National Conference of State Legislatures
Legislative Summit – Boston, MA

GASB Update
Retiree Health Benefits

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The views expressed in this presentation are those of Mr. Vaudt. Official positions of the GASB are reached only after extensive due process and deliberations.
OPEB—GASB Statements 74 & 75

**What:** significantly revises accounting & financial reporting standards.

**Why:** review of effectiveness found significant room for improvement

**When:**
- OPEB—issued in 2015
- Effective dates
  - Plans—fiscal years ending *June 30, 2017* & later
  - Employers—fiscal years ending *June 30, 2018* & later
What is OPEB?

- Other postemployment benefits – all postemployment benefits promised to employees other than pensions
- Principally, retiree health insurance – but also life insurance, disability, legal services, and other benefits
- Includes payments made to insurance companies on behalf of retirees, payments to retirees, and subsidizing retiree premiums by allowing them to be insured in the same group as active employees
Fundamentals of the Postemployment Benefit Standards

✓ Views the cost within the context of an ongoing, career-long employment relationship

✓ Uses an accounting-based versus funding-based approach to measure and report any postemployment liability on the statement of net position

✓ Requires effective communication and coordination efforts among the plan, the employers, the actuary, and the auditor to effectively implement.
Portion of the total liability not covered by plan assets will be recognized as a liability on the face of the financial statements—the net pension or OPEB liability.

Cost-sharing plans—participating employers/nonemployer contributing entities report proportional share of the collective net pension or OPEB liability

Discounting at the long-term expected rate of return is limited to the extent that assets are expected to be available to cover future benefit payments—remainder discounted at the municipal bond rate

Now only one actuarial valuation approach permitted (entry age, as a level percentage of payroll)
Postemployment Benefit Standards - The Big Changes

- Asset smoothing is eliminated from the measurement of the liability
- Amortization is eliminated for most changes in the liability and greatly shortened for others
- More robust note disclosures
- Much more extensive required supplementary information (RSI) schedules
Efforts to Support Implementation

- **Two OPEB Implementation Guides**
  - Plan implementation guide released 4/17
  - Employer implementation guide Exposure Draft released 6/17

- **Outreach to all 50 states**
  - Identify implementation issues
  - Provide technical support

- **OPEB Communication Resources Group being formed**
  - Learning curve to understanding standards
  - Equip S&L governments with roadmap and resources