

*Other Post
Employment
Benefits (OPEB)*

GASB Statement No. 45

Implementation

- **Phase 3 – fiscal 2010**
- All remaining governments



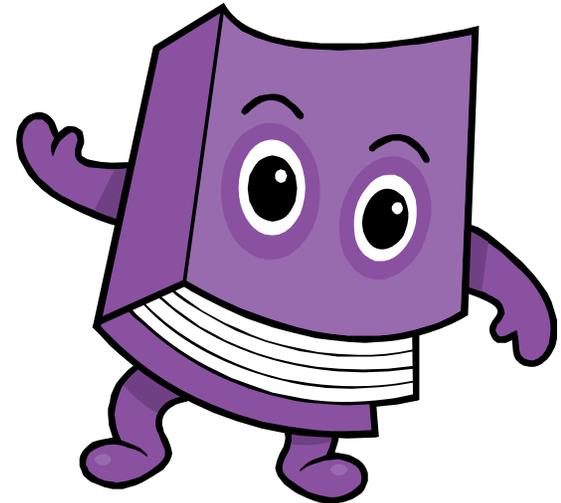
Today

- Implementation issues from FY09
- 2nd year reporting
- Exercises

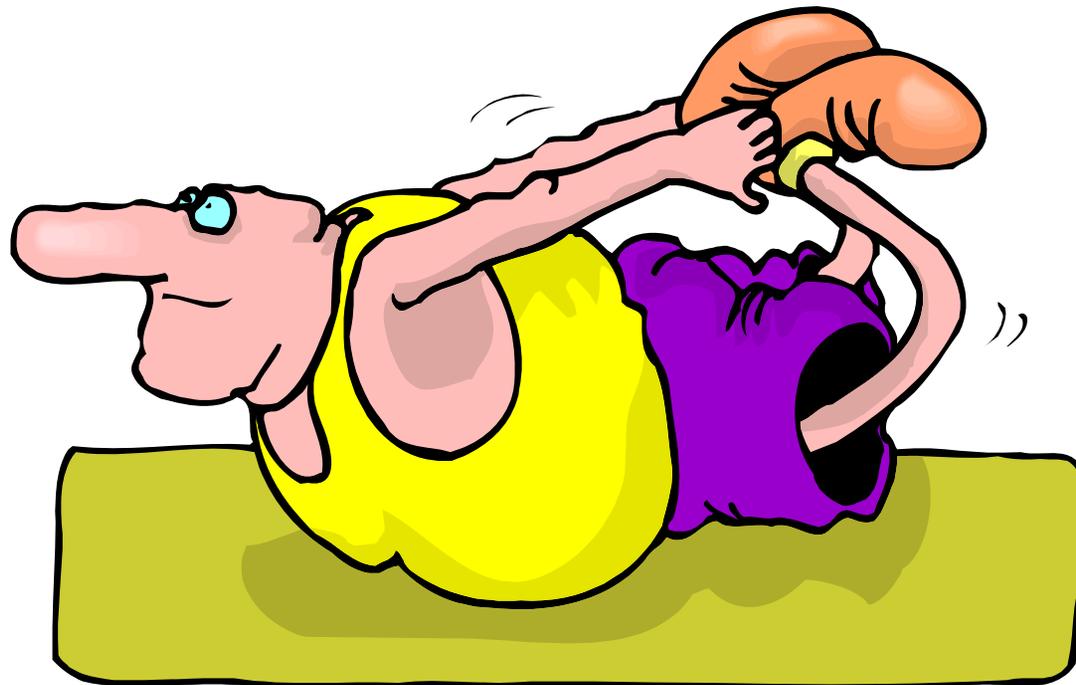


Resources for GASB 45

- Prior training materials
- AOS web site – Audit Practice Aids
- GASB Statement No. 45
- Implementation Guide



Exercise 1



Valuation Date - Guidelines

- Must be within 24 months of the first day of the financial statement period if annual
- Must be within 24 months of the **first day** of the **first year** of a multi-year valuation cycle (biennial or triennial)
- New valuation if significant changes

Implicit Employer Contributions

- Obtain actual fiscal year costs for retirees from health care provider
 - Deduct actual costs from premiums paid
 - Difference is pay-as-you-go contribution
- Take industry guideline index (1.5 - 3) times blended premium
 - Difference between this calculation result and the blended premium is the implicit contribution

Employer Contribution

- Blended premium = \$5,000/retiree/year
- Factor of 1.5 X \$5,000 = age adjusted premium of \$7,500/retiree/year
- Employer contribution:
 - \$7,500 - \$5,000 = \$2,500/retiree/year
- Sample County employer contributions:
 - 3 retirees X \$2,500 = \$7,500

Components of NOO

Annual Required Contribution (ARC)

$$\begin{array}{rcccl} \text{Annual Required} & & \text{Amortization} & & \text{Normal Cost} \\ \text{Contribution} & = & \text{Payment} & + & \text{(value of benefits} \\ \text{(ARC)} & & \text{(portion of unfunded} & & \text{accruing in} \\ & & \text{liability)} & & \text{current year)} \end{array}$$

Annual OPEB Cost

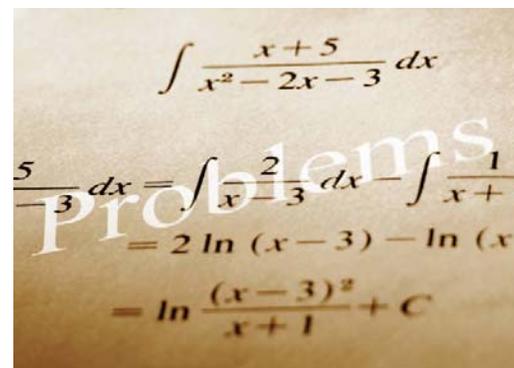
$$\begin{array}{rcccl} \text{Annual OPEB} & = & \text{Annual Required} & + / - & \text{Adjustment to} \\ \text{Cost} & & \text{Contribution} & \text{Interest on Net} & \text{ARC} \\ \text{(expense)} & & \text{(ARC)} & \text{OPEB Obligation} & \end{array}$$

Net OPEB Obligation

$$\begin{array}{rcccl} \text{Net OPEB} & = & \text{Accumulated} & & \text{Accumulated} \\ \text{Obligation} & & \text{Annual OPEB} & - & \text{Employer} \\ \text{(liability)} & & \text{Cost} & & \text{Contributions} \end{array}$$

Amortization Factor

- Must use same factor used by the Actuary to determine the ARC attributable to the year
- Determine/estimate by dividing the amortization piece of the ARC into the UAAL



Handwritten mathematical work showing the integration of a rational function. The problem is to find the integral of $\frac{x+5}{x^2-2x-3} dx$. The solution uses partial fraction decomposition, resulting in $\frac{5}{3} dx = \int \frac{2}{x-3} dx - \int \frac{1}{x+1} dx$. This is then integrated to give $= 2 \ln(x-3) - \ln(x+1)$, which is simplified to $= \ln \frac{(x-3)^2}{x+1} + C$.

$$\int \frac{x+5}{x^2-2x-3} dx$$
$$\frac{5}{3} dx = \int \frac{2}{x-3} dx - \int \frac{1}{x+1} dx$$
$$= 2 \ln(x-3) - \ln(x+1)$$
$$= \ln \frac{(x-3)^2}{x+1} + C$$

Net OPEB Obligation - Year Two

- Exercise



Questions

