784)	(22,568)	(19,256)	(19,682)	(16,899)	(15,698)	(15,993)
Net change in plan fiduciary net position	1,397,697	1,686,653	1,130,392	(770,988)	1,289,825	1,543,224	829,985	(516,113)	1,257,003	928,816
Plan fiduciary net position—beginning	17,637,765	15,951,112	14,820,720	15,591,708	14,301,883	12,758,659	11,928,674	12,444,787	11,187,784	10,258,968
Plan fiduciary net position—ending (b)	$ 19,035,462	$ 17,637,765	$ 15,951,112	$ 14,820,720	$ 15,591,708	$ 14,301,883	$ 12,758,659	$ 11,928,674	$ 12,444,787	$ 11,187,784
School districts' net OPEB liability—ending (a) – (b)	$ 6,047,363	$ 5,928,374	$ 6,373,992	$ 5,408,263	$ 3,246,522	$ 3,701,876	$ 4,055,290	$ 779,333	$ 264,622	$ 942,138

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, OPEB plans should present information for those years for which information is available.

SCHEDULE OF THE SCHOOL DISTRICTS’ NET OPEB LIABILITY

Last 10 Fiscal Years
(Dollar amounts in thousands)

	20X8	20X7	20X6	20X5	20X4	20X3	20X2	20X1	20X0	20W9
Total OPEB liability	$ 25,082,825	$ 23,566,139	$ 22,325,104	$ 20,228,983	$ 18,838,230	$ 18,003,759	$ 16,813,949	$ 12,708,007	$ 12,709,409	$ 12,129,922
Plan fiduciary net position	19,035,462	17,637,765	15,951,112	14,820,720	15,591,708	14,301,883	12,758,659	11,928,674	12,444,787	11,187,784
School districts' net OPEB liability (asset)	$ 6,047,363	$ 5,928,374	$ 6,373,992	$ 5,408,263	$ 3,246,522	$ 3,701,876	$ 4,055,290	$ 779,333	$ 264,622	$ 942,138
Plan fiduciary net position as a percentage of the total OPEB liability	75.89%	74.84%	71.45%	73.26%	82.77%	79.44%	75.88%	93.87%	97.92%	92.23%
Covered payroll	$ 5,736,725	$ 5,726,998	$ 5,568,991	$ 5,447,217	$ 5,275,755	$ 5,185,336	$ 5,109,690	$ 5,016,635	$ 4,826,997	$ 4,723,597
School districts' net OPEB liability (asset) as a percentage of covered payroll	105.41%	103.52%	114.46%	99.28%	61.54%	71.39%	79.36%	15.53%	5.48%	19.95%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, OPEB plans should present information for those years for which information is available.

SCHEDULE OF SCHOOL DISTRICTS' CONTRIBUTIONS

Last 10 Fiscal Years
(Dollar amounts in thousands)

	20X8	20X7	20X6	20X5	20X4	20X3	20X2	20X1	20X0	20W9
Actuarially determined contribution	$ 653,665	$ 645,569	$ 625,699	$ 589,652	$ 575,263	$ 552,562	$ 495,892	$ 475,008	$ 420,914	$ 385,624
Contributions in relation to the actuarially determined contribution	653,665	645,569	625,699	589,652	575,263	552,562	495,892	475,008	420,914	385,624
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 5,736,725	$ 5,726,998	$ 5,568,991	$ 5,447,217	$ 5,275,755	$ 5,185,336	$ 5,109,690	$ 5,016,635	$ 4,826,997	$ 4,723,597
Contributions as a percentage of covered payroll	11.39%	11.27%	11.24%	10.82%	10.90%	10.66%	9.70%	9.47%	8.72%	8.16%

SCHEDULE OF INVESTMENT RETURNS

Last 10 Fiscal Years

	20X8	20X7	20X6	20X5	20X4	20X3	20X2	20X1	20X0	20W9
Annual money-weighted rate of return, net of investment expense	8.94%	11.47%	8.52%	(4.19)%	9.75%	13.06%	8.21%	(3.78)%	11.72%	9.51%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, OPEB plans should present information for those years for which information is available.

Notes to Required Supplementary Information
for the Year Ended December 31, 20X8

Changes of benefit terms. In the December 31, 20X1 actuarial valuation, there was a change of benefit terms to require Medicare-eligible recipients to enroll in Medicare.

Changes of assumptions. In the December 31, 20X8 actuarial valuation, the expectation of life after disability was adjusted to more closely reflect actual experience. In the December 31, 20X6 and 20X2 actuarial valuations, adjustments were made to assumptions regarding spousal coverage to better reflect actual experience. In the December 31, 20X1 actuarial valuation, expected retirement ages were adjusted to more closely reflect actual experience.

Illustration B7—Calculations Using the Alternative Measurement Method to Determine the Total OPEB Liability of a Single Employer That Provides OPEB through a Defined Benefit OPEB Plan That Is Administered through a Trust That Meets the Criteria in Paragraph 3 of Statement 74

[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.]

