The Great GASB
Big Changes in Measuring OPEB Costs and Liabilities

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Introduction

- Chuck Thompson, President/CEO RPM Consultant Group.
  - OPEB GASB Consultant for 14 plus years
  - Independent Consultant 8 plus years
  - Public Entities, Schools and Community College Education Experience 18 plus years
  - Developed and Installed "Inclusive OPEB GASB 43 & 45 Compliance Process" Plans for clients
  - Has 29 plus public entity clients **(15 Community Colleges)**
  - Guest Instructor Cal State Northridge University doctorate program
  - Frequent speaker at all forms of public entity Association meetings

Introduction

- Purpose: Discuss changes in the way "Other Postemployment Benefits" (OPEB) are measured and reported under GASB 43,45,74 and 75
- Measurement is based on <u>actuarial valuations</u>
- Reporting is, of course, an <u>accounting function</u>
- These changes will affect the way a public agency finance officer communicates the way agencies manage these liabilities and determine their funding for reporting to:
  - Boards/Councils
  - Unions
  - Accreditation Teams
  - Rating Agencies
  - Banks

Where We Are Now

- GASB 43 and 45 guidelines are being **modified not replaced**
- First, GASB 43 and 45 invoke Actuarial Standards of Practice (ASOP). One of these, ASOP 6, will be changed in a way that it will significantly change valuations done after of March 1, 2015
- Second, GASB issued new OPEB Accounting Standards 74 and 75 in June of 2015
- Especially after GASB 67 and 68 issued, Pension and OPEB assumptions should be consistent. What CalPERS and CalSTRS do on pension side affects OPEB valuations

Where We Are Now

- Of CCD's prefunding, many fund on a regular, actuarial basis due to accreditation; but some fund at a lower level; and others on an "ad hoc" basis
- The process is/was becoming more routine over time
  - Obtain and review valuation
  - Use valuation to budget for two years
  - Repeat every two years
  - Just as agencies are getting familiar with the rhythm of compliance, several things are changing in a big way

Where We Are Now

- Actuarial Resources : Huge Increase in work
  - Accounting valuation will require increased work to provide more detailed note disclosures and RSI (e.g. ± 1%)
  - The compliance widow is smaller. Immediate versus over 3 years
  - Agencies with < 200 participants now require a actuarial valuation every 2 years
  - An actuarial update will be needed the year between biennial valuation
  - Most agencies funding through trust will want/need <u>separate</u> funding valuation
  - New ASOP 6 will require more valuation of "implicit rate subsidy" only

Where We Are Now

- Accounting versus Funding Valuations
  - Keep assumptions as consistent as possible between the above two valuations
  - Funding value may not include specific items required by accounting:
    - Complicit rate subsidy
    - Cadillac tax
  - Funding valuation methods to spread cost to be more level

Where We Are Now

- GASB cannot require prefunding of liabilities
- Most CCD's have chosen to prefund
  - CalPERS CERBT program has about 450 participating agencies, including some CCD's
  - There are many other multiple employer pre-funding programs (e.g. CCLC, CSBA/PARS, Keenan, SISC Wells Fargo)
  - Several large CCD's have established their own custom trust

Where We Are Now

- This important session will address the following issues:
  - When GASB 74 & 75 must be implemented
  - How they will change GASB 43/45 compliance
- Geoffrey Kischuk, President Total Compensation Systems, Inc., to address the new ASOP, actuarial aspects of upcoming accounting standards, and CalPERS related issues
- Gema Ptasinski, a partner with, Vicenti Lloyd and Stutzman, LLP to address accounting issues
- Gene Huff and Jonah Nicholas from Contra Costa CCD to comment on the impact from the viewpoint as a CCD finance officer
- Chuck Thompson will address overall program management issues and next steps

Actuarial Measurement

- Geoffrey Kischuk, FSA, FCA, MAAA is President and Consulting Actuary for Total Compensation Systems, Inc.
  - Participated in development of GASB 43/45
  - Has performed GASB compliant valuations for almost 600 California public agencies
  - Consulted with various state agencies regarding GASB 43/45 compliance
  - Frequent speaker at association meetings

