
NO. 349 | JUNE 2015

Governmental Accounting Standards Series

Statement No. 74 of the
Governmental Accounting
Standards Board

Financial Reporting for Postemployment
Benefit Plans Other Than Pension Plans



GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

For additional copies of this Statement and information on applicable prices and discount rates, contact:

Order Department
Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Telephone Orders: 1-800-748-0659

Please ask for our Product Code No. GS74.

The GASB website can be accessed at www.gasb.org.

GOVERNMENTAL ACCOUNTING STANDARDS SERIES (ISSN 0886-2885) is published by the Financial Accounting Foundation. The full subscription rate is \$225 per year. Send address changes to Governmental Accounting Standards Board—Publications, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116.

Summary

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- 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.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are *not* administered through trusts that meet the specified criteria.

Defined Benefit OPEB Plans

Defined Benefit OPEB Plans That Are Administered through Trusts That Meet the Specified Criteria

Financial Statements

For defined benefit OPEB plans that are administered through trusts that meet the specified criteria, this Statement requires two financial statements—a statement of fiduciary net position and a statement of changes in fiduciary net position.

In addition to the requirements of this Statement, those plans also are required to follow all accounting and financial reporting requirements of other standards, as applicable.

Notes to Financial Statements

This Statement requires that notes to financial statements of all defined benefit OPEB plans that are administered through trusts that meet the specified criteria include descriptive information, such as the types of OPEB provided, the classes of plan members covered, and the composition of the OPEB plan's board. Such OPEB plans also are required to disclose information about OPEB plan investments, including the OPEB plan's investment policies, concentrations of investments with individual organizations equaling or exceeding 5 percent of the OPEB plan's fiduciary net position, and the annual money-weighted rate of return on OPEB plan investments. Other required note disclosures include information about contributions, reserves, and allocated insurance contracts.

For single-employer and cost-sharing OPEB plans that are administered through trusts that meet the specified criteria, the following information also is required to be disclosed:

- Information about the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability

- Significant assumptions and other inputs used to measure the total OPEB liability and information about the sensitivity of the measure of the net OPEB liability to changes in the discount rate and changes in the healthcare cost trend rate.

Required Supplementary Information

All defined benefit OPEB plans are required to present in required supplementary information a schedule covering each of the 10 most recent fiscal years that includes the annual money-weighted rate of return on OPEB plan investments for each year.

For single-employer and cost-sharing OPEB plans, the following information for each of the 10 most recent fiscal years is required to be presented as required supplementary information:

- Sources of changes in the net OPEB liability
- Information about the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percentage of covered-employee payroll.

If an actuarially determined contribution is calculated for employers or non-employer contributing entities in a single-employer or cost-sharing OPEB plan, the OPEB plan is required to present in required supplementary information a schedule covering each of the 10 most recent fiscal years that includes information about the actuarially determined contribution, contributions to the OPEB plan, and related ratios. Significant methods and assumptions used in calculating the actuarially determined contributions are required to be presented as notes to the schedules.

In addition, all OPEB plans, including agent OPEB plans, are required to explain certain factors that significantly affect trends in the amounts reported in the schedules of required supplementary information, such as changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions.

Measurement of the Net OPEB Liability

This Statement requires the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. The total OPEB liability generally is required to be determined through an actuarial valuation. However, if an OPEB plan has fewer than 100 plan members (active

and inactive), use of a specified alternative measurement method in place of an actuarial valuation is permitted. Actuarial valuations, or calculations using the specified alternative measurement method, of the total OPEB liability are required to be performed at least every two years, with more frequent valuations or calculations encouraged. If a valuation or calculation is not performed as of the OPEB plan's fiscal year-end, the total OPEB liability is required to be based on update procedures to roll forward amounts from an earlier actuarial valuation or alternative measurement method calculation (performed as of a date no more than 24 months prior to the OPEB plan's fiscal year-end). Unless otherwise specified by this Statement, all assumptions underlying the determination of the total OPEB liability are required to be made in conformity with the guidance in Actuarial Standards of Practice issued by the Actuarial Standards Board.

Projections of benefit payments are required to be based on claims costs, or age-adjusted premiums approximating claims costs, and the benefit terms and legal agreements existing at the OPEB plan's fiscal year-end. For purposes of evaluating the benefit terms, consideration is required to be given to the written plan document, as well as additional information, including other communications between the employer and plan members and an established pattern of practice with regard to the sharing of benefit-related costs with inactive plan members. Certain legal or contractual caps on benefit payments to be provided are required to be considered in projections of benefit payments.

This Statement requires that projections of benefit payments incorporate the effects of projected salary changes (if the OPEB formula incorporates compensation levels) and service credits (if the OPEB formula incorporates periods of service), as well as projected automatic postemployment benefit changes (including automatic cost-of-living adjustments [COLAs]). The effects of ad hoc postemployment benefit changes (including ad hoc COLAs), if they are considered to be substantively automatic, also are required to be included in the projections. This Statement also requires that projections of benefit payments include certain taxes or other assessments expected to be imposed on benefit payments.

Projected benefit payments are required to be discounted to their actuarial present value using the single rate that reflects (1) a long-term expected rate of return on OPEB plan investments 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 tax-exempt, high-quality municipal bond rate to the extent that the conditions for use of the long-term expected rate of return are not met.

This Statement requires that the actuarial present value of projected benefit payments be attributed to periods of plan member service using the entry age actuarial cost method with each period's service cost determined as a level

percentage of pay. The actuarial present value is required to be attributed for each plan member individually, from the period when the plan member first provides service under the benefit terms through the period in which the member is assumed to exit service.

Alternative measurement method

This Statement includes an option for the use of a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). The alternative measurement method is an approach that includes the same broad measurement steps as an actuarial valuation (projecting benefit payments, discounting projected benefit payments to a present value, and attributing the present value of projected benefit payments to periods using an actuarial cost method). However, it permits simplification of certain assumptions so that the method potentially could be applied by nonspecialists.

Assets Accumulated for Purposes of Providing OPEB through Defined Benefit OPEB Plans That Are Not Administered through Trusts That Meet the Specified Criteria

This Statement requires that, for accounting and financial reporting purposes, assets accumulated for purposes of providing OPEB through OPEB plans that are not administered through trusts that meet the specified criteria not be accounted for as OPEB plan assets. Instead, any assets accumulated for OPEB purposes are required to be reported as assets of the employer or nonemployer contributing entity.

If an OPEB plan is not administered through a trust that meets the specified criteria, a government that holds assets accumulated for OPEB purposes in a fiduciary capacity is required to report those assets in an agency fund. The amount of assets accumulated in excess of liabilities for benefits due to plan members and accrued investment and administrative expenses is required to be reported as a liability to participating employers or nonemployer contributing entities. If the agency fund is included in the financial report of an employer whose employees are provided with benefits through the OPEB plan or a nonemployer contributing entity that makes benefit payments as OPEB comes due, balances reported by the agency fund are required to exclude amounts that pertain to the employer or nonemployer contributing entity that reports the agency fund.

Defined Contribution OPEB Plans That Are Administered through Trusts That Meet the Specified Criteria

In the notes to financial statements, defined contribution OPEB plans that are administered through trusts that meet the specified criteria are required to disclose the classes of plan members covered; the number of plan members, participating employers, and, if any, nonemployer contributing entities; and the authority under which the OPEB plan is established or may be amended.

Effective Date and Transition

This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The new information will enhance the decision-usefulness of the financial reports of those OPEB plans, their value for assessing accountability, and their transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. The net OPEB liability information, including ratios, will offer an up-to-date indication of the extent to which the total OPEB liability is covered by the fiduciary net position of the OPEB plan. The comparability of the reported information for similar types of OPEB plans will be improved by the changes related to the attribution method used to determine the total OPEB liability. The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison with actuarially determined rates, if such rates are determined. In addition, new information about rates of return on OPEB plan investments will inform financial report users about the effects of market conditions on the OPEB plan's assets over time and provide information for users to assess the relative

success of the OPEB plan's investment strategy and the relative contribution that investment earnings provide to the OPEB plan's ability to pay benefits to plan members when they come due.

Unless otherwise specified, pronouncements of the GASB apply to financial reports of all state and local governmental entities, including general purpose governments; public benefit corporations and authorities; public employee retirement systems; and public utilities, hospitals and other healthcare providers, and colleges and universities. Paragraphs 5–8 discuss the applicability of this Statement.

Statement No. 74 of the
Governmental Accounting
Standards Board

Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

June 2015



GOVERNMENTAL ACCOUNTING STANDARDS BOARD

of the Financial Accounting Foundation

401 Merritt 7, PO Box 5116, Norwalk, Connecticut 06856-5116

Copyright © 2015 by Financial Accounting Foundation. All rights reserved. Content copyrighted by Financial Accounting Foundation may not be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the Financial Accounting Foundation.

**Statement No. 74 of the Governmental Accounting
Standards Board**

**Financial Reporting for Postemployment Benefit Plans
Other Than Pension Plans**

June 2015

CONTENTS

	Paragraph Numbers
Introduction	1–2
Standards of Governmental Accounting and Financial Reporting ...	3–60
Scope and Applicability of This Statement	3–9
Types of OPEB and OPEB Plans	10–18
Types of Defined Benefit OPEB Plans	13–18
Defined Benefit OPEB Plans That Are Administered through	
Trusts That Meet the Criteria in Paragraph 3	19–57
Number of OPEB Plans	19
Financial Statements	20–33
Statement of Fiduciary Net Position	21–27
Assets	21–25
Receivables	22–23
Investments	24–25
Liabilities	26
Fiduciary Net Position	27
Statement of Changes in Fiduciary Net Position	28–33
Additions	28–30
Investment Income	29
Investment Expense	30
Deductions	31–32
Net Increase (Decrease) in Fiduciary Net Position	33
Notes to Financial Statements	34–35

	Paragraph Numbers
Disclosures Specific to Single-Employer and Cost-Sharing OPEB Plans	35
Required Supplementary Information	36–38
Single-Employer and Cost-Sharing OPEB Plans	36
Agent OPEB Plans	37
Notes to the Required Schedules	38
Measurement of the Net OPEB Liability	39–57
Total OPEB Liability	40–57
Timing and Frequency of Actuarial Valuations	41
Selection of Assumptions	42
Projection of Benefit Payments	43–47
Discount Rate	48–53
Comparing Projections of the OPEB Plan’s Fiduciary Net Position to Projected Benefit Payments	49–51
Calculating the Discount Rate	52–53
Attribution of the Actuarial Present Value of Projected Benefit Payments to Periods	54
Alternative Measurement Method	55–57
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	58–59
Defined Contribution OPEB Plans That Are Administered through Trusts That Meet the Criteria in Paragraph 3	60
Effective Date and Transition	61–62
Glossary	63
Appendix A: Background	A1–A7
Appendix B: Basis for Conclusions	B1–B63
Appendix C: Illustrations	C1
Appendix D: Codification Instructions	D1–D3

Statement No. 74 of the Governmental Accounting Standards Board

Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

June 2015

INTRODUCTION

1. The principal objective of this Statement is to improve the usefulness of information about **postemployment**¹ benefits other than **pensions** included in the general purpose external financial reports (financial reports) of state and local governmental benefit plans for making decisions and assessing accountability. These benefits are referred to as **other postemployment benefits (OPEB)**, and the plans through which the benefits are provided are referred to as **OPEB plans**.

2. Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes standards for governmental employer recognition, measurement, and presentation of information about OPEB. That Statement also establishes requirements for reporting information about financial support provided by certain nonemployer entities for OPEB that is provided to the employees of other entities. The two Statements are closely related in some areas, and certain provisions of this Statement refer to Statement 75.

¹Terms defined in the Glossary are shown in **boldface type** the first time they appear in this Statement.

STANDARDS OF GOVERNMENTAL ACCOUNTING AND FINANCIAL REPORTING

Scope and Applicability of This Statement

3. This Statement establishes financial reporting standards for state and local governmental OPEB plans—**defined benefit OPEB plans** and **defined contribution OPEB plans**—that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) in which:

- a. Contributions from employers² and **nonemployer contributing entities** to the OPEB plan and earnings on those contributions are irrevocable.³
- b. OPEB plan assets are dedicated to providing OPEB to **plan members** in accordance with the benefit terms.⁴
- 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.

4. This Statement also establishes financial reporting standards for governments that hold assets accumulated for purposes of providing OPEB through defined benefit OPEB plans that are *not* administered through trusts or equivalent arrangements that meet the criteria in paragraph 3.

5. The requirements of paragraphs 19–57 and 60 of this Statement apply to state and local governmental OPEB plans (that is, entities that have all of the characteristics of an OPEB plan, as defined in paragraph 63) that are administered through trusts that meet the criteria in paragraph 3. Those requirements

²In some circumstances, contributions are made by the employer to satisfy plan member contribution requirements. If the contribution amounts are recognized by the employer as salary expense, those contributions should be classified as plan member contributions for purposes of this Statement. Otherwise, those contributions should be classified as employer contributions.

³For purposes of this Statement, refunds to an employer or nonemployer contributing entity of the nonvested portion of its contributions that are forfeited by **plan members** in a defined contribution OPEB plan are consistent with this criterion.

⁴For purposes of this Statement, the use of OPEB plan assets to pay OPEB plan administrative costs or to refund plan member contributions in accordance with benefit terms is consistent with this criterion.

apply whether (a) the OPEB plan's financial statements are included in a **stand-alone OPEB plan financial report** or (b) the OPEB plan is included in the financial report of another government.

6. OPEB plans should continue to follow all other accounting and financial reporting requirements applicable to the transactions and other events reported in their basic financial statements, including notes to those statements, and required supplementary information.

7. The requirements of paragraphs 58 and 59 of this Statement apply to 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.