As described in Statement 74, if the criterion in paragraph 55 of that Statement is met, the total OPEB liability may be measured in accordance with the requirements in paragraphs 56 and 57, as amended, for the alternative measurement method. This illustration of the application of the alternative measurement method includes (1) the projection of benefit payments and the calculation of the present value of total projected benefit payments (Table 1) and (2) 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 OPEB 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, be at least 55 years old when service with the town terminates, and retire under the terms of the pension plan. Health 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 Exit from Active Service	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 56b)—Under the benefit terms, benefit payments begin when an active employee retires. 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 56c)—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 56d)—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 56e)—The probability that an active employee will remain employed until the assumed age at which employment-related eligibility criteria will be met was determined using gender-specific age-based turnover rates 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. Because (1) the benefit terms include a provision that an individual is eligible for benefits only if they retire from the employer and (2) the retirement date is the assumed point in time at which benefit payments will begin to be made, the probability that an active employee will remain employed until the assumed age at which benefit payments will begin to be made is the same as the probability that the active employee will remain employed until the assumed age at which employment-related eligibility criteria are met.

Employee	Entry Age	Current Age	Probability of Remaining Employed from Current Age until Age at Which Employment-Related Eligibility Criteria Are Met	Probability of Remaining Employed from Entry Age until Age at Which Employment-Related Eligibility Criteria Are Met
#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 56f)—The expected rates of increase in healthcare costs are based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services, in *National Health Care Expenditures Projections: 20X7–20Y7,* Table 3: National Health Expenditures, Aggregate & Per Capita Amounts, Percent Distribution and Annual Percent Change by Source of Funds: Calendar Years 20X1–20Y7 (www.cms.hhs.gov). Healthcare costs are expected to increase as follows:

For the Year Ended 6/30	Increase from Previous Year	
20X7	3.8%	
20X8	4.0%	
20X9	7.8%	
20Y0	6.4%	
20Y1	6.2%	
20Y2	6.0%	
20Y3 & later	6.7%	(average)

h. *Health insurance premiums* (paragraph 56g)—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 age 65 and older. For the year ended June 30, 20X7, 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 *and* spouse under age 65)	10,913	9,276
Ages 65 and Older (Medicare eligible)		
Single	2,118	1,800
Married (employee *and* spouse age 65 or older)	4,376	3,720
Married (employee *or* spouse age 65 or older)	7,384	6,276

Premiums are paid monthly.

i. *Discount rate* (paragraph 48)—The discount rate applied is 5.24 percent.

j. *Other economic assumptions* (paragraph 42)—The expected long-term inflation rate 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
OPEB Plan's Fiscal Year-End 6/30/20X7

See note 1.

See note 2. See note 3. See note 4.

Employee	Projected Benefit Payments for the Year Ending June 30, 20X7	20X8	20X9	20Y0	20Y1	20Y2	20Y3	20Y4	20Y5	20Y6	20Y7	20Y8	. . .	20D3	20D4	Current-Age Total Projected Benefit Payments	Current-Age Interest-Discounted Present Value of Total Projected Benefit Payments
#1	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	. . .	$ —	$ —	$ 553,788	$ 141,079
#2	—	—	—	—	—	—	—	—	—	—	—	—	. . .	—	—	1,172,548	127,768
#3	—	—	—	—	—	—	—	—	—	—	—	—	. . .	—	—	685,250	136,243
#4	—	—	—	—	—	—	—	—	—	—	—	—	. . .	—	—	1,524,379	194,389
#5	—	—	See note 5.	—	12,518	13,268	14,157	10,220	10,905	11,636	12,415	13,247	. . .	—	—	359,675	150,032
#6	—	—	—	—	—	—	—	—	—	—	18,350	19,579	. . .	—	—	315,013	112,103
#7	—	—	—	—	—	—	—	—	—	—	—	—	. . .	—	—	247,867	53,415
#8	—	—	—	—	—	—	—	—	—	—	—	—	. . .	—	—	327,712	52,381
#9	—	—	—	—	—	—	—	—	—	See note 6.	—	—	. . .	—	—	446,664	69,327
#10	—	—	—	—	—	See note 7.	—	—	—	—	—	—	. . .	—	—	659,123	75,302
#11	—	—	—	—	—	—	—	—	—	—	—	—	. . .	70,325	—	911,567	80,672
#12	—	—	—	—	—	—	—	—	—	—	—	—	. . .	—	—	730,577	64,675
#13	4,768	4,959	5,345	5,687	6,040	2,575	2,747	2,931	3,128	3,337	3,561	3,799	See note 8.	—	—	120,129	63,786
#14	6,685	6,953	7,495	4,727	5,020	5,321	5,678	6,058	6,464	6,897	7,359	7,852	. . .	—	—	158,600	89,096
#15	3,963	4,121	4,442	4,727	5,020	5,321	5,678	6,058	6,464	6,897	7,359	3,799	. . .	—	—	87,024	56,158
#16	1,917	1,994	2,150	2,287	2,429	2,575	2,747	2,931	3,128	3,337	3,561	3,799	. . .	—	—	50,775	31,567
#17 See note 9.	4,768	1,994	2,150	2,287	2,429	2,575	2,747	2,931	3,128	3,337	3,561	3,799	. . .	—	—	64,488	38,718
#18	1,917	1,994	2,150	2,287	2,429	2,575	2,747	2,931	3,128	-	-	-	. . .	—	—	22,158	16,952
CURRENT-AGE TOTAL PROJECTED BENEFIT PAYMENTS	$ 24,018	$ 22,015	$ 23,732	$ 22,002	$ 35,885	$ 34,210	$ 36,501	$ 34,060	$ 36,345	$ 35,441	$ 56,166	$ 55,874	. . .	$ 70,325	$ —	$ 8,437,337	
CURRENT-AGE INTEREST-DISCOUNTED PRESENT VALUE OF TOTAL PROJECTED BENEFIT PAYMENTS (See note 10.)	$ 22,822	$ 19,877	$ 20,361	$ 17,937	$ 27,798	$ 25,181	$ 25,529	$ 22,636	$ 22,952	$ 21,267	$ 32,025	$ 30,272	. . .	$ 3,827	$ —		$ 1,553,663