Actuarial Measurement

- Several recent developments affect cost measurement
  - Recent CalPERS pension changes (already in effect)
  - Recent changes to Actuarial Standard of Practice 6 (ASOP 6) effective for valuations done after 3/1/15
  - GASB 74/75 to be effective for fiscal year ending June 30, 2018 (June 30, 2017 for "plans")

Recent CalPERS Changes

- Recent CalPERS pension changes
  - Inflation assumption reduction from 3% to 2.75% (2012). This caused reduction in interest assumption by 0.25%
  - New “demographic assumptions” (e.g. retirement, turnover, mortality) (2014)
  - New pension formulas due to PEPRA (2013)
  - Revised expected rates of return for CERBT (2014, affects only agencies in CERBT)
- New GASB standards require agencies to reflect their share of pension obligations
- Because both pension and OPEB obligations are reflected as liabilities, should be based on consistent assumptions where appropriate

Actuarial Standard of Practice 6

- GASB 45 directs how retiree costs are to be determined
  - Actual retiree costs (where known) for self-funded and for insured plans where rates depend on claim experience
  - Age-adjusted premiums where same rates used for active employees and non-Medicare retirees
  - Actual premiums where experience isn't available and rates are based on ***retiree*** demographics and/or claims
  - Actual premiums under "community rating" exception per ASOP 6
- The issue of age-adjusted costs affects most agencies – especially but not limited to, those obtaining coverage through large "blind" pools (e.g. CalPERS with about 1,150 agencies)

Actuarial Standard of Practice 6

- April, 2012: Actuarial Standards Board (ASB) issues Exposure Draft (ED) of ASOP 6. Revision eliminates "community rating exception"
- July, 2012: More than 95% of actuaries commenting addressed the elimination of the community rating exception. More than 90% of those commenting opposed complete elimination of community rating exception
- March, 2013: ASOP issues 2nd ED of ASOP 6. No change regarding community rating exception – still MIA
- August, 2013: Commenting actuaries continue to assail complete elimination of community rating exception (though some actuaries gave up). ASB's process of establishing ASOP's questioned. ASB promises action
- May, 2014: Final ASOP 6 issued. Substantial changes made but no new ED issued to elicit actuaries' opinion of changes. Final ASOP ***includes*** an exception like the community rating exception

Actuarial Standard of Practice 6

- Based on refusal of ASB to preserve an exception in second ED, many actuaries assumed community rating exception would no longer be allowed. Many communications issued by consultants state this.
- However, ASB added to final ASOP 6 new exceptions not in prior ED's, including 3.7.7.c.4 that provides: *"In some very limited cases, the use of the pooled health plan's premium may be appropriate without regard to adjustments for age. The factors that an actuary should evaluate in determining whether the premium may be appropriate without regard to adjustments for age include: .....whether the pooled health plan and its premium structure are sustainable over the measurement period, even if other groups or active participants cease to participate. The use of a premium without regard to adjustment for age is generally inappropriate if the pooled health plan and its premium structure are not sustainable over the measurement period if other groups or active participants cease to participate."*

Actuarial Standard of Practice 6

- Exception includes several tests that must be met to invoke the exception:
  - Pooled Program must be sustainable over measurement period (usually four or more decades)
  - Premium Structure must be sustainable over measurement period, even if other groups leave the program
- Given its longevity; consistent premium structure despite loss of many groups over time; stable enrollment; we believe CalPERS qualifies for the 3.7.7.c.4 exception for all but perhaps the largest participating employers
- We believe other programs may meet these requirements
- Some actuaries may be unwilling to consider the 3.7.7.c.4 exception

Actuarial Standard of Practice 6

- TCS and CalPERS have jointly submitted an appeal to the Actuarial Board of Counseling and Discipline (ABCD) to rule on whether it may be permissible to use unadjusted premiums for PEMHCA agencies
- TCS has written a white paper on this subject which is part of the ABCD submission
- The ABCD ruling may be issued before this session

ASOP 6: Criteria for 3.7.7.c.4 Exception

- We feel it is important to develop more specific criteria that expand on 3.7.7.c.4.:
  - Plan qualifies as a "pooled health plan."
  - Rates not based to any extent on the agency's claim experience
  - Rates not based to any extent on the agency's demographics
  - If above is true, rates should be identical for all participating agencies
  - There should be no refunds or charges – even after leaving the program or after program termination – based on the agency's claim experience or demographics
  - Plan in existence 20 or more years
  - No recent large increases or decreases in the number of participating plans or enrollment (if so, requires further investigation)
  - Agency is not expecting to leave plan in foreseeable future
  - No indication the plan will be discontinued
  - The agency does not represent a large part of the pool (less than 5%). (This can be difficult or impossible to determine.)