8. The requirements of this Statement are not applicable to defined benefit OPEB plans in which benefits are financed through an arrangement whereby premiums are paid to an insurance company while employees are in active service, in return for which the insurance company unconditionally undertakes an obligation to pay the OPEB of those employees as defined in the OPEB plan terms. Such plans are referred to as **insured plans**.

9. This Statement supersedes all remaining requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, No. 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, and No. 50, *Pension Disclosures*. It also supersedes Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, paragraph 27, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, paragraphs 7 and 8. In addition, this Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, paragraph 2; Statement No. 14, *The Financial Reporting Entity*, paragraph 81; Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, paragraphs 70, 106–109, 129, 140, 141, and footnotes 43, 44, 63, and 64; Statement No. 44, *Economic Condition Reporting: The Statistical Section*, paragraphs 10 and 39; Statement 45, paragraph 22 and footnotes 19, 21, and 25; Statement 57, paragraphs 3 and 4; Statement No. 59, *Financial Instruments Omnibus*, paragraph 4; Statement No. 67, *Financial Reporting for Pension Plans*, footnote 6; and Technical Bulletin No. 2006-1, *Accounting and*

Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D, paragraphs 1, 4, 5, and 8–10.

Types of OPEB and OPEB Plans

10. As used in this Statement, the term *OPEB* includes the following:

- a. **Postemployment healthcare benefits**—including medical, dental, vision, hearing, and other health-related benefits—whether provided separately from or provided through a **pension plan**
- b. Other forms of postemployment benefits—for example, death benefits, life insurance, disability, and long-term care—when provided separately from a pension plan.

OPEB does not include **termination benefits**⁵ or termination payments for sick leave.⁶ When postemployment benefits other than postemployment healthcare benefits are provided through a pension plan, they are classified as pensions, and the plans through which those benefits are provided should be accounted for and reported as pension plans,⁷ separate from the OPEB plan.

11. **Defined benefit OPEB** is OPEB for which the benefits that the plan member will receive at or after separation from employment are defined by the benefit terms. The OPEB may be stated as (a) a specified dollar amount; (b) an

⁵Termination benefits primarily are addressed in Statement No. 47, *Accounting for Termination Benefits*, as amended. However, the effects of a termination benefit on the **defined benefit OPEB** liabilities of an employer or governmental nonemployer contributing entity should be included in measures of those OPEB liabilities that are required by this Statement.

⁶Termination payments for sick leave are addressed in Statement No. 16, *Accounting for Compensated Absences*, and include the conversion of a terminating employee's sick leave credits to an individual account to be used for payment of postemployment benefits on that employee's behalf. However, when a terminating employee's unused sick leave credits are converted to provide or enhance defined benefit OPEB, the resulting benefit or increase in benefit should be included in measures of OPEB liabilities that are required by this Statement.

⁷Financial reporting for pension plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 primarily is addressed in Statement 67. Financial reporting for other pension plans primarily is addressed in Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.

amount that is calculated based on one or more factors such as age, years of service, and compensation; or (c) a type or level of coverage such as prescription drug coverage or a percentage of health insurance premiums.

12. **Defined contribution OPEB** is OPEB having terms that:

- a. Provide an individual account for each plan member
- b. Define the contributions that an employer or nonemployer contributing entity is required to make (or credits that it is required to provide) to an active plan member's account for periods in which that member renders service
- c. Provide that the OPEB 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.

If the OPEB to be provided has all of the terms identified in (a)–(c) above, the OPEB plan through which the OPEB is provided should be classified as a defined contribution OPEB plan. Defined contribution OPEB plans that are administered through trusts that meet the criteria in paragraph 3 should apply the requirements for note disclosures in paragraph 60 of this Statement. If the OPEB to be provided does not have all of the above terms—for example, if the OPEB is a function of factors other than those identified in (c) above—the OPEB is classified as defined benefit OPEB, and the plan through which the OPEB is provided should be classified as a defined benefit OPEB plan.

Types of Defined Benefit OPEB Plans

13. Defined benefit OPEB plans other than insured plans are classified first according to the number of employers whose employees are provided with OPEB through the OPEB plan. For purposes of this classification, a primary government and its component units are considered to be one employer. If a defined benefit OPEB plan is used to provide OPEB to the employees of only one employer, the OPEB plan should be classified for financial reporting purposes as a **single-employer defined benefit OPEB plan (single-employer OPEB plan)**. If a defined benefit OPEB plan is used to provide OPEB to the employees of more than one employer, the OPEB plan should be classified for financial reporting purposes as a **multiple-employer defined benefit OPEB plan**.

14. If a multiple-employer defined benefit OPEB plan is administered through a trust that meets the criteria in paragraph 3, the OPEB plan is then classified according to whether OPEB obligations and OPEB plan assets are shared by employers. In a multiple-employer defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 3, if the assets of the OPEB plan are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees, the OPEB plan should be classified as an **agent multiple-employer defined benefit OPEB plan (agent OPEB plan)**. In a multiple-employer defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 3, if the OPEB obligations to the employees of more than one employer are pooled and OPEB plan assets can be used to pay the benefits of the employees of any employer that provides OPEB through the OPEB plan, the OPEB plan should be classified as a **cost-sharing multiple-employer defined benefit OPEB plan (cost-sharing OPEB plan)**.

15. For defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3, single-employer, agent, and cost-sharing OPEB plans should apply the measurement and recognition requirements of paragraphs 20–33 of this Statement. Single-employer and cost-sharing OPEB plans should apply the requirements for note disclosures and required supplementary information in paragraphs 34–36 and 38, and agent OPEB plans should apply the requirements for note disclosures and required supplementary information in paragraphs 34, 37, and 38. For agent OPEB plans, the provisions of this Statement apply at the aggregate plan level for each agent OPEB plan administered.

16. For a defined benefit OPEB plan, other than an insured plan, that is not administered through a trust that meets the criteria in paragraph 3, any assets accumulated for purposes of providing OPEB through the plan should be reported in conformity with the requirements of paragraph 58 or paragraph 59 of this Statement, as applicable.

17. If OPEB is provided through an OPEB plan in which assets are accumulated in a trust that meets the criteria in paragraph 3 and OPEB provided through the same OPEB plan also is paid with assets other than those from that trust, the OPEB plan should be reported as an OPEB plan administered through a trust that meets the criteria of that paragraph.

18. A state or local government may act as the fiduciary entrusted with administering one or more OPEB plans. If the financial report of a government includes more than one OPEB plan that is within the scope of this Statement, the provisions of this Statement should be applied separately to each such OPEB plan administered. Paragraph 19 sets forth considerations that are relevant to the determination of the number of defined benefit OPEB plans administered through trusts that meet the criteria in paragraph 3.

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

Number of OPEB Plans

19. 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 (including refunds of plan member contributions) to *any* of the plan members, the total assets should be reported as assets of one defined benefit OPEB plan even if (a) administrative policy requires that separate reserves, funds, or accounts for specific groups of plan members, employers, or types of benefits be maintained (for example, a reserve for plan member contributions, a reserve for disability benefits, or separate accounts for the contributions of state government versus local government employers) or (b) separate **actuarial valuations** are performed for different classes of plan members (for example, general employees and public safety employees) or different groups of plan members because different contribution rates may apply for each class or group depending on the applicable benefit structures, benefit formulas, or other factors. A separate defined benefit OPEB plan should be reported for a portion of the total assets, even if the assets are pooled with other assets for investment purposes, if that portion of assets meets both of the following criteria:

- a. The portion of assets is accumulated solely for the payment of benefits to certain classes or groups of plan members or to plan members who are the active or inactive employees of certain entities (for example, state government employees).
- b. The portion of assets may not legally be used to pay benefits to other classes or groups of plan members or other entities' plan members (for example, local government employees).

Financial Statements

20. A defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 3 should present the following financial statements, prepared using the economic resources measurement focus and accrual basis of accounting:

- a. A *statement of fiduciary net position*, which includes information about assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, as applicable, as of the end of the OPEB plan's reporting period
- b. A *statement of changes in fiduciary net position*, which includes information about the additions to, deductions from, and net increase (or decrease) in fiduciary net position for the OPEB plan's reporting period.

Statement of Fiduciary Net Position

Assets

21. OPEB plan assets should be subdivided into (a) the major categories of assets held (for example, cash and cash equivalents, receivables, investments, and capital assets) and (b) the principal components of the receivables and investments categories.

Receivables

22. OPEB plan receivables generally are short term and may arise from contributions from employers, nonemployer contributing entities, or plan members, or interest or dividends on investments. Contribution receivables should include amounts of benefit payments that are owed by employers or nonemployer contributing entities for OPEB as the benefits come due and that will not be reimbursed to the employers or nonemployer contributing entities using OPEB plan assets. Amounts recognized as receivables for contributions should include only those due pursuant to legal requirements.

23. Receivables for contributions that are payable to the OPEB plan more than one year after the end of the reporting period (for example, pursuant to installment contracts) should be recognized in full in the period the receivable

arises. If a receivable is recognized at its discounted present value, interest should be accrued using the effective interest method, unless use of the straight-line method would not produce significantly different results.

Investments

24. Purchases and sales of investments should be recorded on a trade-date basis.

25. **Allocated insurance contracts** should be excluded from OPEB plan assets if (a) the contract irrevocably transfers to the insurer the responsibility for providing the benefits, (b) all required payments to acquire the contracts have been made, and (c) the likelihood is remote that the employer, nonemployer contributing entities, or OPEB plan will be required to make additional payments to satisfy the benefit payments covered by the contract.

Liabilities

26. OPEB plan liabilities generally consist of benefit payments (including refunds of plan member contributions) due to plan members and accrued investment and administrative expenses. OPEB plan liabilities for benefits should be recognized when the benefits are currently due and payable in accordance with the benefit terms. OPEB plan liabilities should include amounts of benefit payments that are owed by employers or nonemployer contributing entities for OPEB as the benefits come due. Benefits payable from allocated insurance contracts excluded from OPEB plan assets in conformity with paragraph 25 should be excluded from OPEB plan liabilities.

Fiduciary net position

27. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources at the end of the OPEB plan's reporting period should be reported as *net position restricted for OPEB*.

Statement of Changes in Fiduciary Net Position

Additions

28. The additions section of the statement of changes in fiduciary net position should include separate display of the following, if applicable:

- a. Contributions from employers, including amounts for OPEB as the benefits come due that will not be reimbursed to the employers using OPEB plan assets
- b. Contributions from nonemployer contributing entities (for example, state government contributions to a local government OPEB plan), including amounts for OPEB as the benefits come due that will not be reimbursed to the nonemployer contributing entities using OPEB plan assets
- c. The total of contributions from **active plan members** and **inactive plan members** not yet receiving benefit payments, including those transmitted by employers
- d. Net investment income, including separate display of (1) investment income (see paragraph 29) and (2) investment expense, including investment management and custodial fees and all other significant investment-related costs (see paragraph 30).

Investment income

29. For purposes of this Statement, investment income includes (a) the net increase (decrease) in the fair value of OPEB plan investments and (b) interest income, dividend income, and other income not included in (a). Components (a) and (b) of investment income may be separately displayed or combined and reported as one amount.

Investment expense

30. Investment-related costs should be reported as investment expense if they are separable from (a) investment income and (b) the administrative expenses of the OPEB plan.

Deductions

31. The deductions section of the statement of changes in fiduciary net position should separately display, at a minimum, (a) benefit payments to plan members (including refunds of plan member contributions and amounts from employers or nonemployer contributing entities for OPEB as the benefits come due) and (b) total administrative expense. Benefit payments should exclude amounts paid by inactive plan members.

32. Amounts paid by the OPEB plan, an employer, or a nonemployer contributing entity to an insurance company pursuant to an allocated insurance contract that is excluded from OPEB plan assets in conformity with paragraph 25, including purchases of annuities with amounts allocated from existing investments with the insurance company, should be included in amounts recognized as benefit payments. Dividends from an allocated insurance contract should be recognized as a reduction of benefit payments recognized in the period. Benefit payments should not include benefits paid by an insurance company in accordance with such a contract.

Net increase (decrease) in fiduciary net position

33. The difference between total additions and total deductions presented in the statement of changes in fiduciary net position should be reported as the *net increase (or decrease) in net position*.

Notes to Financial Statements⁸

34. The following should be disclosed in notes to financial statements, as applicable:

a. Plan description:

- (1) The name of the OPEB plan, identification of the entity that administers the OPEB plan, and identification of the OPEB plan as a single-employer, agent, or cost-sharing OPEB plan.
- (2) The number of participating employers (if the OPEB plan is an agent or cost-sharing OPEB plan) and the number of nonemployer contributing entities, if any.
- (3) Information regarding the OPEB plan's board and its composition (for example, the number of trustees by source of selection or the types of constituency or credentials applicable to selection).
- (4) The number of plan members, separately identifying numbers of the following:
 - (a) Inactive plan members currently receiving benefit payments
 - (b) Inactive plan members entitled to but not yet receiving benefit payments
 - (c) Active plan members.If the OPEB plan is closed to new entrants, that fact should be disclosed.
- (5) The authority under which benefit terms are established or may be amended, the types of benefits provided through the OPEB plan, and the classes of plan members covered. If the OPEB plan or the entity that administers the OPEB plan has the authority to establish or amend benefit terms, a brief description should be provided of the benefit terms, including the key elements of the OPEB formulas and the terms or policies, if any, with respect to **automatic postemployment benefit changes**, including **automatic cost-of-living adjustments (automatic**

⁸The notes to financial statements of a defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 3 should include all disclosures required by paragraphs 34 and 35, as applicable, if the financial statements are presented in a stand-alone OPEB plan financial report or solely in the financial report of another government. If (a) a defined benefit 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 and (b) similar information is required by this Statement and Statement 75, the government should present the disclosures in a manner that avoids unnecessary duplication.

COLAs); ad hoc postemployment benefit changes, including ad hoc cost-of-living adjustments (ad hoc COLAs); and the sharing of benefit-related costs with inactive plan members.