Notes:

1. The calculation is made using data as of June 30, 20X7, to estimate the employer's total OPEB liability at June 30, 20X7 (the OPEB plan's fiscal year-end).

2. The amounts under columns labeled years 20X7–20D2 are the expected annual benefit payments for retiree healthcare for employees and their surviving 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.) For each employee or surviving spouse, amounts are projected beginning in the year in which the employer reaches the assumed age at which benefit payments will begin to be made and ending at the conclusion of the last year in which the employee or surviving spouse is assumed to be alive.

3. These values are calcuated as the sum of projected annual benefit payments for years 20X7–20D2 for each employee and their spouse.

4. 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 5.24 percent.

5. This amount is calculated as the current-year health insurance premium for an employee and spouse who are both pre-age 65, inflated to 20Y1 using the assumed healthcare inflation rates: \$9,276 x (1.038 x 1.040 x 1.078 x 1.064 x 1.062) = \$12,198, plus 1/2 year of interest at the discount rate: \$12,198 x (0.0524 / 2) = \$320. The total amount equals \$12,198 + \$320 = \$12,518.

6. Projected benefit payments for a married couple are calculated (using the appropriate "married" healthcare insurance premium rates) beginning with the year in which benefit payments are assumed to begin to be made.

7. In this year, the projected beneft 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.

8. 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.

9. 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.

10. 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 5.24 percent per year. For example, in 20X7, the present value is calculated as \$24,018 / (1.0524^n), where n equals the number of years over which the amount is to be discounted. (In 20X7, n = 1.) In 20X8, n = 2, and the present value is calculated as \$22,015 / (1.0524^2), or \$19,877.

Table 2
Calculation of Service Cost and the Total OPEB Liability
OPEB Plan's Fiscal Year-End 6/30/20X7

		See note 1.	See note 2.	See note 3.	See note 4.	See note 5.	See notes 6 and 7.		See note 8.	See notes 6 and 9.		
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 Age at Which Employment-Related Eligibility Criteria Are Met (c)**	**Probability of Remaining Employed from Entry Age until Age at Which Employment-Related Eligibility Criteria Are Met (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)**	**Present Value Factor of $1 per Year from Entry Age to Assumed Age at Exit from Active Service (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 Assumed Age at Exit from Active Service (j)**	**Present Value of Future Service Cost (k) = (i) x (j)**	**Total OPEB Liability (e) – (k)**
#1	10	$ 141,079	0.846	0.603	$ 119,353	$ 51,047	20.1288	$ 2,536	$ 3,408	13.6829	$ 46,631	$ 72,722
#2	3	127,768	0.481	0.413	61,456	45,272	25.7878	1,756	1,919	24.3748	46,775	14,681
#3	6	136,243	0.728	0.545	99,185	54,654	21.2597	2,571	3,070	17.7155	54,387	44,798
#4	1	194,389	0.566	0.565	110,024	104,361	21.8072	4,786	4,930	21.2597	104,810	5,214
#5	25	150,032	0.980	0.565	147,031	23,643	21.8072	1,084	2,270	3.8741	8,794	138,237
#6	12	112,103	0.894	0.671	100,220	40,754	17.7155	2,300	3,279	9.0946	29,821	70,399
#7	8	53,415	0.776	0.557	41,450	19,773	22.3431	885	1,121	17.7155	19,859	21,591
#8	2	52,381	0.580	0.552	30,381	26,107	22.8675	1,142	1,212	21.8072	26,430	3,951
#9	13	69,327	0.775	0.387	53,728	13,812	26.6805	518	761	20.1288	15,318	38,410
#10	4	75,302	0.542	0.424	40,814	26,028	25.3269	1,028	1,157	23.3808	27,052	13,762
#11	2	80,672	0.418	0.387	33,721	28,189	26.6805	1,057	1,121	25.7878	28,908	4,813
#12	1	64,675	0.416	0.415	26,905	25,504	27.5355	926	954	27.1126	25,865	1,040
#13		63,786	1.000	n/a	63,786							63,786
#14		89,096	1.000	n/a	89,096							89,096
#15		56,158	1.000	n/a	56,158							56,158
#16		31,567	1.000	n/a	31,567							31,567
#17		38,718	1.000	n/a	38,718							38,718
#18		16,952	1.000	n/a	16,952							16,952
		$ 1,553,663			$ 1,160,545				$ 25,202			$ 725,895

Because at the OPEB plan's fiscal year-end these employees are eligible for benefit payments and have exited from active service, the entire present value of benefits is allocated to past periods (the total OPEB liability).