ASOP 6: Criteria for 3.7.7.c.4 Exception

- TCS will apply the above criteria until the ABCD issues its ruling
- If the ruling is against the TCS position, TCS will reissue any affected valuation reports
- Many retirees paying their "entire cost" will need to be included in the valuation
- Many agencies with "retiree-pay-all" plans will need to have valuation. Where 3.7.7.c.4. exception NOT appropriate, age-adjusted premiums likely to be higher than retiree payments resulting in liability

New GASB OPEB Standards

- Much will be discussed by Gema in her accounting presentation
- Implementation projected to be required no later than FY ending 6/30/2018 for employers; 6/30/2017 for plans
- Many agencies will want to implement early
  - To avoid doing an extra valuation
  - To avoid actuarial resource crunch in 2017 and, especially 2018

New GASB OPEB Standards

- Several changes in the way actuaries will determine costs and liabilities
  - Full liability will be immediately recognized (dramatically accelerated from current amortization up to 30 years)
  - Annual expense: will include change in liability subject to certain deferred items (deferral of actuarial gains and losses serves similar function as amortization, but will cut time by half or more while other items now eligible for amortization won't be eligible for deferral)
  - Interest assumption reflects 20 year GO municipal bond index to the extent unfunded (liability more volatile)
  - Reduction from 6 to 1 actuarial cost method (entry age normal)

New OPEB Standards: Liability

- Currently, liability for most agencies being accumulated over period of up to 30 years
- New standard will dramatically increase liability for those amortizing actuarial accrued liability (AAL)
- Liability will be much more volatile due to immediate recognition of certain items (e.g. plan changes)
- Liability will be much more volatile due to changes in interest assumption for unfunded or partially funded plans
- Liability will be much more volatile due to shorter spread of certain liability changes

New OPEB Standards: Expenses

- Because expense largely determined by change in liability, expenses will also be volatile
- Will no longer be viable to pre-fund amount equal to accounting expense
- Agencies funding on regular, actuarial basis will most likely obtain second valuation for funding purposes using assumptions consistent with accounting valuation
- Ironically, because "funding valuation" not constrained by accounting standards, will lead to more flexibility in funding than currently

Summary of Actuarial Issues

- Be aware of and prepared for changes due to CalPERS activity
- If applicable and if desired, be prepared to have conversation about ASOP 6 exception 3.7.7.c.4 with actuary
- Prepare for managing or funding obligation in new environment
- Think about managing transition to avoid unnecessary cost
- Think about when and how these may affect you versus when you can retire!

Accounting Issues

- Gema Ptasinski, CPA is a partner with Vicenti, Lloyd and Stutzman, LLP
  - Specializes in California Local Education Agencies
  - Assists many agencies with meeting requirements of GASB 43/45 compliance and reporting
  - Performed audits of several OPEB plans under GASB 43
  - Frequent speaker at association meetings

Background

- Project addressing postemployment benefits has been on GASB agenda since 2008
- Two-phased project
  - Pensions administered through trusts
    - GASB 67 and 68 issued in June 2012
  - OPEB and pensions not within the scope of Statements 67 and 68
    - In June, 2014 GASB issued Exposure Draft (ED) of new accounting standards related to Other Postemployment Benefits (OPEB)
    - In June, 2015 GASB issued Standard 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

New GASB OPEB Standards: Changes

- Timing
  - All Districts will need to have actuarial valuations at least every two years (currently, agencies with fewer than 200 participants not in Trust are every 3 years)
  - Alternative method still available for plans with less than 100 participants, but still required every two years
  - The total OPEB liability should be measured as of a measurement date not earlier than the end of the prior fiscal year and no later than the end of the current fiscal year.
  - Adjustments to actuarial valuation (roll forward) required if valuation date is other than the measurement date (no more than 30 months and 1 day earlier than the most recent fiscal year end)