- (6) A brief description of contribution requirements, including (a) identification of the authority under which contribution requirements of employers, nonemployer contributing entities, if any, and plan members are established or may be amended; (b) the contribution rates (in dollars or as a percentage of covered payroll) of the employer, nonemployer contributing entities, if any, and plan members for the reporting period; and (c) legal or contractual maximum contribution rates, if applicable. If the OPEB plan or the entity that administers the OPEB plan has the authority to establish or amend contribution requirements, disclose the basis for determining contributions (for example, statute, contract, an actuarial basis, or some other manner).
- b. OPEB plan investments:
- (1) Investment policies, including:
 - (a) Procedures and authority for establishing and amending investment policy decisions
 - (b) Policies pertaining to asset allocation
 - (c) Description of significant investment policy changes during the reporting period.
 - (2) Identification of 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.
 - (3) The annual **money-weighted rate of return** on OPEB plan investments calculated as the internal rate of return on OPEB plan investments, net of OPEB plan investment expense, and an explanation that a money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested. OPEB plan investment expense should be measured on the accrual basis of accounting. Inputs to the internal rate of return calculation should be determined at least monthly. The use of more frequently determined inputs is encouraged.
- c. Receivables—The terms of any long-term contracts for contributions to the OPEB plan between (1) an employer or nonemployer contributing entity and (2) the OPEB plan, and the balances outstanding on any such long-term contracts at the end of the OPEB plan's reporting period.

- d. Allocated insurance contracts excluded from OPEB plan assets:
 - (1) The amount reported in benefit payments in the current period that is attributable to the purchase of allocated insurance contracts
 - (2) A brief description of the OPEB for which allocated insurance contracts were purchased in the current period
 - (3) The fact that the obligation for the payment of benefits covered by allocated insurance contracts has been transferred to one or more insurance companies.
- e. Reserves—In circumstances in which there is a policy of setting aside, for purposes such as benefit increases or reduced employer contributions, a portion of the OPEB plan’s fiduciary net position that otherwise would be available for existing OPEB or for OPEB plan administration:
 - (1) A description of the policy related to such reserves
 - (2) The authority under which the policy was established and may be amended
 - (3) The purposes for and conditions under which the reserves are required or permitted to be used
 - (4) The balances of the reserves.

Disclosures Specific to Single-Employer and Cost-Sharing OPEB Plans

35. In addition to the information required by paragraph 34, the information identified in subparagraphs (a)–(c) below should be disclosed in notes to financial statements, as applicable. All information should be measured as of the OPEB plan’s most recent fiscal year-end. Information about cost-sharing OPEB plans should be presented for the OPEB plan as a whole.

- a. The components of the liability of the employers and nonemployer contributing entities to plan members for benefits provided through the OPEB plan (**net OPEB liability**),⁹ calculated in conformity with the requirements of paragraphs 39–54:

⁹In this Statement, unless otherwise indicated, references to a net OPEB liability also apply to the situation in which the OPEB plan’s fiduciary net position exceeds the **total OPEB liability** (see paragraph 40), resulting in a net OPEB asset. In Statement 75, the net OPEB liability is referred to as the collective net OPEB liability if benefits are provided through (a) a cost-sharing OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of that Statement or (b) a single-employer or agent OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of that Statement in certain circumstances in which a nonemployer entity has a legal requirement to contribute to the plan.

- (1) The **total OPEB liability**
 - (2) The OPEB plan's fiduciary net position
 - (3) The net OPEB liability
 - (4) The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.
- b. Significant assumptions and other inputs used to measure the total OPEB liability, including assumptions about inflation, **healthcare cost trend rates**, salary changes, ad hoc postemployment benefit changes (including ad hoc COLAs), and the sharing of benefit-related costs with inactive plan members. With regard to the sharing of benefit-related costs, if projections are based on an established pattern of practice, that fact should be disclosed. With regard to mortality assumptions, the source of the assumptions (for example, the published tables on which the assumptions are based or that the assumptions are based on a study of the experience of the covered group) should be disclosed. The dates of experience studies on which significant assumptions are based also should be disclosed. For all significant assumptions, if different rates are assumed for different periods, information should be disclosed about what rates are applied to the different periods of the measurement. In addition, if the alternative measurement method is used to measure the total OPEB liability, the source or basis for all significant assumptions selected in conformity with paragraph 56 should be disclosed.
- (1) With regard to the healthcare cost trend rate, measures of the net OPEB liability calculated using (a) a healthcare cost trend rate that is 1-percentage-point higher than the assumed healthcare cost trend rate and (b) a healthcare cost trend rate that is 1-percentage-point lower than the assumed healthcare cost trend rate should be disclosed.
 - (2) The following information should be disclosed about the **discount rate**:
 - (a) The discount rate applied in the measurement of the total OPEB liability and the change in the discount rate since the OPEB plan's prior fiscal year-end, if any
 - (b) Assumptions made about projected cash flows into and out of the OPEB plan, such as contributions from employers, nonemployer contributing entities, and plan members
 - (c) The long-term expected rate of return on OPEB plan investments and a description of how it was determined, including significant methods and assumptions used for that purpose
 - (d) If the discount rate incorporates a municipal bond rate, the municipal bond rate used and the source of that rate

- (e) The periods of **projected benefit payments** to which the long-term expected rate of return and, if used, the municipal bond rate are applied in determining the discount rate
 - (f) The assumed asset allocation of the OPEB plan's portfolio, the long-term expected **real rate of return** for each major asset class, and whether the expected rates of return are presented as arithmetic or geometric means
 - (g) Measures of the net OPEB liability calculated using (i) a discount rate that is 1-percentage-point higher than that required by paragraph 48 and (ii) a discount rate that is 1-percentage-point lower than that required by paragraph 48.
- c. The date of the actuarial valuation or alternative measurement method calculation on which the total OPEB liability is based and, if applicable, the fact that update procedures were used to roll forward the total OPEB liability to the OPEB plan's fiscal year-end. If the alternative measurement method permitted by this Statement is used to measure the total OPEB liability, the fact that this alternative method was used in place of an actuarial valuation also should be disclosed.

Required Supplementary Information¹⁰

Single-Employer and Cost-Sharing OPEB Plans

36. Schedules of required supplementary information that include the information indicated in subparagraphs (a)–(d) below should be presented. The information in subparagraphs (a) and (b) may be presented in a single schedule. Information for each year should be measured as of the OPEB plan's most recent fiscal year-end. Information about cost-sharing OPEB plans should be presented for the OPEB plan as a whole.

¹⁰Required supplementary information presented by a defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 3 should include all information required by paragraphs 36–38, as applicable, if the financial statements are included in a stand-alone OPEB plan financial report or solely in the financial report of another government. If (a) a defined benefit 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 and (b) similar information is required by this Statement and Statement 75, the government should present the information in a manner that avoids unnecessary duplication.

- a. A 10-year schedule of changes in the net OPEB liability, presenting for each year (1) the beginning and ending balances of the total OPEB liability, the OPEB plan's fiduciary net position, and the net OPEB liability, calculated in conformity with paragraphs 39–54, and (2) the effects on those items during the year of the following, as applicable. If the alternative measurement method is used to measure the total OPEB liability, the information indicated in subparagraphs (4) and (5) may be presented as a single amount.
- (1) **Service cost**
 - (2) Interest on the total OPEB liability
 - (3) Changes of benefit terms
 - (4) Differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total OPEB liability
 - (5) Changes of assumptions about future economic or demographic factors or of other inputs
 - (6) Contributions from employers, including amounts for OPEB as the benefits come due that will not be reimbursed to the employers using OPEB plan assets
 - (7) Contributions from nonemployer contributing entities, including amounts for OPEB as the benefits come due that will not be reimbursed to the nonemployer contributing entities using OPEB plan assets
 - (8) The total of contributions from active plan members and inactive plan members not yet receiving benefit payments
 - (9) OPEB plan net investment income
 - (10) Benefit payments (including refunds of plan member contributions and amounts from employers or nonemployer contributing entities for OPEB as the benefits come due)
 - (11) OPEB plan administrative expense
 - (12) Other changes, separately identified if individually significant.
- b. A 10-year schedule presenting the following for each year:
- (1) The total OPEB liability
 - (2) The OPEB plan's fiduciary net position
 - (3) The net OPEB liability
 - (4) The OPEB plan's fiduciary net position as a percentage of the total OPEB liability
 - (5) The **covered-employee payroll**
 - (6) The net OPEB liability as a percentage of covered-employee payroll.

- c. A 10-year schedule presenting for each year the information indicated in subparagraphs (1)–(6) below, if an **actuarially determined contribution** is calculated for employers or nonemployer contributing entities. The schedule should identify whether the information relates to the employers, nonemployer contributing entities, or both.
- (1) The actuarially determined contributions of employers or nonemployer contributing entities. For purposes of this schedule, actuarially determined contributions should exclude amounts, if any, associated with payables to the OPEB plan that arose in a prior fiscal year and those associated with **separately financed specific liabilities to the OPEB plan**.
 - (2) For cost-sharing OPEB plans, the statutorily or contractually required contribution of employers or nonemployer contributing entities, if different from (1). For purposes of this schedule, statutorily or contractually required contributions should include amounts from employers or nonemployer contributing entities for OPEB as the benefits come due that will not be reimbursed to the employers or nonemployer contributing entities using OPEB plan assets and should exclude amounts, if any, associated with payables to the OPEB plan that arose in a prior fiscal year and those associated with separately financed specific liabilities to the OPEB plan.
 - (3) The amount of contributions, including amounts from employers or nonemployer contributing entities for OPEB as the benefits come due that will not be reimbursed to the employers or nonemployer contributing entities using OPEB plan assets, recognized during the fiscal year by the OPEB plan in relation to the actuarially determined contribution in (1). For purposes of this schedule, contributions should exclude amounts resulting from contributions recognized by the OPEB plan as noncurrent receivables.
 - (4) The difference between the actuarially determined contribution in (1) and the amount of contributions recognized by the OPEB plan in relation to the actuarially determined contribution in (3).
 - (5) The covered-employee payroll.
 - (6) The amount of contributions recognized by the OPEB plan in relation to the actuarially determined contribution in (3) as a percentage of covered-employee payroll in (5).
- d. A 10-year schedule presenting for each fiscal year the annual money-weighted rate of return on OPEB plan investments calculated as required by paragraph 34b(3).

Agent OPEB Plans

37. A 10-year schedule presenting for each fiscal year the annual money-weighted rate of return on OPEB plan investments calculated as required by paragraph 34b(3) should be presented in required supplementary information.

Notes to the Required Schedules

38. Significant methods and assumptions used in calculating the actuarially determined contributions, if any, should be presented as notes to the schedule required by paragraph 36c. In addition, for each of the schedules required by paragraphs 36 and 37, information should be presented about factors that significantly affect trends in the amounts reported (for example, changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions). Information about investment-related factors that significantly affect trends in the amounts reported should be limited to those factors over which the OPEB plan or the participating governments have influence (for example, changes in investment policies). Information about external, economic factors (for example, changes in market prices) should not be presented. (The amounts presented for prior years should not be restated for the effects of changes—for example, changes of benefit terms or changes of assumptions—that occurred subsequent to the end of the fiscal year for which the information is reported.)

Measurement of the Net OPEB Liability

39. The net OPEB liability should be measured as the total OPEB liability (determined in conformity with paragraphs 40–54), net of the OPEB plan’s fiduciary net position. The net OPEB liability should be measured as of the OPEB plan’s most recent fiscal year-end.

Total OPEB Liability

40. The total OPEB liability is the portion of the **actuarial present value of projected benefit payments** that is attributed to past periods of plan member service in conformity with the requirements of paragraphs 41–54. However, if the criterion in paragraph 55 is met, the total OPEB liability may be measured in conformity with the requirements in paragraphs 56 and 57 for the alternative measurement method.

Timing and frequency of actuarial valuations

41. The total OPEB liability should be determined by (a) an actuarial valuation as of the OPEB plan's most recent fiscal year-end or (b) the use of update procedures to roll forward to the OPEB plan's most recent fiscal year-end amounts from an actuarial valuation as of a date no more than 24 months earlier than the OPEB plan's most recent fiscal year-end. If update procedures are used and significant changes occur between the **actuarial valuation date** and the OPEB plan's fiscal year-end, professional judgment should be used to determine the extent of procedures needed to roll forward the measurement from the actuarial valuation to the OPEB plan's fiscal year-end, and consideration should be given to whether a new actuarial valuation is needed. For purposes of this determination, the effects of changes in the discount rate resulting from changes in the OPEB plan's fiduciary net position or from changes in the municipal bond rate, if applicable (see paragraphs 48–53), should be among the factors evaluated. For financial reporting purposes, an actuarial valuation of the total OPEB liability should be performed at least biennially. More frequent actuarial valuations are encouraged.

Selection of assumptions

42. Unless otherwise specified by this Statement, the selection of all assumptions used in determining the total OPEB liability should be made in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board. For this purpose, a *deviation*, as the term is used in Actuarial Standards of Practice, from the guidance in an Actuarial Standard of Practice should not be considered to be in conformity with the requirement in this paragraph. The OPEB plan, employers, and, if any, governmental nonemployer contributing entities that make contributions to the OPEB plan, including payments that are made for OPEB as the benefits come due and that will not be reimbursed to the employer or nonemployer contributing entity using OPEB plan assets, should use the same assumptions when measuring similar or related OPEB information.

Projection of benefit payments

43. Projected benefit payments should include all benefits (including refunds of plan member contributions) to be provided to current active and inactive plan members through the OPEB plan (including amounts for OPEB to be paid by employers or nonemployer contributing entities as the benefits come due) 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. Usually, a written document is the best evidence of the benefit terms. However, in some cases, the substantive plan may differ from the written document. Accordingly, other information also should be taken into consideration in determining the benefits to be provided, including other communications between the employer and plan members (active and inactive) and an established pattern of practice with regard to the sharing of benefit-related costs with inactive plan members.