Notes to Table 2:

1. See Table 1.
2. Each employee's probability of remaining employed until the age at which employment-related eligibility criteria are met, calculated at current age. Retirees are assigned a probability of 1.000.
3. Each employee's probability of remaining employed until the age at which employment-related eligibility criteria are met, 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 the assumed age at which employment-related eligibility requirements are met (column c). For example, the current-age probability-adjusted interest-discounted present value of total projected benefit payments for Employee #2 ($61,456) is calculated as the current-age interest-discounted present value of total benefits to be paid ($127,768) multiplied by 0.481 (the employee's probability of remaining employed until the assumed age at which employment-related eligibility criteria are met), or $127,768 x 0.481 = $61,456.
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 the assumed age at which employment-related eligibility requirements are met (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 ($45,272) is calculated as follows:
   a. The current-age interest-discounted present value of total projected benefit payments from column b ($127,768) is discounted for years of past service from column a (3 years) at the discount rate (5.24 percent), or $127,768 / (1 + 0.0524)^3 = $109,617.
   b. The result of step a is multiplied by the employee's probability of remaining employed from entry age until the assumed age at which employment-related eligibility requirements are met from column d (0.413), or $109,617 x 0.413 = $45,272.
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 + [present value of an ordinary annuity over (n – 1) 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 + discount rate) / (1 + 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 + 0.0524) / (1 + 0.03)] – 1, or 2.17476 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 assumed age at which the employee will exit from active service. For example, Employee #2 entered service at age 25 and the assumed age at which the emplyee will exit from active service is 62, resulting in n being 37. In this example, r is calculated as [(1 + 0.0524) / (1 + 0.03)] – 1, or 2.17476 percent. Therefore, the present value factor is calculated using the formula in note 6 as $1 + [(1 - (1.0217476^{(-36)})) / 0.0217476] = 1 + (0.539076 / 0.0217476) = 25.7878$.
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 (service cost at entry age) x $(1 + i)^n$, 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 $1,756 x $(1 + 0.03)^3$, or $1,919.
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 assumed age at which the employee will exit from active service. For example, Employee #2 is age 28 and the assumed age at which the employee will exit from active service is 62, resulting in n being 34. In this example, r is calculated as [(1 + 0.0524) / (1 + 0.03)] – 1, or 2.17476 percent. Therefore, the present value factor is calculated using the formula in note 6 as $1 + [(1 - (1.0217476^{(-33)})) / 0.0217476] = 1 + (0.508345 / 0.0217476) = 24.3748$.

Appendix C

CODIFICATION INSTRUCTIONS

C1. The instructions that follow update the June 30, 2016 *Codification of Governmental Accounting and Financial Reporting Standards* (Codification) for the effects of this Implementation Guide that are effective for periods beginning after December 15, 2016. Only the question number from this Implementation Guide is listed if the question and answer will be cited in full in the Codification.

* * *

[Update cross-references throughout.]

* * *

STATISTICAL SECTION **SECTION 2800**

Sources: [Add GASB Implementation Guide 2017-2.]

.726-1 [In the answer, replace *pension* with *pension or OPEB*; add the following at the end of the answer:] or paragraph .108 of Section Po50, "Postemployment Benefit Plans (Other Than Pension Plans) Administered through Trusts That Meet Specified Criteria—Defined Benefit." [GASBIG 2015-1, Q5.112.1; GASBIG 2017-2, Q4.152]

* * *

REPORTING ASSETS ACCUMULATED FOR DEFINED BENEFIT POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS NOT PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA **SECTION P53**

Sources: [Add GASB Implementation Guide 2017-2.]

[Insert the following:]

GASB IMPLEMENTATION GUIDES

.701 Scope and Applicability of This Section

.701-1 [GASBIG 2017-2, Q4.5]

.701-2–.701-6 [GASBIG 2017-2, Q4.8–Q4.12]

.702 Types of OPEB and OPEB Plans

.702-1–.702-2 [GASBIG 2017-2, Q4.13–Q4.14]

.702-3–.702-11 [GASBIG 2017-2, Q4.19–Q4.27]

.702-12 [GASBIG 2017-2, Q4.34]

.703 Reporting Accumulated Assets

.703-1–.703-4 [GASBIG 2017-2, Q4.153–Q4.156; in the second sentence of the answer in Question .703-2, omit *plan reporting*.]

* * *

POSTEMPLOYMENT BENEFIT PLANS (OTHER THAN PENSION PLANS) ADMINISTERED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED BENEFIT **SECTION Po50**

Sources: [Add GASB Implementation Guide 2017-2.]