Changes to Accounting

- Requires recognition of a liability equal to the total OPEB liability on the full-accrual financial statements
  - Current standards allow recognition over a period not-to-exceed 30 years
- Requires that most changes in net OPEB liability be included in OPEB expense in the period of change.
  - Current period service cost
  - Interest on liability
  - Changes in benefit terms
  - Differences between expected and actual experience
  - Changes in assumptions or other inputs
  - Benefit payments

Changes to Accounting

- Other changes in net OPEB liability would be amortized over time
  - Changes of economic and demographic assumptions
  - Actuarial gains/losses
- Amortization period will be shorter than current standards
  - Expected remaining service lives of plan participants
  - Five years for differences resulting from investment earnings
  - Closed period
- Will be reported as a deferred inflow or outflow of resources on the GASB 34 full-accrual financial statements

Changes to Accounting

- Deferred inflows of resources and deferred outflows of resources related to OPEB
  - Each year, separate "layers" of deferred balances will be created for each source of change
  - Deferred outflows balance should be reported separately from deferred inflows balance
  - Cannot net with the exception of differences arising from investment earnings
  - Logistically, this will be a challenge to track as new layers are added and others are fully amortized

New GASB OPEB Standards: Changes

- Dramatically Expanded Note Disclosures
  - Expanded disclosures about assumptions
  - Liability impact of 1% change (up AND down) in interest rate AND 1% change (up AND down) in trend rate.
  - Detail of adjustments of valuation to measurement date
  - Schedule of deferrals by type
  - Schedule of future recognition of deferred outflows and inflows (five years and thereafter)

- Expanded Required Supplementary Information (RSI) Schedule
  - Schedules of changes in the OPEB Liability and related ratios (10 years)

GASB 45: Sample Note Disclosure

District

Notes to the Financial Statements for the Year Ended June 30, 20XX

Note X. Postemployment Healthcare Plan

Plan Description. District Retired Employees Healthcare Plan (DREHP) is a single-employer defined benefit healthcare plan administered by the district. The district provides medical and dental insurance benefits to eligible retirees and their spouses. The district board may amend benefits based on negotiations with bargaining units.

Funding Policy. The contribution requirements of plan members and the district are established and may be amended by the district board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the board. For fiscal year 20XX, the district contributed $357.7 million to the plan, including $190.7 million for current premiums (approximately 84 percent of total premiums) and an additional $167.0 million to prefund benefits. Plan members receiving benefits contributed $35.4 million, or approximately 16 percent of the total premiums, through their required contribution of $50 per month for retiree only coverage and $105 for retiree and spouse coverage.

GASB 45: Sample Note Disclosure

Annual OPEB Cost and Net OPEB Obligation. The district's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC), an amount actuarially* determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the district's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the district's net OPEB obligation to SREHP (dollar amounts in thousands):

Annual required contribution	$ 577,180
Interest on net OPEB obligation	90,437
Adjustment to annual required contribution	(95,258)
Annual OPEB cost (expense)	572,359
Contributions made	(357,682)
Increase in net OPEB obligation	214,677
Net OPEB obligation—beginning of year	1,349,811
Net OPEB obligation—end of year	$1,564,488

GASB 45: Sample Note Disclosure

The district's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 20X2 and the two preceding years were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual % of OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/X0	$497,538	67.4%	$1,160,171
6/30/X1	538,668	64.8	1,349,811
6/30/X2	572,359	62.5	1,564,488

Funded Status and Funding Progress. As of December 31, 20X1, the most recent actuarial valuation date, the plan was 58.1 percent funded. The actuarial accrued liability for benefits was $8.8 billion, and the actuarial value of assets was $5.1 billion, resulting in an unfunded actuarial accrued liability (UAAL) of $3.7 billion. The covered payroll was $2.2 billion, and the ratio of the UAAL to the covered payroll was 165 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

GASB 45: Sample Note Disclosure

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 20XX, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 6.7 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer’s own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 12 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten years. Both rates included a 4.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 20XX, was seventeen years.