44. Projected benefit payments should include the effects of automatic post-employment benefit changes, including automatic COLAs. In addition, projected benefit payments should include the effects of (a) projected ad hoc postemployment benefit changes, including ad hoc COLAs, to the extent that they are considered to be substantively automatic;¹¹ (b) projected salary changes (in circumstances in which the OPEB formula incorporates future compensation levels); and (c) projected service credits (both in determining a plan member's probable eligibility for benefits and in the projection of benefit payments in circumstances in which the OPEB formula incorporates years of service). Administrative costs associated with providing OPEB should be excluded from projected benefit payments. Benefit payments to be provided by means of an allocated insurance contract excluded from OPEB plan assets in conformity with paragraph 25 should be excluded from projected benefit payments.

45. Projected benefit payments also should include taxes or other assessments expected to be imposed on benefit payments using the rates in effect at the OPEB plan's fiscal year-end or, if different rates have been approved by the assessing government to be applied in future periods, the rates approved by the assessing government associated with the periods in which the assessments on the benefit payments will be imposed.

46. Projected benefit payments should be based on claims costs, or age-adjusted premiums approximating claims costs, in accordance with Actuarial Standards of Practice issued by the Actuarial Standards Board. For this pur-

¹¹Considerations that might be relevant in determining whether such changes are substantively automatic include 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.

pose, a *deviation*, as the term is used in Actuarial Standards of Practice, from the guidance in an Actuarial Standard of Practice should not be considered to be in conformity with the requirement in this paragraph.

47. A legal or contractual cap on benefit payments for OPEB each period should be considered in projecting benefit payments, if the cap is assumed to be effective taking into consideration whether the cap has been enforced in the past and other relevant factors and circumstances.

Discount rate

48. The discount rate should be the single rate that reflects the following:

- a. 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 (1) the OPEB plan's fiduciary net position is projected (in conformity with paragraphs 49–51) to be sufficient to make projected benefit payments (determined in conformity with paragraphs 43–47) and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return
- b. 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 rating scale), to the extent that the conditions in (a) are not met.

Comparing projections of the OPEB plan's fiduciary net position to projected benefit payments

49. For purposes of applying paragraph 48, the amount of the OPEB plan's projected fiduciary net position and the amount of projected benefit payments should be compared in each period of projected benefit payments. Projections of the OPEB plan's fiduciary net position should incorporate all cash flows for contributions from employers and nonemployer contributing entities, if any, intended to finance benefits of current active and inactive plan members (status at the OPEB plan's fiscal year-end) and all cash flows for contributions from current active plan members. It should not include (a) cash flows for contributions from employers or nonemployer contributing entities intended to finance the service costs of future plan members or (b) cash flows for contributions from future plan members, unless those contributions are projected to exceed service costs for those plan members. In each period, contributions from employers and nonemployer contributing entities should be considered to apply, first, to service costs of plan members in the period and, second, to past service costs,

unless the effective OPEB plan terms related to contributions indicate that a different relationship between contributions to the OPEB plan from nonemployer contributing entities and service costs should be applied. Contributions from active plan members should be considered to be applied to service costs before contributions from employers and nonemployer contributing entities.

50. Professional judgment should be applied to project cash flows for contributions from employers and nonemployer contributing entities in circumstances in which (a) those contribution amounts are established by statute or contract or (b) a formal, written policy related to those contributions exists. Application of professional judgment should consider the most recent five-year contribution history of the employers and nonemployer contributing entities as a key indicator of future contributions from those sources and should reflect all other known events and conditions. In circumstances other than those described in (a) and (b), the amount of projected cash flows for contributions from employers and nonemployer contributing entities should be limited to an average of contributions from those sources over the most recent five-year period and may be modified based on consideration of subsequent events. For this purpose, the basis for the average (for example, percentage of payroll contributed or percentage of actuarially determined contributions made) should be a matter of professional judgment.

51. If the evaluations required by paragraph 49 can be made with sufficient reliability without a separate projection of cash flows into and out of the OPEB plan, alternative methods may be applied in making the evaluations.

Calculating the discount rate

52. For each future period, if the amount of the OPEB plan's fiduciary net position is projected to be greater than or equal to the benefit payments that are projected to be made in that period and OPEB plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, the actuarial present value of benefit payments projected to be made in the period should be determined using the long-term expected rate of return on those investments. The long-term expected rate of return should be based on the nature and mix of current and expected OPEB plan investments over a period representative of the expected length of time between (a) the point at which a plan member begins to provide service to the employer and (b) the point at which all benefits to the plan member have been paid. For this purpose, the long-term expected rate of return should be determined net of OPEB plan

investment expense but without reduction for OPEB plan administrative expense. The municipal bond rate discussed in paragraph 48 should be used to calculate the actuarial present value of all other benefit payments.

53. For purposes of this Statement, the discount rate is the single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the actuarial present values determined in conformity with paragraph 52.

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

54. The **entry age actuarial cost method** should be used to attribute the actuarial present value of projected benefit payments of each plan member to periods in conformity with the following:

- a. Attribution should be made on an individual plan-member-by-plan-member basis.
- b. Each plan member's service costs should be level as a percentage of that member's projected pay. For purposes of this calculation, if a member does not have projected pay, the projected inflation rate should be used in place of the projected rate of change in salary.
- c. The beginning of the attribution period should be the first period in which the member provides service under the benefit terms, notwithstanding vesting or other similar terms.
- d. The service costs of all OPEB should be attributed through all assumed ages of exit from active service.
- e. Each plan member's service costs should be determined based on the same benefit terms reflected in that member's actuarial present value of projected benefit payments.

Alternative measurement method

55. In place of an actuarial valuation, the total OPEB liability may be measured using the alternative measurement method discussed in paragraphs 56 and 57 if there are fewer than 100 plan members (active and inactive) as of the beginning of the OPEB plan's fiscal year.

56. If the alternative measurement method is used, one or more of the specific modifications discussed in this paragraph may be incorporated into application of the requirements of paragraphs 41–54:

- a. *General considerations.* Assumptions other than those specifically identified in paragraphs 41–54 might be needed depending on the benefits provided. Assumptions generally should be based on the actual experience of the covered group, to the extent that credible experience data are available, but should emphasize expected long-term future trends rather than give undue weight to recent past experience. However, grouping techniques that base the selection of assumptions on combined experience data for similar plans may be used, as discussed in subparagraph (i) of this paragraph. The reasonableness of each assumption should be considered independently based on its own merits and its consistency with each other assumption. For example, each assumption of which general inflation is a component should include the same assumption with regard to that component. In addition, consideration should be given to the reasonableness of the combined impact of all assumptions.
- b. *Expected point in time at which benefit payments will begin to be made.* The assumption should reflect past experience and future expectations for the covered group. For active plan members, the assumption may incorporate (1) a single assumed age at which benefit payments will begin to be made or (2) an assumption that benefit payments will begin to be made upon attaining a certain number of years of service.
- c. *Marital and dependency status.* These assumptions may be based on the current status of active and inactive plan members or on historical demographic data for inactive plan members.
- d. *Mortality.* The assumption should be based on current published mortality tables.
- e. *Turnover.* For purposes of allocating the present value of projected benefit payments to periods, the assumed probability that an active plan member will remain employed until the assumed age at which benefit payments will begin to be made generally should be based on the historical age-based turnover experience of the covered group, adjusted for any expected long-term future trends using the calculation method identified in paragraph 57a. However, if experience data are not available, the probability of remaining employed until the assumed age at which benefit payments will begin to be made should be assigned using the method identified in paragraph 57b.
- f. *Healthcare cost trend rate.* Assumptions about changes in healthcare cost in future periods for which benefit payments are projected should be derived from an objective source.

- g. *Use of health insurance premiums.* If experience-rated healthcare benefits are provided through premium payments to an insurer or other service provider, the OPEB plan's current premium structure may be used as the initial per capita healthcare rates for the purpose of projecting healthcare benefit payments. However, if the same premium rates are given for both active employees and inactive plan members, age-adjusted premium rates for inactive plan members should be obtained from the insurer or, if that information cannot be obtained from the insurer, age-adjusted premiums for inactive plan members should be estimated using the method identified in paragraph 57c.
- h. *Coverage options.* If the terms of an OPEB plan provide inactive plan members with coverage options, assumptions regarding coverage choices should be based on the experience of the covered group, considering differences, if any, in choices of pre- and post-Medicare-eligible plan members.
- i. *Use of grouping.* Grouping techniques may be used. One such technique is to group plan members based on common demographic characteristics (for example, plan members within a range of ages or years of service), when the obligation for each plan member in the group is expected to be similar for commonly grouped individuals. Another technique is to group OPEB plans with similar expected costs and benefits.

57. The following calculation methods and default values should be used, if applicable, to meet the requirements of (a) paragraph 56e to determine the probability that active plan members will remain employed until the expected point in time that benefit payments will begin to be made and (b) paragraph 56g to determine age-adjusted premiums for inactive plan members.

- a. For purposes of applying the requirements of paragraph 56e, if historical age-based turnover experience of the covered group is used, the following

methodology should be used to calculate the probability of remaining employed until the assumed age at which benefit payments will begin to be made:

Age	Probability of Termination in Next Year (a)	Probability of Remaining Employed for Next Year (b)	Probability of Remaining Employed from Earliest Entry Age to Beginning of Year (c)	Probability of Remaining Employed from Age Shown to Assumed Age at Which Benefit Payments Will Begin to Be Made (d)
-----	--	--	---	--

Column a: For each age (n) from the earliest entry age to assumed age at which benefit payments will begin to be made, list the age-based *probability of termination in the next year* for the covered group.

Column b: Compute the *probability at each age of remaining employed for the next year*. This value should be calculated as $1 - a$.

Column c: Set the initial value in column c to equal 1.000. For each subsequent age (n), column c values should be calculated as: $c_{(n-1)} \times b_{(n-1)}$.

Column d: For each age (n), these values should be calculated as the product of the values in column b from age n to the year prior to the assumed age at which benefit payments will begin to be made.

- b. For purposes of applying the requirements of paragraph 56e, if historical age-based turnover experience of the covered group is not used, historical age-based turnover should be derived from either:
 - (1) 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
 - (2) Data maintained by another entity, such as a public employee retirement system, which includes the covered group.
- c. For purposes of applying the requirements of paragraph 56g, when the same premiums are charged to active employees and inactive plan members and age-adjusted premium information for inactive plan members is not able to be obtained from the insurer or service provider, the following approach should be used to age-adjust premiums for purposes of projecting benefit payments:

- (1) To adjust premiums for ages under 65:
 - (a) Identify the premium charged for active and inactive employees under age 65.
 - (b) Calculate the average age of the employees to which the premium identified in step a applies.
 - (c) For each employee under age 65, identify the greater of expected age at which benefit payments will begin to be made or current age.
 - (d) Calculate the average of the ages identified in step c.
 - (e) Calculate the midpoint age between the result of step d and age 65: result of step d + $[0.5 \times (65 - \text{result of step d})]$.
 - (f) Using the results of steps b and e, calculate a factor with the following formula: $1.04^{(\text{result of step e} - \text{result of step b})}$.
 - (g) Multiply the factor identified in step f by the premium identified in step a. The result is the current-year age-adjusted premium that should be used as the basis for projecting benefit payments for ages under age 65.
- (2) To adjust premiums for ages 65 or older:¹²
 - (a) Identify the premium charged for active and inactive employees age 65 or older.
 - (b) Calculate the average age of the employees to which the premium identified in step a applies.
 - (c) For each employee (whether age pre-65 or age 65 or older), identify the greater of current age or age 65.
 - (d) Calculate the average of the ages identified in step c.
 - (e) Calculate the average life expectancy of all employees.
 - (f) Calculate the midpoint age between the result of step d and the result of step e: result of step d + $[0.5 \times (\text{result of step e} - \text{result of step d})]$.
 - (g) Using the results of steps b and f, calculate a factor with the following formula: $1.04^{(64 - \text{result of step b})} \times 1.03^{(\text{result of step f} - 64)}$ (for plans with no Medicare coordination) or $0.5 \times 1.04^{(64 - \text{result of step b})} \times 1.03^{(\text{result of step f} - 64)}$ (for plans with Medicare coordination).

¹²The procedures described in paragraph 57c(2) would be applied only in cases in which inactive employees age 65 or older are included in a single, blended premium assessed by the insurer or service provider for active and inactive employees. If separate rates are assessed for inactive employees age 65 or older, preparers would follow the steps in paragraph 57c(1) for age-adjusting blended premiums for under age 65 and would use the separately assessed premium rates (without additional age adjustment) for age 65 or older.

- (h) Multiply the factor identified in step g by the premium identified in step a. The result is the current-year age-adjusted premium that should be used as the basis for projecting benefit payments for age 65 or older.

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

58. If an OPEB plan is not administered through a trust that meets the criteria in paragraph 3, any assets accumulated for OPEB purposes should continue to be reported as assets of the employer or nonemployer contributing entity.

59. If an OPEB plan is not administered through a trust that meets the criteria in paragraph 3, a government that holds assets accumulated for OPEB purposes in a fiduciary capacity should report the assets in an agency fund. The amount of assets accumulated in excess of liabilities for benefits due to plan members and accrued investment and administrative expenses should be reported as a liability to participating employers or nonemployer contributing entities. If the agency fund is included in the financial report of an employer whose employees are provided with benefits through the OPEB plan or a nonemployer contributing entity that makes benefit payments as OPEB comes due, balances reported by the agency fund should exclude amounts that pertain to the employer or nonemployer contributing entity that reports the agency fund. Instead, those amounts should continue to be reported as required by paragraph 58.