[Insert new questions as follows:]

.701-1–.701-24 [GASBIG 2017-2, Q4.1–Q4.24; in the question and in the answer in Question .701-6, omit *plan reporting*.]

.702-1–.702-4 [GASBIG 2017-2, Q4.25–Q4.28]

.703-1–.703-6 [GASBIG 2017-2, Q4.29–Q4.34]

.705-1–.705-3 [GASBIG 2017-2, Q4.35–Q4.37]

.706-1–.706-4 [GASBIG 2017-2, Q4.38–Q4.41]

.707-1 [GASBIG 2017-2, Q4.42]

.709-1–.709-6 [GASBIG 2017-2, Q4.43–Q4.48]

.710-1–.710-2 [GASBIG 2017-2, Q4.49–Q4.50]

.711-1 [GASBIG 2017-2, Q4.51]

.713-1–.713-2 [GASBIG 2017-2, Q4.52–Q4.53]

.714-1–.714-3 [GASBIG 2017-2, Q4.54–Q4.56]

.715-1–.715-4 [GASBIG 2017-2, Q4.57–Q4.60]

.716-1–.716-2 [GASBIG 2017-2, Q4.61–Q4.62]

.717-1–.717-2 [GASBIG 2017-2, Q4.63–Q4.64]

.719-1–.719-11 [GASBIG 2017-2, Q4.65–Q4.75]

.720-1–.720-2 [GASBIG 2017-2, Q4.76–Q4.77]

.721-1 [GASBIG 2017-2, Q4.78]

.722-1 [GASBIG 2017-2, Q4.79]

.722-2–.722-19 [GASBIG 2017-2, Q4.81–Q4.98]

.727-1–.727-4 [GASBIG 2017-2, Q4.99–Q4.102]

.729-1–.729-20 [GASBIG 2017-2, Q4.103–Q4.122]

.730-1–.730-2 [GASBIG 2017-2, Q4.123–Q4.124]

.731-1–.731-6 [GASBIG 2017-2, Q4.125–Q4.130]

.732-1 [GASBIG 2017-2, Q4.131]

.733-1–.733-3 [GASBIG 2017-2, Q4.132–Q4.134]

[After heading .734, insert the following:]

See also Questions .727-1–.733-3 regarding issues related to measurement of the total OPEB liability by all single-employer and cost-sharing multiple-employer OPEB plans.

.734-1–.734-9 [GASBIG 2017-2, Q4.135–Q4.143]

.734-10–.734-15 [GASBIG 2017-2, Q4.145–Q4.150]

Effective Date and Transition

.735-1–.735-4 [GASBIG 2017-2, Q4.157–Q4.160]

* * *

POSTEMPLOYMENT BENEFIT PLANS (OTHER THAN PENSION PLANS) ADMINISTERED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED CONTRIBUTION **SECTION Po51**

Sources: [Add GASB Implementation Guide 2017-2.]

[Insert the following:]

GASB IMPLEMENTATION GUIDES

.701 Scope and Applicability of This Section

.701-1–.701-2 [GASBIG 2017-2, Q4.7–Q4.8]

.701-3 [GASBIG 2017-2, Q4.12]

.701-4 [GASBIG 2017-2, Q4.15]

.701-5 [GASBIG 2017-2, Q4.20]

.702 Types of OPEB and OPEB Plans

.702-1–.702-4 [GASBIG 2017-2, Q4.25–Q4.28]

.703 Notes to Financial Statements

.703-1 [GASBIG 2017-2, Q4.157]

* * *

C2. The instructions that follow update the June 30, 2016 Codification for the effects of this Implementation Guide that are effective for periods beginning after June 15, 2017, or for the effects of Statement 85, which is effective for financial reporting periods beginning after June 15, 2017. Only the question number from this Implementation Guide is listed if the question and answer will be cited in full in the Codification.

* * *

[Update cross-references throughout.]

* * *

POSTEMPLOYMENT BENEFIT PLANS (OTHER THAN PENSION PLANS) ADMINISTERED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED BENEFIT **SECTION Po50**

[Insert new Question .722-2 as follows; renumber subsequent questions.]

.722-2 [GASBIG 2017-2, Q4.80]

.733-1 [In the first sentence of the answer in Question .733-1, insert *unless the alternative measurement method is used to measure the total OPEB liability,* after *Generally,*.] [GASBIG 2017-2, Q4.132, as amended by GASBS 85, ¶16]

.734-9 [GASBIG 2017-2, Q4.143; insert the following at the end of the answer:] (See Question .734-10 in this section for information about the required calculations.)

[Insert new Question .734-10 as follows; renumber subsequent questions.]

.734-10 [GASBIG 2017-2, Q4.144]

[Insert new Question .734-17 as follows:]

.734-17 [GASBIG 2017-2, Q4.151]

* * *

C3. The instructions that follow update paragraph C1 of this Implementation Guide for the effects of Statement No. 84, *Fiduciary Activities,* which becomes effective for reporting periods beginning after December 15, 2018.