New OPEB Standard: Sample Note Disclosure

Sample District

Notes to the Financial Statements for the Year Ended June 30, 20XX

Note X—Postemployment Benefits Other Than Pensions (OPEB)

General Information about the OPEB Plan

Plan description. The District's defined benefit OPEB plan, Sample District Retiree Benefits Plan (SCRBP), provides OPEB for all permanent full-time general and public safety employees of the District. SCRBP is a single-employer defined benefit OPEB plan administered by the District. The district board may amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement XX.

Benefits provided. SCRBP provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms provide for payment of 55 percent of health insurance premiums for non-Medicare-eligible retirees and 55 percent of supplemental health insurance premiums for Medicare-eligible retirees. The plan also provides all retirees with $5,000 of life insurance benefits.

Employees covered by benefit terms. At June 30, 20XX, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5,477
Inactive employees entitled to but not yet receiving benefit payments	746
Active employees	10,109
	16,332

New OPEB Standard: Sample Note Disclosure

Total OPEB Liability

The District's total OPEB liability of $778,984 was measured as of June 30, 20X9, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 20XX actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation:	3.0 percent
Salary increases :	3.25 percent, average, including inflation
Discount rate :	4.0 percent
Healthcare cost trend rates:	9.5 percent for 20Y0, decreasing 0.5 percent per year to an ultimate rate of 5.5 percent for 20Y8 and later years
Retirees' share of benefit-related costs :	45 percent of projected health insurance premiums for retirees

The discount rate was based on [Name of the Index].

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

The actuarial assumptions used in the June 30, 20XX valuation were based on the results of an actuarial experience study for the period July 1, 20XX–April 30, 20XX.

New OPEB Standard: Sample Note Disclosure

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at 6/30/X8	$851,095
Changes for the year:	
Service cost	16,712
Interest	33,898
Changes of benefit terms	(203,619)
Differences between expected and actual experience	58,936
Changes in assumptions or other inputs	45,945
Benefit payments	(23,983)
Net changes	(72,111)
Balance at 6/30/X9	$778,984

Changes of benefit terms reflect an increase in the retirees' share of health insurance premiums from 25 percent in 20X8 to 45 percent in 20X9.

Changes of assumptions and other inputs reflect a change in the discount rate from 4.37 percent in 20X8 to 4.00 percent in 20X9.

New OPEB Standard: Sample Note Disclosure

Sensitivity of the total OPEB liability to changes in the discount rate and healthcare cost trend rate. The following presents the total OPEB liability of the District, calculated using the discount rate of 4.0 percent and healthcare cost trend rates of 9.5–5.5 percent, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.0 percent) or 1-percentage-point higher (5.0 percent) than the current discount rate and healthcare cost trend rates that are 1- percentage-point lower (8.5–4.5 percent) or 1-percentage-point higher (10.5–6.5 percent) than the current healthcare cost trend rates:

	1% Decrease (3.0%)	Discount Rate (4.0%)	1% Increase (5.0%)
1% Decrease (8.5%–4.5%)	$747,826	$669,927	$599,818
Healthcare Cost Trend Rates (9.5%–5.5%)	$856,884	$778,984	$685,507
1% Increase (10.5%–6.5%)	$1,036,050	$911,412	$802,355

New OPEB Standard: Sample Note Disclosure

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

For the year ended June 30, 20X9, the District recognized negative OPEB expense of $169,031. At June 30, 20X9, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 111,188	$ 18,327
Changes of assumptions or other inputs	$ 98,543	$213,409
Total	$ 209,731	$ 231,736

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
20Y0	$ (15,416)
20Y1	(13,476)
20Y2	(12,781)
20Y3	(12,747)
20Y4	16,702
Thereafter	15,713

Current GASB 45: Sample RSI

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for MPHP

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)— Entry Age (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a) / c)
12/31/W9	$10,138,007	$16,867,561	$6,729,554	60.1%	$5,984,554	112.4%
12/31/X0	12,093,839	17,572,474	5,478,635	68.8	6,182,351	88.6
12/31/X1	15,107,180	19,490,482	4,383,302	77.5	6,331,031	69.2