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

60. The following information should be disclosed in notes to financial statements of a defined contribution OPEB plan that is administered through a trust that meets the criteria in paragraph 3:¹³

- a. Identification of the OPEB plan as a defined contribution OPEB plan
- b. The authority under which the OPEB plan is established or may be amended
- c. Classes of plan members covered (for example, general employees or public safety employees)
- d. The number of plan members, participating employers (if the OPEB plan is used to provide OPEB to the employees of more than one employer), and, if any, nonemployer contributing entities.

EFFECTIVE DATE AND TRANSITION

61. The requirements of this Statement are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged. Changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practical, for all prior periods presented. If restatement for prior periods is not practical, the cumulative effect, if any, of applying this Statement should be reported as a restatement of beginning net position (or fund balance or fund net position, as applicable) for the earliest period restated. In the first period that this Statement is applied, the notes to the financial statements should disclose the nature of the restatement and its effect. Also, the reason for not restating prior periods presented should be disclosed.

¹³The notes to financial statements of a defined contribution OPEB plan that is administered through a trust that meets the criteria of paragraph 3 should include all disclosures required by paragraph 60, as applicable, if the financial statements are presented in a stand-alone OPEB plan financial report or solely in the financial report of another government. If (a) a defined contribution 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 and (b) similar information is required by this Statement and Statement 75, the government should present the information in a manner that avoids unnecessary duplication.

62. In the fiscal year in which this Statement is first implemented (transition year), the 10-year schedule of information about contributions required by paragraph 36c should be presented, if applicable. OPEB plans are encouraged, but not required, to present all years of other required supplementary information retroactively. If retroactive information is not presented for the full 10 years, required supplementary information should be presented for as many years for which information measured in conformity with the requirements of this Statement is available in the transition year and until 10 years of such information is available. The schedules should not include information that is not measured in conformity with the requirements of this Statement.

**The provisions of this Statement need
not be applied to immaterial items.**

This Statement was issued by unanimous vote of the seven members of the Governmental Accounting Standards Board.

David A. Vaudt, *Chairman*
Jan I. Sylvis, *Vice-Chairman*
James E. Brown
William W. Fish
Michael H. Granof
David E. Sundstrom
Marcia L. Taylor

GLOSSARY

63. This paragraph contains definitions of certain terms *as they are used in this Statement*; the terms may have different meanings in other contexts.

Active plan members

Employees in active service that are covered under the terms of an OPEB plan.

Actuarially determined contribution

A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

Actuarial present value of projected benefit payments

Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.

Actuarial valuation

The determination, as of a point in time (the actuarial valuation date), of the service cost, total OPEB liability, and related actuarial present value of projected benefit payments for OPEB performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.

Actuarial valuation date

The date as of which an actuarial valuation is performed.

Ad hoc cost-of-living adjustments (ad hoc COLAs)

Cost-of-living adjustments that require a decision to grant by the authority responsible for making such decisions.

Ad hoc postemployment benefit changes

Postemployment benefit changes that require a decision to grant by the authority responsible for making such decisions.

Agent multiple-employer defined benefit OPEB plan (agent OPEB plan)

A multiple-employer defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of this Statement and in which OPEB plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

Allocated insurance contracts

Contracts with an insurance company under which related payments to the insurance company are currently used to purchase immediate or deferred benefits for individual plan members.

Automatic cost-of-living adjustments (automatic COLAs)

Cost-of-living adjustments that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the OPEB plan) or to another variable (such as an increase in the consumer price index).

Automatic postemployment benefit changes

Postemployment benefit changes that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the OPEB plan) or to another variable (such as an increase in the consumer price index).

Cost-of-living adjustments

Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.

Cost-sharing multiple-employer defined benefit OPEB plan (cost-sharing OPEB plan)

A multiple-employer defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of this Statement and in which the OPEB obligations to the employees of more than one employer are pooled and OPEB plan assets can be used to pay the benefits of the employees of any employer that provides OPEB through the OPEB plan.

Covered-employee payroll

The payroll of employees that are provided with OPEB through the OPEB plan.

Defined benefit OPEB

OPEB for which the benefits that the plan member will receive at or after separation from employment are defined by the benefit terms. The OPEB may be stated as (a) a specified dollar amount; (b) an amount that is calculated based on one or more factors such as age, years of service, and compensation; or (c) a type or level of coverage such as prescription drug coverage or a percentage of health insurance premiums. (OPEB that does not have all of the terms of defined contribution OPEB is classified as defined benefit OPEB for purposes of this Statement.)

Defined benefit OPEB plans

OPEB plans that are used to provide defined benefit OPEB.

Defined contribution OPEB

OPEB having terms that (a) provide an individual account for each plan member; (b) define the contributions that an employer or nonemployer contributing entity is required to make (or the credits it is required to provide) to an active plan member's account for periods in which that member renders service; and (c) provide that the OPEB 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.

Defined contribution OPEB plans

OPEB plans that are used to provide defined contribution OPEB.

Discount rate

The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:

- a. The actuarial present value of benefit payments projected to be made in future periods in which (1) the amount of the OPEB plan's fiduciary net position is projected (under the requirements of this Statement) to be greater than the benefit payments that are projected to be made in that

period and (2) OPEB plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on OPEB plan investments

- b. The actuarial present value of projected benefit payments not included in (a), calculated using 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 rating scale).

Entry age actuarial cost method

A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the *normal cost*.¹⁴ The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the *Actuarial accrued liability*.¹⁵ [This definition is from “Definitions from ASOPs [Actuarial Standards of Practice] and ACGs [Actuarial Compliance Guidelines] of the ASB [Actuarial Standards Board] (including those from current exposure drafts) March 2015.” Actuarial Standards Board, <http://www.actuarialstandardsboard.org/pdf/definitions.pdf>. Accessed on June 2, 2015. Footnotes not part of original definition.]

Healthcare cost trend rates

The rates of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Inactive plan members

Employees no longer in active service (or their beneficiaries) who have accumulated benefits under the terms of an OPEB plan.

¹⁴For purposes of application to the requirements of this Statement, the term *normal cost* is the equivalent of *service cost*.

¹⁵For purposes of application to the requirements of this Statement, the term *actuarial accrued liability* is the equivalent of *total OPEB liability*.

Insured plans

Defined benefit OPEB plans in which benefits are financed through an arrangement whereby premiums are paid or other payments are made to an insurance company while employees are in active service, in return for which the insurance company unconditionally undertakes an obligation to pay the postemployment benefits of those employees as defined in the OPEB plan terms.

Money-weighted rate of return

A method of calculating period-by-period returns on OPEB plan investments that adjusts for the changing amounts actually invested. For purposes of this Statement, the money-weighted rate of return is calculated as the internal rate of return on OPEB plan investments, net of OPEB plan investment expense.

Multiple-employer defined benefit OPEB plan

A defined benefit OPEB plan that is used to provide OPEB to the employees of more than one employer.

Net OPEB liability

The liability of employers and nonemployer contributing entities to plan members for benefits provided through a defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of this Statement.

Nonemployer contributing entities

For arrangements in which OPEB is provided through an OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of this Statement, entities that make contributions, including amounts for OPEB as the benefits come due, to an OPEB plan that is used to provide OPEB to the employees of other entities. For arrangements in which OPEB is provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 3 of this Statement, entities that make benefit payments as OPEB comes due for employees of other entities, whether directly or through the use of the entity's assets held by others for the purpose of providing OPEB. For purposes of this Statement, plan members are not considered nonemployer contributing entities.

Other postemployment benefits (OPEB)

Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.

OPEB plans

Arrangements through which OPEB is determined, assets dedicated for OPEB (if any) are accumulated and managed, and benefits are paid as they come due.

Pension plan

An arrangement through which pensions are determined, assets dedicated for pensions (if any) are accumulated and managed, and benefits are paid as they come due.

Pensions

Retirement income and, if provided through a pension plan, postemployment benefits other than retirement income (such as death benefits, life insurance, and disability benefits). Pensions do not include postemployment healthcare benefits and termination benefits.

Plan members

Employees (or their beneficiaries) that are covered under the terms of an OPEB plan.

Postemployment

The period after employment.

Postemployment benefit changes

Adjustments to the OPEB of an inactive plan member.

Postemployment healthcare benefits

Medical, dental, vision, hearing, and other health-related benefits paid subsequent to the termination of employment.

Projected benefit payments

All benefits (including refunds of plan member contributions) estimated to be payable through the OPEB plan (including amounts to be paid by employers or nonemployer contributing entities as the benefits come due) to current active and inactive plan members as a result of their past service and their expected future service.

Real rate of return

The rate of return on an investment after adjustment to eliminate inflation.

Separately financed specific liabilities to the OPEB plan

Specific contractual liabilities to a defined benefit OPEB plan for one-time assessments to an individual employer or nonemployer contributing entity of amounts resulting from, for example, (a) increases in the total OPEB liability due to an individual employer joining an OPEB plan or changes of benefit terms specific to an individual employer or (b) a contractual commitment for a nonemployer contributing entity to make a one-time contribution for purposes of reducing the net OPEB liability. The term *separately financed* is used to differentiate those payables to the OPEB plan from payables to the OPEB plan that originate from the portion(s) of the total OPEB liability that is pooled by two or more employers (or by a single, agent, or cost-sharing employer and a nonemployer contributing entity in a **special funding situation**) for financing purposes. Payables to the OPEB plan for unpaid (legal, contractual, or statutory) financing obligations associated with the pooled portion of the total OPEB liability are not considered to be separately financed specific liabilities, even if separate payment terms have been established for those payables.

Service cost

The portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.

Single-employer defined benefit OPEB plan (single-employer OPEB plan)

A defined benefit OPEB plan that is used to provide OPEB to employees of only one employer.

Special funding situation

Circumstances in which a nonemployer entity is legally responsible for making contributions, including amounts for OPEB as the benefits come due, directly to an OPEB plan that is used to provide OPEB to the employees of another entity or entities and either of the following criteria is met:

- a. The amount of contributions for which the nonemployer contributing entity legally is responsible is *not* dependent on one or more events or circumstances unrelated to OPEB.
- b. The nonemployer contributing entity is the only entity with a legal obligation to make contributions directly to an OPEB plan.

Stand-alone OPEB plan financial report

A report that contains the financial statements of an OPEB plan and is issued by the OPEB plan or by the public employee retirement system that administers the OPEB plan. The term *stand-alone* is used to distinguish such a financial report from OPEB plan financial statements that are included as an OPEB trust fund of another government.

Termination benefits

Inducements offered by employers to active employees to hasten the termination of services, or payments made in consequence of the early termination of services. Termination benefits include early retirement incentives, severance benefits, and other termination-related benefits.

Total OPEB liability

The portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service in conformity with the requirements of this Statement. The total OPEB liability is the liability of employers and nonemployer contributing entities to plan members for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 3 of this Statement.

Appendix A

BACKGROUND

A1. This Statement was preceded by Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which was issued in April 2004 and was effective one year prior to the effective date of the related Statement, Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the governmental employer in a single-employer plan or for the largest participating employer in a multiple-employer plan. The requirements of Statement 45 were effective in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999, using the same criteria as was used previously for phased implementation of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, starting for periods beginning after December 15, 2006.

A2. The approach taken in the development of Statements 43 and 45 was to apply the requirements for financial reporting for pension plans and accounting and financial reporting for pensions established in Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, respectively, with adaptations only as necessary to accommodate differences between pensions and OPEB. The use of that approach allowed for the adoption of a common overall accounting and financial reporting model applicable to all postemployment benefits (pensions and OPEB). That model continued in effect until Statement 25 was amended by Statement No. 67, *Financial Reporting for Pension Plans*, in June 2012. Statement 67 became effective for fiscal years beginning after June 15, 2013.

A3. Statement 67 and its companion Statement—Statement No. 68, *Accounting and Financial Reporting for Pensions*, which amended Statement 27—were the result of a comprehensive review of postemployment benefit accounting and financial reporting. Since the issuance of Statements 25 and 43, significant work was completed on the GASB's conceptual framework. Concepts Statement No. 3, *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements*, issued in April 2005, and Concepts Statement No. 4, *Elements of Financial Statements*, issued in June 2007, are particularly significant for considering pension and OPEB accounting

and financial reporting issues. Concepts Statement 3 established criteria for selecting the appropriate method of communication for items of reportable financial information—recognition in basic financial statements, disclosure in notes to basic financial statements, or presentation as required supplementary information or supplementary information. Concepts Statement 4 established definitions and identified characteristics of elements of financial statements, such as assets and liabilities.

A4. Consistent with the GASB's commitment to periodically reexamine its standards, in January 2006, the Board approved research activities to gather information regarding how effective Statements 25 and 27 had been in meeting financial reporting objectives and to determine whether improvements were needed. As a result of issues identified in the research project and changes in the GASB's conceptual framework, the Board added a project on postemployment benefit accounting and financial reporting to the GASB's current technical agenda in April 2008. The first phase of that project focused on issues related to pensions that are administered through trusts that meet specified criteria, with the intent that any changes to the pension accounting and financial reporting approach subsequently would be considered in relation to OPEB and pensions that are not administered through trusts that meet specified criteria. As previously discussed, in June 2012, the GASB approved Statements 67 and 68, which concluded the first phase of the postemployment benefit accounting and financial reporting project.

A5. In April 2011, the second phase of the postemployment benefit accounting and financial reporting project was added to the GASB's current technical agenda to consider issues related to OPEB plans and OPEB, as well as issues related to pension plans and pensions that are not within the scope of Statement 67 or Statement 68. Specific research activities were performed to gather information about the nature of OPEB provided by state and local governments, as well as information about application of the alternative measurement method that was provided for in Statements 43 and 45. Board deliberation of project issues began in July 2012.

A6. The Board assembled a task force for the project that was broadly representative of the GASB's stakeholders. The task force members were provided with papers prepared for the Board's deliberations and drafts of this Statement for review and comment. In addition, further input was sought from the members of the Governmental Accounting Standards Advisory Council at its meetings.