* * *

REPORTING ASSETS ACCUMULATED FOR DEFINED BENEFIT POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS NOT PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA **SECTION P53**

.701-1 [Replace *holds such assets for others, they be reported in an agency fund* with *controls such assets as a fiduciary activity, they be reported in a custodial fund*.] [GASBIG 2017-2, Q4.5, as amended by GASBS 84, ¶5 and ¶18]

.703-1 [Revise the second sentence of the question as follows:] The trust is not a fiduciary activity of another entity. [GASBIG 2017-2, Q4.153, as amended by GASBS 84, ¶5, ¶6, and ¶10]

.703-2 [Replace *an agency fund* with *a custodial fund*; replace *the agency fund* with *the custodial fund*.] [GASBIG 2017-2, Q4.154, as amended by GASBS 84, ¶18]

* * *

POSTEMPLOYMENT BENEFIT PLANS (OTHER THAN PENSION PLANS) ADMINISTERED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED BENEFIT **SECTION Po50**

.701-5 [Replace *holds such assets for others, they be reported in an agency fund* with *controls such assets as a fiduciary activity, they be reported in a custodial fund*.] [GASBIG 2017-2, Q4.5, as amended by GASBS 84, ¶5 and ¶18]

.701-6 [In the second paragraph of the answer, revise the last sentence as follows:] As part of that evaluation, an entity should consider the guidance in paragraphs .128–.130 and .133 of Section 1300 and paragraph .118 of Section 2100 in regard to potential inclusion of the OPEB plan as a fiduciary activity. [GASBIG 2017-2, Q4.6, as amended by GASBS 84, ¶5–¶7 and ¶10]

.701-16 [Replace *paragraphs .108–.110* with *paragraphs .115–.118*; replace *.196* with *.197*. In the last paragraph of the answer, revise the second sentence as follows:] Fiduciary fund financial statements are required to include a separate column for each type of fiduciary fund, including pension and other employee benefit trust funds. [GASBIG 2017-2, Q4.16, as amended by GASBS 84, ¶14–¶20 and ¶22–¶25]

.701-17 [Replace *agency fund* with *custodial fund*.] [GASBIG 2017-2, Q4.17, as amended by GASBS 84, ¶5, ¶18, ¶22, and ¶25]

.719-2 [In the first sentence in the question, replace *includes* with *reports* and replace *as a fiduciary fund in its financial report* with *as a fiduciary activity*.] [GASBIG 2017-2, Q4.66, as amended by GASBS 84, ¶5, ¶6, and ¶10]

* * *

POSTEMPLOYMENT BENEFIT PLANS (OTHER THAN PENSION PLANS) ADMINISTERED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED CONTRIBUTION **SECTION Po51**

.703-1 [Replace *paragraphs .196–.198* with *paragraphs .197–.200*.] [GASBIG 2017-2, Q4.156, as amended by GASBS 84, ¶20 and ¶22–¶25]

* * *

C4. The instructions that follow update the June 30, 2016 *Comprehensive Implementation Guide* for the effects of this Implementation Guide. Only the question number from this Implementation Guide is listed if the question and answer will be cited in full in the *Comprehensive Implementation Guide.*

* * *

[Update cross-references throughout.]

* * *

[Insert the following at the end of Chapter 8:]

8.92 Statement 74, as Amended

8.93 Scope and Applicability of Statement 74

8.93.1–8.93.7. [GASBIG 2017-2, Q4.1–Q4.7]

8.94 Trusts (or Equivalent Arrangements)

8.94.1–8.94.5. [GASBIG 2017-2, Q4.8–Q4.12]

8.95 Classifying Benefits

8.96 OPEB versus pensions

8.96.1–8.96.2. [GASBIG 2017-2, Q4.13–Q4.14]

8.97 Postemployment healthcare benefits provided through a pension plan

8.97.1–8.97.4. [GASBIG 2017-2, Q4.15–Q4.18]

8.98 Termination benefits

8.98.1. [GASBIG 2017-2, Q4.19]

8.99 Sick leave-to-healthcare conversions

8.99.1–8.99.3. [GASBIG 2017-2, Q4.20–Q4.22]

8.100 Disability benefits

8.100.1. [GASBIG 2017-2, Q4.23]

8.101 Workers' compensation benefits

8.101.1. [GASBIG 2017-2, Q4.24]

8.102 Types of OPEB and OPEB Plans

8.103 Classifying OPEB as Defined Benefit or Defined Contribution

8.103.1–8.103.4. [GASBIG 2017-2, Q4.25–Q4.28]

8.104 Types of Defined Benefit OPEB Plans

8.104.1–8.104.6. [GASBIG 2017-2, Q4.29–Q4.34]

8.105 Defined Benefit OPEB Plans That Are Administered through Trusts That Meet the Criteria in Paragraph 3 of Statement 74

8.106 Number of OPEB Plans

8.106.1–8.106.3. [GASBIG 2017-2, Q4.35–Q4.37]

8.107 Financial Statements

8.107.1–8.107.4. [GASBIG 2017-2, Q4.38–Q4.41]

8.108 Statement of fiduciary net position

8.108.1. [GASBIG 2017-2, Q4.42]

8.109 Assets

8.110 Receivables

8.110.1–8.110.6. [GASBIG 2017-2, Q4.43–Q4.48]