New OPEB Standard: RSI

Schedules of Required Supplementary Information

SCHEDULE OF CHANGES IN THE COUNTY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years
(Dollar amounts in thousands)

	20X9	20X8	20X7	20X6	20X5	20X4	20X3	20X2	20X1	20X0
Total OPEB liability										
Service cost	$ 16,712	$ 21,688	$ 20,346	$ 22,832	$ 32,840	$ 35,925	$ 35,162	$ 43,772	$ 43,063	$ 93,396
Interest	33,898	39,177	27,886	41,014	37,254	38,436	45,817	40,440	72,712	56,990
Changes of benefit terms	(203,619)	-	-	-	-	-	(205,896)	-	(715,368)	-
Differences between expected and actual experience	58,936	16,606	46,382	32,555	(42,519)	(9,528)	15,186	(7,595)	2,039	(20,326)
Changes of assumptions or other inputs	45,946	(100,666)	66,410	(268,143)	42,249	3,966	(30,706)	11,000	(93,992)	107,030
Benefit payments	(23,983)	(22,744)	(19,056)	(17,962)	(16,979)	(14,756)	(13,320)	(11,791)	(10,161)	(9,568)
Net change in total OPEB liability	(72,111)	(45,939)	141,968	(189,704)	52,846	54,043	(153,757)	75,826	(701,707)	227,522
Total OPEB liability—beginning	851,095	897,034	755,066	944,770	891,925	837,882	991,639	915,813	1,617,520	1,389,998
Total OPEB liability—ending	$ 778,984	$ 851,095	$ 897,034	$ 755,066	$ 944,770	$ 891,925	$ 837,882	$ 991,639	$ 915,813	$ 1,617,520
Covered-employee payroll	$ 561,026	$ 547,748	$ 560,763	$ 561,588	$ 535,807	$ 515,573	$ 499,044	$ 486,857	$ 453,517	$ 432,568
Total OPEB liability as a percentage of covered-employee payroll	138.85%	155.38%	159.97%	134.45%	176.33%	173.00%	167.90%	203.68%	201.94%	373.93%

Notes to Schedule:

Changes of benefit terms. Amounts presented reflect an increase in the retirees' share of health insurance premiums from 0 percent in 20X0–20X2 to 25 percent in 20X3–20X8 and to 45 percent in 20X9. In 20X1, amounts reflect a change of benefit terms to require Medicare-eligible recipients to enroll in Medicare.

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

20X9	4.00 percent
20X8	4.37 percent
20X7	3.69 percent
20X6	4.33 percent
20X5	4.14 percent
20X4	4.53 percent
20X3	4.57 percent
20X2	4.34 percent
20X1	4.45 percent
20X0	3.98 percent
20W9	4.75 percent

In 20X6, amounts reflect a 1-percentage-point decrease in the healthcare cost trend rates from the prior year and adjustments to assumptions regarding spousal coverage to better reflect actual plan experience.

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

New OPEB Standard: RSI

SCHEDULE OF ACTUARIALLY DETERMINED CONTRIBUTIONS AND BENEFIT PAYMENTS

Last 10 Fiscal Years
(Dollar amounts in thousands)

	20X9	20X8	20X7	20X6	20X5	20X4	20X3	20X2	20X1	20X0
Actuarially determined contribution	$ 53,247	$ 55,247	$ 53,668	$ 61,355	$ 58,966	$ 60,221	$ 76,074	$ 74,389	$ 131,024	$ 129,566
Covered-employee payroll	$ 561,026	$ 547,748	$ 560,763	$ 561,588	$ 535,807	$ 515,573	$ 499,044	$ 486,857	$ 453,517	$ 432,568
Actuarially determined contribution as a percentage of covered-employee payroll	9.49%	10.09%	9.57%	10.93%	11.01%	11.68%	15.24%	15.28%	28.89%	29.95%
Benefit payments	$ 23,983	$ 22,744	$ 19,056	$ 17,962	$ 16,979	$ 14,756	$ 13,320	$ 11,791	$ 10,161	$ 9,568

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, one year prior to the fiscal year to which the contribution rate applies.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period	30 years
Inflation	3.0 percent
Healthcare cost trend rates	10.5–6.5 percent, adjusted downward by 1 percentage point in 20X6
Salary increases	3.25 percent, average, including inflation
Discount rate	4.0 percent (20X0–20X6); 5.0 percent (20X7–20X9)

Other information:

Amounts presented reflect an increase in the retirees' share of health insurance premiums from 0 percent in 20X0–20X1 to 25 percent in 20X2–20X9. Beginning in 20X2, amounts reflect a change of benefit terms that requires Medicare-eligible recipients to enroll in Medicare.