A7. In May 2014, the Board issued an Exposure Draft, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The Board received 30 different responses to the Exposure Draft from organizations and individuals. In addition, the Board received testimony from, and had the opportunity to further explore the views of, 22 individuals or groups at 3 public hearings held to obtain feedback on the Exposure Draft and on the related Exposure Drafts, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and *Accounting and Financial Reporting for Pensions and Financial Reporting for Pension Plans That Are Not Administered through Trusts That Meet Specified Criteria, and Amendments to Certain Provisions of GASB Statements 67 and 68*. As discussed throughout Appendix B, comments and suggestions from these sources contributed to the Board's deliberations in developing the requirements of this Statement and the related Statements.

Appendix B

BASIS FOR CONCLUSIONS

Introduction

B1. This appendix summarizes factors considered significant by Board members in reaching the conclusions in this Statement. It includes discussion of the alternatives considered and the Board's reasons for accepting some and rejecting others. Individual Board members may have given greater weight to some factors than to others.

B2. The reexamination project that led to the issuance of this Statement included consideration of issues related to financial reporting by governmental OPEB plans, as well as those related to accounting and financial reporting by governmental employers whose employees are provided with OPEB and by governmental nonemployer entities that are responsible for contributions to OPEB plans. Because of the relationships among OPEB plans, employers, and nonemployer contributing entities, the Board has given joint consideration to this Statement and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Board believes that consistency in the measurement and disclosure of OPEB information reported by all governments associated with OPEB transactions will enhance the understandability and usefulness of OPEB information to users of governmental financial reports. Therefore, many of the measurement and disclosure requirements of the two Statements are the same or closely related.

Overview

B3. As noted in Appendix A, the accounting and financial reporting guidance for OPEB plans that this Statement supersedes is based on prior guidance for accounting and financial reporting for pension plans that has since been amended. The Board continues to believe that OPEB generally is similar in nature to pensions in that both are part of the transaction in which compensation, including OPEB and pensions, is offered by employers in exchange for services provided by employees and that plans that are used to provide OPEB function in a similar manner as plans that are used to provide pensions. Therefore, the Board has followed the same general approach to financial

reporting for OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of this Statement as was required in Statement 67 for pension plans that are administered through trusts that meet the same criteria. That approach generally reflects an overall decision of the Board to carry forward (without detailed reexamination) the basic accounting and financial reporting model for fiduciary activities from Statement 34. As applied in this Statement, that model focuses on the recognition and disclosure of information essential to assessing the accountability of those that have a fiduciary responsibility for holding and managing OPEB plan resources. The decision to continue to apply the fiduciary model is discussed in more detail in paragraphs B13–B15.

B4. Similar to recognition of liabilities to plan members for pensions by a pension plan administered through a trust that meets the specified criteria, the Board determined that the event that creates a present obligation of the OPEB plan to sacrifice resources is the occurrence of the date that a benefit payment is due to a plan member. As a result, this Statement carries forward the requirement from Statement 43 that defined benefit OPEB plans recognize a liability to plan members for OPEB in the amount of benefits due and payable. The decision to continue this requirement is discussed in more detail in paragraphs B17 and B18.

B5. In addition, because accountability within the context of the fiduciary role of a defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of this Statement includes the effective use of assets to generate additional resources, this Statement establishes recognition and disclosure requirements related to assets held in trust and managed by the OPEB plan, with detailed requirements related to investment policies and performance. Factors considered with regard to investment-related requirements of this Statement are discussed in more detail in paragraphs B20 and B29–B31. In addition, the Board concluded that information about the total OPEB liability—for which the assets of a defined benefit OPEB plan are restricted—is essential to understanding the fiduciary activities of a single-employer or cost-sharing OPEB plan. Therefore, this Statement requires single-employer and cost-sharing OPEB plans that are administered through trusts that meet the criteria in paragraph 3 to disclose summary information in notes to financial statements about the OPEB liability of employers and nonemployer contributing entities to plan members for benefits provided through the OPEB plan (net OPEB liability). Similar information is not required to be disclosed by agent OPEB plans. The Board's view regarding presentation and measurement of this information is discussed in more detail in paragraphs B32–B49. This Statement also requires

single-employer and cost-sharing OPEB plans that are administered through trusts that meet the criteria in paragraph 3 to present schedules of required supplementary information, including schedules that present details of sources of changes in the net OPEB liability and, in certain circumstances, information about employer and nonemployer contributing entity contributions to such OPEB plans. Those requirements result from the Board's conclusion that such information is essential to providing context for the fiduciary activities of those OPEB plans. Considerations related to those requirements are discussed in more detail in paragraphs B37–B40.

Scope and Applicability

B6. This Statement establishes financial reporting requirements for both defined benefit OPEB plans and defined contribution OPEB plans that are administered through trusts that meet the criteria in paragraph 3, as well as for assets that are accumulated for purposes of providing OPEB through defined benefit OPEB plans that are not administered through trusts that meet those criteria. Those criteria are the same as the criteria established in Statement 67 for defined benefit pension plans and defined contribution pension plans and are based on the criteria established for OPEB plans in Statement 43. The criteria reflect the Board's conclusion that it would be misleading to report resources over which an employer retains some level of control and, therefore, could be used for other purposes, as assets restricted to pay OPEB.

B7. For OPEB plans that are administered through trusts that meet the criteria in paragraph 3, this Statement classifies defined benefit OPEB plans as single-employer, agent, or cost-sharing. Similar to the Board's conclusions in Statement 67 in relation to information in financial reports of pension plans that are within the scope of that Statement, the Board believes that the needs of users of the financial statements of all three types of OPEB plans generally are similar. Therefore, the requirements of this Statement related to all three types of defined benefit OPEB plans also generally are similar. As was done in Statement 67, an exception was made in this Statement for the presentation of aggregated information about the OPEB liabilities of agent employers in notes to financial statements and required supplementary information of agent OPEB plans. That exception is discussed in more detail in paragraphs B35 and B36.

B8. This Statement carries forward from Statement 43 the requirement that governments that hold assets in a fiduciary capacity for purposes of providing OPEB through defined benefit OPEB plans that are not administered through

trusts that meet the criteria in paragraph 3 report those assets in agency funds in external financial reports. This Statement also establishes financial reporting requirements for employer and nonemployer contributing entity reporting of 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. These decisions are discussed in more detail in paragraphs B50–B52.

B9. This Statement establishes disclosure requirements for defined contribution OPEB plans that are administered through trusts that meet the criteria in paragraph 3. Considerations related to those defined contribution OPEB plans are discussed in more detail in paragraphs B53 and B54.

Definition of OPEB Plan

B10. For financial reporting purposes, this Statement establishes a definition of the term *OPEB plan* that is similar to the definition of the term *pension plan* in Statement 67. Prior to this Statement, no formal definition had existed for the term *OPEB plan*, and the term has been used in different ways in different contexts. For example, the general arrangement for OPEB between an employer and its employees has been referred to as an OPEB plan. In other contexts, the term *OPEB plan* has referred to the trust or other fund through which OPEB is provided. The definition established for use in this Statement and Statement 75 clarifies that the term describes the arrangement through which OPEB is determined; assets dedicated for OPEB, if any, are accumulated and managed; and benefits are paid as they become due to plan members.

B11. The primary implication of the definition of OPEB plan established in this Statement is that the reporting required by OPEB plans administered through trusts that meet the criteria in paragraph 3 includes reporting of plan activities that are undertaken directly by an employer or nonemployer contributing entity, as well as those activities that involve trust assets. For example, for an OPEB plan in which assets are accumulated in a trust that meets the criteria in paragraph 3, if benefit payments for OPEB are made by the employer as the benefits come due, this Statement requires the OPEB plan to report the amounts paid by the employer as contributions and benefit payments, even if the employer will not be reimbursed by the OPEB plan trust for those payments.

B12. An additional implication of the definition of OPEB plan established in this Statement is that the requirements of this Statement for OPEB plan reporting are intended to be applicable to governmental entities that meet the definition of an OPEB plan and governments that have fiduciary responsibility for the OPEB plan. Comments received from some respondents to the Exposure Draft indicated that there is confusion about the distinction between an OPEB plan and the trust through which the plan may be administered. As a result, this Statement includes language in the scope and applicability section to clarify that its requirements apply only to those entities that have all of the characteristics of an OPEB plan, as defined in this Statement.

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

Financial Reporting Objectives

B13. The Board believes that internal and external users of OPEB plan financial statements primarily include (a) the plan members and their representatives; (b) legislative and executive officials of the OPEB plan sponsor, participating employers, nonemployer contributing entities, and agencies with OPEB plan oversight responsibilities; (c) the OPEB plan's board of trustees or other governing body; (d) municipal analysts; and (e) citizens.

B14. As noted earlier, the Board concluded that issues related to OPEB plan financial reporting are similar to issues related to pension plan reporting. Therefore, the Board decided to address issues related to OPEB plan financial reporting within the existing fiduciary reporting framework, as was done for pension plan financial reporting in Statement 67. As a result, this Statement reflects a continuation of a financial reporting approach that is intended to provide the primary users of OPEB plan financial statements with information that is useful in assessing (a) the stewardship of OPEB plan resources and the ongoing ability of the OPEB plan to pay benefits when due, (b) the results of the OPEB plan's fiduciary operations, and (c) compliance with finance-related statutory, regulatory, and contractual requirements.

B15. To accomplish those objectives, the Board concluded that the financial report of a defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 3 should provide the same information that was required to be presented by defined benefit pension plans that are within the

scope of Statement 67. That includes information about assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position of the OPEB plan, as applicable, as well as period-to-period changes in the OPEB plan's fiduciary net position and disclosures about the OPEB plan's activities that are essential to determining how the fiduciary responsibilities of the trustees and administrators have been discharged. In addition, the Board concluded that financial reports of defined benefit OPEB plans should contain information about trends that allow the user to place information in the financial statements in appropriate historical and economic context.

General Approach to Developing Financial Reporting Standards

B16. The requirements of this Statement are not intended to present a comprehensive reporting model for defined benefit OPEB plans. Similar to the decision made by the Board in relation to establishing requirements in Statement 67 for defined benefit pension plans, the Board considered it impractical for this Statement to present a comprehensive reporting model specific to defined benefit OPEB plans. Therefore, this Statement excludes requirements that are general and for which guidance is provided in other authoritative accounting and financial reporting literature. This Statement includes only requirements specific to defined benefit OPEB plans (for example, requirements related to the display of information in the OPEB plan's statement of fiduciary net position and statement of changes in fiduciary net position, and note disclosures about the net OPEB liability and investment returns on OPEB plan assets). That approach resulted in the omission from this Statement of some requirements that were included in Statement 43—for example, requirements related to accounting for assets used in OPEB plan operations, which are addressed in general requirements related to accounting for and reporting capital assets; certain requirements related to reporting investments, which are addressed in Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended, and were made applicable to defined benefit OPEB plans by Statement No. 72, *Fair Value Measurement and Application*; and certain note disclosure requirements that were repetitive of similar requirements in other authoritative pronouncements. Those requirements in other authoritative pronouncements remain in effect for OPEB plans.

Statement of Fiduciary Net Position

Benefit Liability Recognition

B17. For defined benefit OPEB plans, this Statement carries forward the requirement of Statement 43 to recognize liabilities to plan members to the extent that benefits are currently due and payable, based on the current fiduciary model. As discussed in Appendix A, subsequent to the issuance of Statement 43, the Board established definitions for elements of financial statements of state and local governments, which apply to OPEB plans of state and local governments. Concepts Statement 4 defines liabilities as “present obligations to sacrifice resources that the government has little or no discretion to avoid” (paragraph 17). Because of the ultimate purpose for which an OPEB plan is created—payment of OPEB as the benefits come due—an OPEB plan has an obligation related to OPEB. However, for that obligation also to be considered a liability and recognized in the statement of fiduciary net position, it also is required to be a present obligation—a condition that requires that the event creating the liability has taken place.

B18. Some respondents to the Exposure Draft disagreed that liabilities of an OPEB plan for benefits should be limited to those liabilities that are due and payable. Similar to views expressed to the Board related to recognition of benefit liabilities by pension plans prior to the issuance of Statement 67, some respondents believe that an OPEB plan’s liability for benefits should be a measure of the accrued benefit obligation because the OPEB plan would have “little or no discretion to avoid” making the benefit payments. Within the context of the current model used for fiduciary fund reporting, the Board concluded that the event that makes a portion of the obligation for OPEB a present obligation, and therefore a liability, of the OPEB plan is the occurrence of the date that a benefit payment is owed to a plan member.

Receivables

B19. Under the requirements of Statement 43, OPEB plans are required to recognize receivables for contributions pursuant to formal commitments to contribute to the OPEB plan, as well as for those resulting from statutory or contractual contribution requirements. In this Statement, recognition of contributions receivable by OPEB plans is limited to receivables that are due pursuant to legal requirements, consistent with the definition of an asset in Concepts Statement 4, which was issued subsequent to Statement 43. Concepts State-

ment 4 defines assets as “resources with present service capacity that the government presently controls” (paragraph 8). Similar to receivable recognition requirements for pension plans under the requirements of Statement 67, the Board proposed in the Exposure Draft that balances related to formal commitments do not meet the definition of an asset because employers or nonemployer contributing entities do not have a requirement to make the contributions to the OPEB plan. Some respondents to the Exposure Draft expressed concern with the determination of whether contributions are due pursuant to legal requirements. Those respondents requested that the Board provide additional guidance to assist in understanding when contributions would meet this recognition threshold. The Board concluded that *due pursuant to legal requirements* appropriately captures the Board’s intent to broadly describe circumstances in which the OPEB plan has a legally enforceable right to the resources that are due it. Therefore, the Board concluded that additional guidance for determining whether a contribution is due pursuant to legal requirements should not be included in this Statement.