8.111 Investments

8.111.1–8.111.2. [GASBIG 2017-2, Q4.49–Q4.50]

8.112 Liabilities

8.112.1. [GASBIG 2017-2, Q4.51]

8.113 Fiduciary net position

8.114 Statement of changes in fiduciary net position

8.114.1–8.114.2. [GASBIG 2017-2, Q4.52–Q4.53]

8.115 Additions

8.115.1–8.115.3. [GASBIG 2017-2, Q4.54–Q4.56]

8.116 Investment Income

8.116.1–8.116.4. [GASBIG 2017-2, Q4.57–Q4.60]

8.117 Investment Expense

8.117.1–8.117.2. [GASBIG 2017-2, Q4.61–Q4.62]

8.118 Deductions

8.118.1–8.118.2. [GASBIG 2017-2, Q4.63–Q4.64]

8.119 Net increase (decrease) in fiduciary net position

8.120 Notes to Financial Statements

8.120.1–8.120.2. [GASBIG 2017-2, Q4.65–Q4.66]

8.121 Disclosures applicable to all defined benefit OPEB plans

8.122 Paragraph 34a

8.122.1–8.122.2. [GASBIG 2017-2, Q4.67–Q4.68]

8.123 Paragraph 34b

8.124 Investment Policies

8.125 Fair Value of Investments

8.126 Investment Concentrations

8.126.1–8.126.2. [GASBIG 2017-2, Q4.69–Q4.70]

8.127 Money-Weighted Rate of Return on OPEB Plan Investments

8.127.1–8.127.5. [GASBIG 2017-2, Q4.71–Q4.75]

8.128 Paragraph 34c

8.129 Paragraph 34d

8.130 Paragraph 34e

8.131 Disclosures specific to single-employer and cost-sharing multiple-employer OPEB plans

8.131.1. [GASBIG 2017-2, Q4.76]

8.132 Paragraph 35a

8.133 Paragraph 35b

8.134 Paragraph 35c

8.134.1. [GASBIG 2017-2, Q4.77]

8.135 Required Supplementary Information

8.135.1. [GASBIG 2017-2, Q4.78]

8.136 Single-employer and cost-sharing multiple-employer OPEB plans

8.136.1–8.136.2. [GASBIG 2017-2, Q4.79–Q4.80]

8.137 Paragraph 36a

8.137.1–8.137.8. [GASBIG 2017-2, Q4.81–Q4.88]

8.138 Paragraph 36b

8.139 Paragraph 36c

8.139.1–8.139.10. [GASBIG 2017-2, Q4.89–Q4.98]

8.140 Paragraph 36d

8.141 Agent multiple-employer OPEB plans

8.142 Notes to the required schedules

8.143 Measurement of the Net OPEB Liability

8.144 Total OPEB liability

8.145 Timing and frequency of actuarial valuations

8.145.1–8.145.4. [GASBIG 2017-2, Q4.99–Q4.102]

8.146 Selection of assumptions

8.147 Projection of benefit payments

8.148 The Substantive Plan and Historical Pattern of Sharing of Benefit-Related Costs between the Employer and Inactive Plan Members

8.148.1–8.148.8. [GASBIG 2017-2, Q4.103–Q4.110]

8.149 Postemployment Benefit Changes

8.149.1–8.149.6. [GASBIG 2017-2, Q4.111–Q4.116]

8.150 Projecting Postemployment Healthcare Benefits Based on Claims Costs or Age-Adjusted Premiums Approximating Claims Costs

8.150.1–8.150.3. [GASBIG 2017-2, Q4.117–Q4.119]

8.151 Benefit Caps

8.151.1–8.151.3. [GASBIG 2017-2, Q4.120–Q4.122]

8.152 Benefits to Be Provided through Allocated Insurance Contracts

8.153 Other Projection Issues

8.154 Discount rate

8.154.1–8.154.2. [GASBIG 2017-2, Q4.123–Q4.124]

8.155 Comparing Projections of the OPEB Plan's Fiduciary Net Position to Projected Benefit Payments

8.155.1–8.155.6. [GASBIG 2017-2, Q4.125–Q4.130]

8.156 Calculating the Discount Rate

8.156.1. [GASBIG 2017-2, Q4.131]

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

8.157.1. [GASBIG 2017-2, Q4.132; in the first sentence of the answer, insert *unless the alternative measurement method is used to measure the total OPEB liability,* after *Generally,*.] [GASBIG 2017-2, Q4.132, as amended by GASBS 85, ¶16]

8.157.2–8.157.3. [GASBIG 2017-2, Q4.133–Q4.134]

8.158 Alternative measurement method

See also Questions 8.145.1–8.157.3 regarding issues related to measurement of the total OPEB liability by all single-employer and cost-sharing multiple-employer OPEB plans.