In 20X7, assumptions regarding spousal coverage were adjusted to reflect actual plan experience.

New GASB Disclosures and RSI

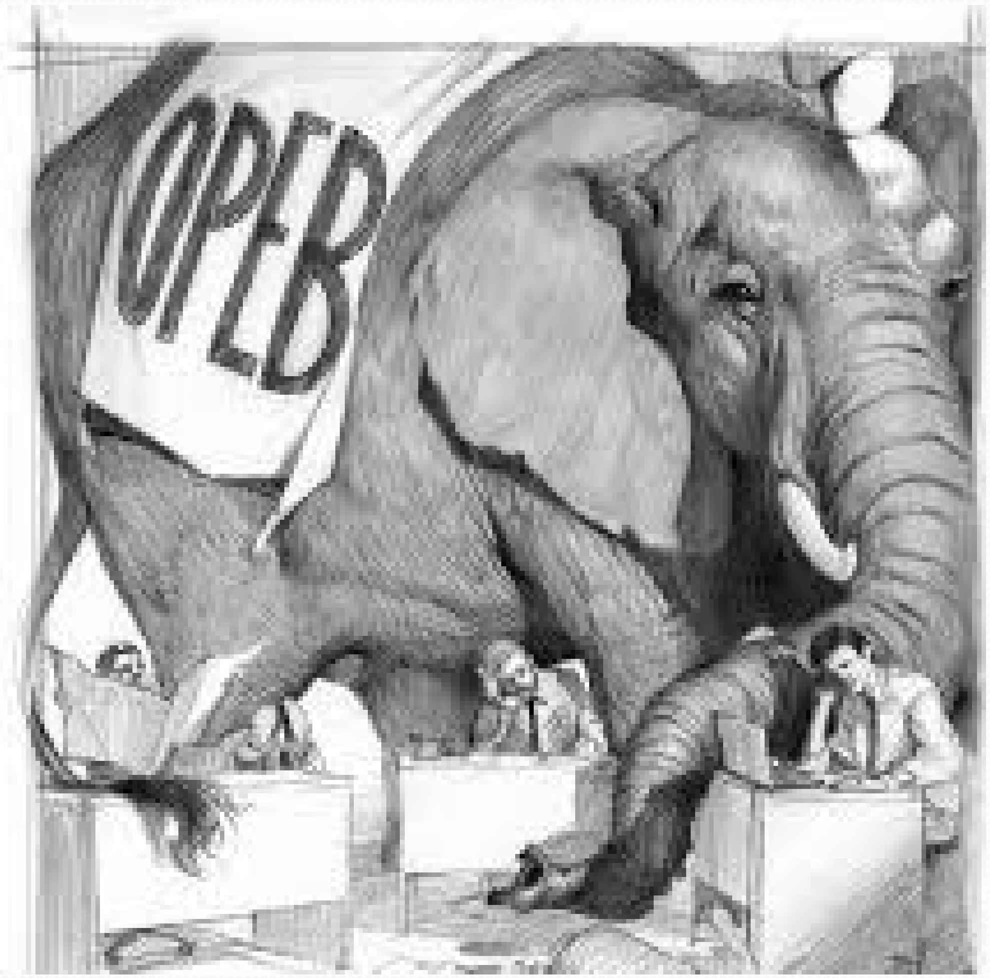
- New OPEB Standards require display of far more info
- Actuarial valuations will need to provide far more info
  - additional alternative liability figures for +1% and -1% exhibit
  - Breakdown of components of cost
  - Support for deferred inflows and outflows
- Separate from the valuation, support will be needed for adjustment of valuation to measurement date
- Separate tracking and amortization for deferred inflows and outflows
- Info will need to be retained to show 10 year history

Effective Date and Transition

- Fiscal years beginning after December 15, 2016 (one year earlier if funding through qualifying trust)
  - For June 30 year end agencies, effective date is the 2017-18 fiscal year for employer (one year earlier for trust)
- Beginning deferred outflows of resources for contributions, if any, subsequent to the measurement date should be recognized
- All other deferred outflows/inflows of resources balances are "all or nothing" at implementation
- RSI schedules will be prospective if information not initially available

What's a Finance Officer To Do?