Investments

B20. The Exposure Draft carried forward from Statement 43 the requirement for OPEB plans to report investments generally at fair value. The Board continues to believe that OPEB plan financial statements should focus on providing information to assess accountability for the resources held and managed by the OPEB plan and concluded that fair value measures support that objective. However, subsequent to the issuance of the Exposure Draft, Statement 72 was issued. That Statement provides guidance for determining a fair value measurement for financial reporting purposes, applying fair value to certain investments, and disclosing information related to all fair value measurements, including those made by defined benefit OPEB plans. Consistent with the decision to address only requirements specific to OPEB plans in this Statement, requirements related to reporting investments, including those associated with reporting investments at fair value, generally are not included in this Statement.

Deferred Outflows of Resources and Deferred Inflows of Resources

B21. Some respondents to the Exposure Draft questioned the requirement to include deferred outflows of resources and deferred inflows of resources in an OPEB plan’s statement of fiduciary net position. Those respondents noted that

no OPEB plan-specific transactions have been identified for which reporting deferred outflows of resources or deferred inflows of resources are required. The Board believes that, although no transaction specific to OPEB plans has yet been identified, establishment of requirements related to the presentation of an OPEB plan's statement of fiduciary net position is consistent with the approach applied in this Statement. Therefore, the Board believes identification in this Statement of deferred outflows of resources and deferred inflows of resources as financial statement elements in an OPEB plan's statement of fiduciary net position is appropriate.

Statement of Changes in Fiduciary Net Position

Benefit Payments

B22. The Exposure Draft proposed that an OPEB plan that is administered through a trust that meets the criteria in paragraph 3 not report amounts paid by inactive plan members as deductions in the statement of changes in fiduciary net position. For example, benefit payments might be defined as partial payment by the employer of annual healthcare costs, with the inactive employee required to pay the healthcare costs in excess of the employer's payments. Some respondents to the Exposure Draft questioned whether those amounts should be included as benefit payments in the OPEB plan's statement of changes in fiduciary net position. The Board believes that amounts paid by inactive plan members are not part of the benefits provided to plan members. Therefore, those amounts are excluded from the projection of benefit payments in the measurement of the total OPEB liability by requiring projected benefit payments to consider the established pattern of practice with regard to the sharing of benefit-related costs with inactive plan members. Consistent with that requirement, amounts reported as benefit payments in the statement of changes in fiduciary net position should not include amounts paid by inactive plan members. Similarly, amounts reported as additions from contributions do not include amounts paid by inactive plan members that are receiving benefits.

B23. Other respondents to the Exposure Draft questioned whether the statement of changes in fiduciary net position of an OPEB plan that is administered through a trust that meets the criteria in paragraph 3 should include deductions for amounts that were paid by the employer as a result of the employer paying a health insurance premium that was not age-adjusted—an amount sometimes referred to as an *implicit rate subsidy*. Those respondents requested an explicit statement that such amounts be reported as benefit payments in the OPEB

plan's statement of changes in fiduciary net position. The Board believes that the requirement to measure the total OPEB liability using projected benefit payments based on claims costs, or age-adjusted premiums approximating claims costs, classifies such amounts as benefit payments and, therefore, repetition of that classification in the requirements for presentation of the OPEB plan's statement of changes in fiduciary net position is not necessary.

B24. Some respondents to the Exposure Draft disagreed with the requirement that dividends from allocated insurance contracts be reported by OPEB plans as a reduction of benefit payments recognized in the period. Those respondents believe that the use of allocated insurance contracts does not substantively change the underlying obligation for benefits and, therefore, the amount of benefit payments reported would be understated. The Board believes that when the primary obligation for providing the OPEB covered under the contract is transferred to the insurer and the insurance contracts are excluded from the OPEB plan's assets, the employer no longer has an obligation for OPEB that meets the definition of a liability in Concepts Statement 4. Therefore, the use of allocated insurance contracts to satisfy the obligation for OPEB does substantively change the nature of the obligation for benefits, and the Board affirmed that the requirements in the Exposure Draft should be carried forward.

Notes to Financial Statements and Required Supplementary Information

B25. As described in Appendix A, subsequent to the issuance of Statement 43, the Board completed the conceptual framework project on methods of communication with the issuance of Concepts Statement 3. Concepts Statement 3 provides specific guidance for the Board in evaluating what information should be presented as notes to financial statements and what information should be presented as required supplementary information.

B26. Paragraph 31 of Concepts Statement 3 states that a financial statement "displays either (a) the financial position of the reporting unit (that is, the group of activities covered by the financial statement) at a moment in time or (b) inflows and outflows of resources from transactions or other events during

a period of time” (footnote omitted). Paragraph 36 of Concepts Statement 3 explains the role of notes to financial statements as follows:

Notes have a clear and demonstrable relationship to information in the financial statements to which they pertain and are essential to a user’s understanding of those financial statements. In this context, “essential to a user’s understanding” means so important as to be indispensable to a user (a) with a reasonable understanding of government and public finance activities and of the fundamentals of governmental financial reporting and (b) with a willingness to study the information with reasonable diligence. The use of professional judgment may be necessary for making a determination about whether an item of information is “essential to a user’s understanding.”

Concepts Statement 3 also describes information reported in basic financial statements or notes to basic financial statements as “essential for communicating with users the financial position or inflows and outflows of resources of the reporting unit in conformity with generally accepted accounting principles” (paragraph 39). In addition, Concepts Statement 3 states required supplementary information is “supporting information that the GASB has concluded is essential for placing basic financial statements and notes to basic financial statements in an appropriate operational, economic, or historical context” (paragraph 42).

B27. The Board reviewed the requirements for note disclosures and required supplementary information in Statement 67 for defined benefit pension plans and considered their applicability to defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 with respect to the guidance in Concepts Statement 3. In comparison to Statement 43, new requirements for information that the Board concluded to be essential to a user’s understanding of an OPEB plan’s financial statements have been included in this Statement. Certain other requirements (for example, funding-based measures of OPEB plan assets relative to employer liabilities) have been omitted because the Board evaluated the information and concluded that it did not have the characteristics discussed in Concepts Statement 3 relative to the information that this Statement requires to be included in basic financial statements. Paragraphs B28–B43 discuss in more detail certain information considered for inclusion in note disclosures and in schedules of required supplementary information.

Composition of the OPEB Plan's Board

B28. This Statement requires OPEB plans that are administered through trusts that meet the criteria in paragraph 3 to disclose information about the OPEB plan's board and its composition. Some respondents questioned whether this information is essential to understanding the information in the OPEB plan's financial statements. The Board noted that this requirement is based on a similar requirement in Statement 67, which was suggested by stakeholders during the project that led to that Statement. At that time, and again with regard to the requirements of this Statement, the Board concluded that the information provided by this requirement would be essential to understanding the entity to which the financial statements pertain and is consistent with the intent of required disclosures of general information about a defined benefit OPEB plan.

Concentrations of Investments

B29. This Statement requires that OPEB plans that are administered through trusts that meet the criteria in paragraph 3 disclose investments (other than those issued or guaranteed by the U.S. government) in any one organization that equate to 5 percent or more of fiduciary net position. Statement No. 40, *Deposit and Investment Risk Disclosures*, requires governments to disclose 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—that represent 5 percent or more of fiduciary net position. However, because OPEB plans generally tend to invest a higher percentage of their portfolios in equities than do general governments, the Board believes that it is appropriate to require disclosure of concentrations of investments, which is a broader notion.

Rates of Return on Investments

B30. Similar to the requirements for defined benefit pension plans under Statement 67, this Statement establishes a requirement that the financial reports of defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 include certain information about the rate of return on OPEB plan investments, net of OPEB investment expense. As with notes to financial statements, the Board concluded that this information is essential to understanding investment performance and, therefore, is essential for assessing stewardship responsibility of the OPEB plan. As required supplementary information, the Board concluded that actual annual rates of return are

essential for providing historical and economic context about the amount of investment earnings reported in the OPEB plan's statement of changes in fiduciary net position. OPEB plans generally invest in a portfolio designed in accordance with a long-term investment strategy. Rates of return for a single year should be considered in the context of the rates of return that have been earned over time. After observing the variability of rates of return over various periods, the Board was persuaded that 10 years of annual rates would provide an appropriate context for a rate of return of an individual year.

B31. Under Statement 67, defined benefit pension plans are required to present information about money-weighted rates of return. In this Statement, the Board established a similar requirement for defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3. A money-weighted rate of return provides information about the actual performance of the OPEB plan's investment portfolio because it takes into account the timing of effects of transactions that increase the amount of OPEB investments (such as contributions from employers, nonemployer contributing entities, and plan members) and those that decrease the amount of OPEB plan investments (such as benefit payments). Additionally, the money-weighted rate of return provides information that is comparable to the long-term expected rate of return on OPEB plan investments, which is used in calculating information presented in other disclosures.

Information about the Net OPEB Liability

B32. Because assets accumulated in a defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 3 cannot be used for purposes other than those related to the provision of OPEB to plan members, the Board concluded that information about the magnitude of the total OPEB liability for which assets are being accumulated is essential to understanding the balance of fiduciary net position reported by the OPEB plan. The Board believes that without this information, the balance of the OPEB plan's fiduciary net position potentially would be misleading. Therefore, this Statement requires that single-employer and cost-sharing OPEB plans disclose the components of the net OPEB liability as of the OPEB plan's fiscal year-end and the OPEB plan's fiduciary net position as a percentage of the total OPEB liability as of that date. In addition, because measurement of the net OPEB liability necessarily involves assumptions about future events, the Board concluded that significant assumptions used to measure the total OPEB liability also should be disclosed.

B33. In the Exposure Draft, the Board proposed additional detail about the specific assumptions and other inputs used in determining the net OPEB liability because of the significant effect that those assumptions and inputs have on the measurement of the net OPEB liability. The Board believes that information about the sensitivity of the net OPEB liability to two of the assumptions and other inputs used in its measurement—the discount rate and the healthcare cost trend rate—is essential because of the potentially significant effect those assumptions have on the results of the measurements. Therefore, the Board proposed in the Exposure Draft that information about the sensitivity of the net OPEB liability be communicated through disclosure of nine combinations of the following rates: the discount rate and the assumed healthcare cost trend rate used to measure the total OPEB liability and a 1-percentage-point increase and a 1-percentage-point decrease in each of those rates.

B34. Some respondents to the Exposure Draft expressed concern with the confusion that they believe would result regarding what amount is the appropriate amount to consider as the net OPEB liability when the measurement of that liability is disclosed using nine different combinations of assumptions and other inputs. Other respondents indicated that they believe the costs of measuring, presenting, and auditing nine different measurements would be greater than the benefits of the information to a user of the financial statements. Respondents who disagreed with the disclosure proposed a variety of alternatives they believe would provide similar information. After consideration of the views expressed by the respondents, the Board concluded that there would not be a significant loss of essential information if the sensitivity of the OPEB liability to changes in each of the rates is provided without consideration of the combined effects of changes in those rates. Therefore, this Statement requires OPEB plans to disclose two separate sensitivity disclosures by presenting (a) the net OPEB liability determined with a 1-percentage-point increase and a 1-percentage-point decrease in the discount rate and (b) the net OPEB liability determined with a 1-percentage-point increase and a 1-percentage-point decrease in the assumed healthcare cost trend rate.

Net OPEB Liabilities of Agent Plans

B35. Similar to the provisions for agent pension plans under Statement 67, this Statement does not require disclosure of aggregated information about the net OPEB liabilities of individual agent employers. The Board concluded that the potential relative benefit of plan-level aggregated information about net OPEB liabilities of individual agent employers is lower than for similar information

about liabilities of employers in single-employer and cost-sharing OPEB plans because the relationship between the total OPEB liability associated with each individual employer and the portion of the fiduciary net position of the OPEB plan associated with that employer is obscured.

B36. With regard to the presentation of multi-year information about the net OPEB liability as required supplementary information, the Board concluded that information about the components of the net OPEB liability and related information presented for each of the most recent 10 years would provide economic context regarding an amount in the OPEB plan's financial statements—the balance of the OPEB plan's fiduciary net position—as well as historical context for the OPEB plan's fiduciary net position relative to the total OPEB liability. Similar to the single-period note disclosure requirements for the same information, the Board concluded that aggregated information about the net OPEB liabilities of individual agent employers is not as relevant as similar information would be for single-employer and cost-sharing OPEB plans. Therefore, this requirement similarly has been limited to single-employer and cost-sharing OPEB plans.

Information about Changes in the Net OPEB Liability

B37. This Statement requires that a 10-year schedule of changes in the net OPEB liability be presented as required supplementary information by single-employer and cost-sharing OPEB plans. This schedule presents detailed information about the OPEB liabilities for which the OPEB plan's assets are held and managed. As such, the Board concluded that the information in this schedule is essential for providing historical and economic context for the balance of fiduciary net position reported in the OPEB plan's financial statements. For the same reasons identified in paragraphs B35 and B36, the Board concluded that this requirement for presentation of detailed information about changes in the net OPEB liability should apply only to single-employer and cost-sharing OPEB plans.

Information about Actuarially Determined Contributions

B38. Statement 43 requires that OPEB plans present a schedule of employer contributions as required supplementary information. The employer contributions reported in that schedule are presented in comparison to an annual required contribution, for which calculation requirements are established in Statement 43. In this Statement and in Statement 75, the Board has removed

the specific link between (a) the accounting measures of the net OPEB liability and (b) the actuarially determined funding-based measures. (The Board's reasons for establishing that approach are discussed in Appendix B of Statement 75.) However, the Board concluded that, in circumstances in which an actuarially determined contribution is established, a 10-year schedule providing information about the actuarially determined contribution amount, contributions recognized by the OPEB plan related to the actuarially determined contribution amount, and certain ratios is essential for providing historical and economic context for the amount of contributions reported as additions to the OPEB plan's fiduciary net position. Therefore, this information should be presented as required supplementary information. The detail of contributions in relation to actuarially determined rates over a 10-year period provides historical context for the amount of contributions in the current period. Information about actuarially determined contributions (and, for cost-sharing OPEB plans, statutorily or contractually required contributions), as well as covered-employee payroll, provides economic context for the amounts of contributions reported.