8.158.1–8.158.3. [GASBIG 2017-2, Q4.135–Q4.137]

8.159 Expected Point in Time at Which Benefit Payments Will Begin to Be Made

8.159.1–8.159.3. [GASBIG 2017-2, Q4.138–Q4.140]

8.160 Expected Point in Time at Which Plan Members Will Exit from Active Service

8.161 Marital and Dependency Status

8.161.1. [GASBIG 2017-2, Q4.141]

8.162 Mortality

8.162.1. [GASBIG 2017-2, Q4.142]

8.163 Turnover

8.163.1. [GASBIG 2017-2, Q4.143; insert the following at the end of the answer:] (See Question 8.164.1 for information about the required calculations.)

8.164 Application of Paragraph 57a

8.164.1. [GASBIG 2017-2, Q4.144]

8.165 Application of Paragraph 57b

8.166 Healthcare Cost Trend Rate

8.166.1–8.166.2. [GASBIG 2017-2, Q4.145–Q4.146]

8.167 Use of Health Insurance Premiums

8.168 Application of Paragraph 57c

8.168.1–8.168.2. [GASBIG 2017-2, Q4.147–Q4.148]

8.169 Plans with Coverage Options

8.169.1. [GASBIG 2017-2, Q4.149]

8.170 Use of Grouping

8.170.1. [GASBIG 2017-2, Q4.150]

8.171 Other Issues

8.171.1. [GASBIG 2017-2, Q4.151]

8.172 Statistical Section Information

For additional implementation guidance about the presentation of statistical section information, see Chapter 9.

8.172.1. [GASBIG 2017-2, Q4.152]

8.173 Assets Accumulated for Purposes of Providing OPEB through Defined Benefit OPEB Plans That Are Not Administered through Trusts That Meet the Criteria in Paragraph 3 of Statement 74

8.173.1–8.173.3. [GASBIG 2017-2, Q4.153–Q4.155]

8.174 Defined Contribution OPEB Plans That Are Administered through Trusts That Meet the Criteria in Paragraph 3 of Statement 74

8.174.1. [GASBIG 2017-2, Q4.156]

8.175 Effective Date and Transition of Statement 74

8.175.1–8.175.4. [GASBIG 2017-2, Q4.157–Q4.160]

* * *

C5. The instructions that follow update paragraph C4 of this Implementation Guide for the effects of Statement 84, which becomes effective for reporting periods beginning after December 15, 2018.

8.93.5. [Replace *holds such assets for others, they be reported in an agency fund* with *controls such assets as a fiduciary activity, they be reported in a custodial fund*.] [GASBIG 2017-2, Q4.5, as amended by GASBS 84, ¶5 and ¶18]

8.93.6. [In the second paragraph of the answer, revise the last sentence as follows:] As part of that evaluation, an entity should consider the guidance in paragraph 19 of Statement 14 and paragraphs 5–7 and 10 of Statement 84 in regard to potential inclusion of the OPEB plan as a fiduciary activity. [In the last sentence of the answer, replace *holding* with *controlling*.] [GASBIG 2017-2, Q4.6, as amended by GASBS 84, ¶5–¶7 and ¶10]

8.97.2. [In the second sentence of the answer, replace *Statement 34, as amended,* with *Statement 34, as amended, and Statement 84*. In the last paragraph of the answer, revise the second sentence as follows:] Fiduciary fund financial statements are required to include a separate column for each type of fiduciary fund, including pension and other employee benefit trust funds. [GASBIG 2017-2, Q4.16, as amended by GASBS 84, ¶14–¶20 and ¶22–¶25]

8.97.3. [Replace *agency fund* with *custodial fund*.] [GASBIG 2017-2, Q4.17, as amended by GASBS 84, ¶5, ¶18, ¶22, and ¶25]

8.120.2. [In the first sentence in the question, replace *includes* with *reports* and replace *as a fiduciary fund in its financial report* with *as a fiduciary activity*.] [GASBIG 2017-2, Q4.66, as amended by GASBS 84, ¶5, ¶6, and ¶10]

8.173.1. [Revise the second sentence of the question as follows:] The trust is not a fiduciary activity of another entity. [GASBIG 2017-2, Q4.153, as amended by GASBS 84, ¶5, ¶6, and ¶10]

8.173.2. [Replace *an agency fund* with *a custodial fund*; replace *the agency fund* with *the custodial fund*.] [GASBIG 2017-2, Q4.154, as amended by GASBS 84, ¶18]

8.174.1. [Replace *paragraphs 106–109 of Statement 34, as amended,* with *paragraphs 106–109 of Statement 34, as amended, and paragraphs 20 and 22–25 of Statement 84*.] [GASBIG 2017-2, Q4.156, as amended by GASBS 84, ¶20 and ¶22–¶25]

* * *

C6. The instructions that follow update paragraph C1 of this Implementation Guide to remove transition guidance included in this Implementation Guide.

* * *

[In the 2018–2019 edition, make the following change:]

POSTEMPLOYMENT BENEFIT PLANS (OTHER THAN PENSION PLANS) ADMINISTERED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED BENEFIT **SECTION Po50**

[Delete Questions .735-1–.735-4, including heading.]

* * *

C7. The instructions that follow update paragraph C3 of this Implementation Guide to remove transition guidance included in this Implementation Guide.

* * *

[In the 2018–2019 edition, delete Questions 8.175.1–8.175.4.]