- Contra Costa Community College District
- Gene Huff, Executive Vice Chancellor, Administrative Services
- Jonah Nicholas, Associate Vice Chancellor



What's a Finance Officer To Do? OPEB GASB

- Think about how to communicate changes to Boards. Should be consistent with what is said about GASB 67 and 68
- If pre-funding, think about how funding process affected. Separate valuation? Using what assumptions?
- Prepare for implementation. Weigh earlier implementation to eliminate extra valuation against dealing with above issues earlier than necessary and considering availability of actuarial resources
- New standards will require a lot of additional actuarial work AND involvement of actuaries between valuations. Expect additional fees
- New standards require additional accounting resources. Where outside resources used to draft disclosures, expect additional fees

What's a Finance Officer To Do? GASB

- Board awareness and education
  - Amount of liability and portion unfunded
  - Budget impact
- Make reporting part of regular presentations
- Keep costs in the forefront of negotiations
  - $ spent on retiree benefits is $ not available for salary
  - Determine the percent of compensation cost of retiree benefits
- Look for sources of funds to apply to unfunded liability
  - One-time money, undesignated budget surplus, etc.
  - Seek Board direction at tentative budget

What's a Finance Officer To Do? GASB

- Other Considerations:
  - Potential impact on credit ratings
  - Public perception for District's considering bonds or other taxpayer backed financial instruments; newspapers often review long-term liability figures when considering endorsements
  - Accreditation (Standard III.D.12)
    - *The institution plans for and allocates appropriate resources for the payment of liabilities and future obligations, including Other Post-Employment Benefits (OPEB), compensated absences, and other employee related obligations. The actuarial plan to determine Other Post-Employment Benefits (OPEB) is current and prepared as required by appropriate accounting standards.*

Program Management and Next Steps

Chuck Thompson, President/CEO, RPM Consultant Group

- OPEB GASB Consultant for 14 plus years
- Independent Consultant 8 plus years
- OPEB GASB consulting provided for most large community college district's in California
- 29 plus public entity clients **(15 Community Colleges)**
- Developed and Installed "Inclusive OPEB GASB 43 & 45 Compliance Process" Plans for clients
- Prepared to provide OPEB GASB 74 & 75 consulting, vendor coordination and liability funding strategies.

Program Management and Next Steps

- ***Locate Tall Building for Financial Officer To Jump Off***
- Consider a complete review and audit of current OPEB GASB 43 and 45 Compliance “Process” including vendors
- Determine your District’s specific needs in preparation for installation of OPEB GASB 74 and 75 Compliance Guidelines
- Prepare for complete financial and other transparency
- Discuss with actuarial firm’s and audit firm’s data needs (if any)
- Become familiar with new annual and mid point valuation update actuarial and audit reports

Program Management and Next Steps

- Develop timeline for when to obtain actuarial valuation
- Increased costs for new actuarial valuation, mid point updates, increased detail audit reports
- Define and document OPEB GASB funding plan
- Discuss possible cost containment and funding strategies
- Become familiar with accounting and actuarial valuation reporting for plan changes and expense posting

Program Management and Next Steps

- The new GASB guidelines eliminates the Annual Required Contribution(ARC) calculation which most Districts utilize as a measurement for funding
- Prepare presentations for District Governing Board and Retirement Board
- Prepare for education of the public concerning financial transparency
- Prepare for increased OPEB GASB liability and other costs
- Education, Communication, Education and Communication

The Great GASB
Big Changes in Measuring OPEB Costs and Liabilities

Questions?

Presenter Contact Information

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ACBO Fall Conference Redondo Beach California 10/26/15

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