B39. As previously discussed with regard to other information aggregated for all employers whose employees are provided with benefits through an agent OPEB plan, the Board concluded that aggregated information about contributions to agent OPEB plans has limited decision utility because the pattern of contributions to each individual agent employer's OPEB plan would be obscured if the plan-level aggregated amounts were reported. Consequently, this Statement does not require information about contributions to be presented in required supplementary information by agent OPEB plans.

Ten-Year Schedules

B40. The provisions of earlier standards include a requirement to present required supplementary information about (funding-based) funded status and employer contributions for three actuarial valuations. The number of years spanned by that information varies from three to seven depending upon the frequency with which actuarial valuations are obtained—that is, annually, biennially, or triennially. From research performed in relation to the development of Statement 67, the Board received feedback from some stakeholders that, if the intent of required supplementary information is to provide historical context, information covering additional years is needed. To provide information that is essential to understanding trends and to placing the OPEB information reported for the current period into historical perspective, this Statement requires that all schedules of required supplementary information for OPEB plans

present information for 10 years. The Board concluded that a period of 10 years will provide information to identify some cyclical factors and other trends in the information without resulting in an overly burdensome presentation.

Respondent-Requested Presentations

B41. Some respondents to the Exposure Draft suggested that this Statement require information that would facilitate OPEB accounting and financial reporting by employers and governmental nonemployer contributing entities participating in agent and cost-sharing OPEB plans. Specifically, those respondents suggested that information about (a) each individual agent employer's amount of the agent OPEB plan's fiduciary net position and (b) each individual cost-sharing employer's proportionate share of the net OPEB liability for benefits provided through the OPEB plan be required to be presented as a basic financial statement, in notes to financial statements, or as required supplementary information by agent OPEB plans and cost-sharing OPEB plans, respectively. Those respondents believe that presentation of this information in OPEB plan financial reports both would facilitate the availability of the information for use in accounting and financial reporting by applicable employers and would, to varying degrees, address some of the audit-related issues associated with the presentation of those balances and proportions in employer financial reports.

B42. The Board evaluated this proposal in the context of Concepts Statement 3 and the definitions of basic financial statements, notes to basic financial statements, and required supplementary information. (Descriptions of the role of financial statements, notes to financial statements, and required supplementary information are included in paragraph B26 of this Statement.) Similar to the decision the Board made in relation to not requiring these schedules for pension plans in Statement 67, the Board concluded that the requested schedules do not meet the criteria that identify a basic financial statement because they do not display either the financial position of a reporting unit at a moment in time or inflows and outflows of resources from transactions or other events during a period of time. In the Board's view, those schedules do not meet the definition for notes to financial statements because the information does not relate to understanding the OPEB plan's financial position or inflows and outflows of resources. Rather, the information relates to the employers whose employees are provided with benefits through the OPEB plan or to nonemployer contributing entities. The Board also determined that the information in those schedules does not meet the definition of required supplementary information because it does not place the OPEB plan's basic financial statements and notes

to basic financial statements in an appropriate operational, economic, or historical context. Rather, the information is about the employers whose employees are provided with OPEB through the OPEB plan or nonemployer contributing entities that are required to contribute to the plan. Consequently, the Board concluded that the requirements proposed by the respondents are not consistent with the GASB's conceptual framework with respect to communication methods.

B43. Nevertheless, the Board recognizes that (a) the information included in those schedules is needed by employers and governmental nonemployer contributing entities that participate in agent or cost-sharing OPEB plans in order to apply the accounting and financial reporting provisions in Statement 75 and (b) an appropriate level of audit assurance on those amounts will need to be provided. The Board concluded that this most appropriately would be accomplished through coordination and communication between an agent or cost-sharing OPEB plan and the employers and governmental nonemployer contributing entities and that it might be considered a best practice for agent and cost-sharing OPEB plans to provide such information on a timely basis to assist participating employers in meeting their accounting and financial reporting requirements.

Measurement of the Net OPEB Liability

B44. For purposes of this Statement, the net OPEB liability is required to be measured in the same manner as required in Statement 75, with the exception of certain requirements related to the timing of the measurement of the net OPEB liability relative to the fiscal year-end of the entity reporting that measure. The Board's reasons for requiring the specified measurement method are discussed in detail in Appendix B of Statement 75.

Timing of measurements

B45. This Statement requires that the information about the net OPEB liability disclosed in notes to financial statements by certain OPEB plans that are administered through trusts that meet the criteria in paragraph 3 be measured as of the OPEB plan's fiscal year-end. This differs from the requirements of Statement 75, which permit employers and nonemployer contributing entities to recognize and disclose additional information about liabilities for defined benefit OPEB that are measured as early as the end of the prior fiscal year. For OPEB plans, similar information in schedules of required supplementary information

also should be presented as of the OPEB plan's most recent fiscal year-end. These disclosures and required supplementary information include details about the components of the net OPEB liability.

B46. The Board believes that it would be confusing and potentially misleading if disclosures that include the OPEB plan's fiduciary net position were to present information about that balance as of a date other than the OPEB plan's fiscal year-end or if disclosures that include both the OPEB plan's fiduciary net position and the total OPEB liability were to present balances that are not as of the same date. Furthermore, disclosure of the relative amounts of the total OPEB liability and the OPEB plan's fiduciary net position would not be effective in providing information for understanding the OPEB plan's fiduciary net position reported in the financial statements unless the disclosure is presented as of the same date as the balance reported in the financial statements. Consequently, the Board concluded that all information disclosed in notes to an OPEB plan's financial statements should reflect measures as of the OPEB plan's fiscal year-end. The Board believes that the information needed to present the required supplementary information as of the OPEB plan's fiscal year-end should be readily available because (a) the information in the 10-year schedules that should be presented as required supplementary information is derived from amounts disclosed in notes to financial statements in the current or prior years and (b) such information already would have been measured as of the OPEB plan's fiscal year-end for purposes of note disclosures.

B47. Some respondents expressed concerns with the requirement that the information related to the net OPEB liability be disclosed as of the OPEB plan's fiscal year-end. Those respondents noted that additional costs may be incurred to change the timing of the measurements related to OPEB. The Board believes that for the information related to the net OPEB liability disclosed as notes to financial statements and presented as required supplementary information to have "a clear and demonstrable relationship" to the information presented in the OPEB plan's financial statements—specifically the OPEB plan fiduciary net position—the amounts should be measured as of the date of the OPEB plan's financial statements.

B48. This Statement also permits the use of an actuarial valuation as of a date no more than 24 months earlier than the OPEB plan's most recent fiscal year-end as the basis for information about the net OPEB liability that is disclosed in notes to financial statements by OPEB plans that are administered through trusts that meet the criteria in paragraph 3. This differs from the requirements of Statement 75, which permit employers and nonemployer con-

tributing entities to recognize an OPEB liability based on the results of an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's or nonemployer entity's fiscal year-end. Some respondents to the Exposure Draft questioned why the maximum permitted period between the actuarial valuation date and the entity's fiscal year-end is shorter for OPEB plan reporting than for employer and nonemployer contributing entity reporting. With regard to the timing of the actuarial valuation relative to the OPEB plan's fiscal year-end, the Board concluded that the maximum period should be 24 months because that period would permit all plans the option of having biennial actuarial valuations. The period is longer for employer and nonemployer contributing entity reporting under Statement 75 to provide a reasonable opportunity for a significant number of governments to both (a) have biennial actuarial valuations and (b) use a measurement date that is earlier than their fiscal year-ends.

Alternative measurement method

B49. This Statement and Statement 75 carry forward from Statements 43 and 45 the optional application of an alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability to be reported by a defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 3 and that is used to provide OPEB to fewer than 100 plan members. The alternative measurement method in Statements 43 and 45 was developed with input from members of the OPEB task force at that time and additional assistance from committees and individuals from the actuarial and auditing professions. The exception for small OPEB plans to report measures of OPEB liabilities that are developed using an alternative measurement method was a direct result of the Board's concern that the cost of obtaining an actuarial valuation could arguably exceed the benefits obtained by users of the information for OPEB plans that are used to provide benefits to fewer than 100 plan members. The Board's reasons for specific requirements related to the alternative measurement method are discussed in detail in Appendix B of Statement 75.

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

B50. This Statement establishes financial reporting requirements for assets accumulated for purposes of providing OPEB through OPEB plans that are not administered through trusts that meet the criteria in paragraph 3. The Board concluded that in those circumstances, such assets should continue to be reported as employer assets. The Board concluded that if an employer holds assets that are accumulated for purposes of providing OPEB to its own employees through such OPEB plans, it would be inappropriate to report the assets in a fiduciary fund. The Board believes that those assets should be reported in other employee benefit trust funds in financial statements only if the criteria in paragraph 3 of this Statement are met. It also would not be appropriate to report those assets in an agency fund because paragraph 111 of Statement 34 requires that agency funds not report balances that pertain to other funds of the government. Rather, those balances should be reported as employer assets in governmental or proprietary funds. Therefore, the Board concluded that if assets are accumulated by an employer for purposes of providing OPEB to its own employees through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 3, those assets should continue to be reported as assets of the employer. Some respondents requested that additional guidance be provided in this Statement regarding the proper classification of assets in that circumstance. The Board concluded that there is nothing unique about those employer assets and that existing pronouncements provide sufficient guidance.

B51. For assets accumulated for purposes of providing OPEB through OPEB plans that are not administered through trusts that meet the criteria in paragraph 3, this Statement carries forward the requirement from Statement 43 that a government that holds the assets in a fiduciary capacity report the assets in an agency fund. In this Statement, the Board reaffirmed its prior conclusion that in those circumstances, the structure of the OPEB plan does not support the accumulation of plan net position and creates a situation in which participating employers cannot effectively share assets or obligations to finance the OPEB of their respective employees. Instead, the entity that holds assets accumulated for OPEB acts as an agent for the participating employers by collecting amounts from the participating employers and making benefit payments when

the OPEB comes due. Consequently, a government that holds the assets should report the assets in an agency fund, and any assets accumulated in excess of the combination of (a) liabilities for benefits that are due to plan members and (b) accrued investment and administrative expenses should be reported as liabilities to the participating employers or nonemployer contributing entities.

B52. The Exposure Draft characterized the financial reporting of assets accumulated for providing OPEB through OPEB plans that are not administered through trusts that meet the criteria in paragraph 3 of this Statement as “plan reporting.” Respondents to the Exposure Draft expressed concern that it would be misleading to characterize the reporting of assets that are not held in a trust that meets the criteria in paragraph 3 of this Statement as plan reporting. The Board agrees with the points raised by those respondents, and therefore, modifications were made to clarify that this Statement addresses only the financial reporting for the assets being held, rather than the OPEB plan in those circumstances. As a result of that decision, the Board also concluded that this Statement should not include the disclosure requirements that were characterized in the Exposure Draft as applicable to OPEB plans that are not administered through trusts that meet the criteria in paragraph 3.

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

B53. This Statement and Statement 75 adopt a definition of defined contribution OPEB that is similar to the definition of defined contribution pensions that is included in Statements 67 and 68. That is, OPEB is classified as defined contribution for accounting and financial reporting purposes if the amount of the OPEB that the plan member will receive will depend only on the contributions or credits to the plan member’s account, actual earnings on the underlying assets associated with contributions or credits to the plan member’s account, and adjustments for 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. The definition includes the possibility that the timing of payments into a plan member’s account might not coincide with the period of plan member service to which defined contributions pertain. That is, the Board believes that arrangements in which amounts are credited to a plan member’s account can qualify as defined contribution plans.

B54. Similar to the approach applied in this Statement to requirements for defined benefit OPEB plans concerning repetition of requirements that are contained in other pronouncements, with regard to note disclosures for defined contribution plans, this Statement includes only requirements that are specific to those plans. Therefore, this Statement omits disclosure requirements (such as those for information in the summary of significant accounting policies and those related to investments) that are the subject of other pronouncements applicable to defined contribution OPEB plans. Nonetheless, defined contribution OPEB plans should continue to meet the requirements of all other applicable pronouncements, including those that establish relevant measurement and recognition requirements.

Considerations Related to Benefits and Costs

B55. The overall objective of financial reporting by state and local governments is to provide information to assist users (the citizenry, legislative and oversight bodies, and investors and creditors) in assessing the accountability of governments and in making economic, social, and political decisions. One of the principles guiding the Board's setting of standards for accounting and financial reporting is the assessment of expected benefits and the perceived costs. The Board strives to determine that its standards (including disclosure requirements) address a significant need and that the costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit.

B56. Present and potential users are the primary beneficiaries of improvements in financial reporting. Persons within governments who are responsible for keeping accounting records and preparing financial statements, as well as managers of public services, also benefit from the information that is collected and reported in conformity with GASB standards. The costs to implement the standards are borne primarily by governments and, by extension, their citizens and taxpayers. Users also incur costs associated with the time and effort required to obtain and analyze information to meaningfully inform their assessments and decisions.

B57. The Board's assessment of the expected benefits and perceived costs of issuing new standards is unavoidably more qualitative than quantitative because no reliable and objective method has been identified to date for quantifying the value of improved information in financial statements. Furthermore, it is difficult to accurately measure the costs of implementing new standards until

implementation has actually taken place. Nonetheless, the Board undertakes this assessment based on the available evidence regarding expected benefits and perceived costs, with the objective of achieving an appropriate balance between increasing benefits and minimizing costs.

B58. The Board assessed the expected benefits and perceived costs of its requirements at two levels—for individual decisions and for the entirety of the Statement. Throughout its deliberations, the Board specifically considered the relative expected benefits and perceived costs of individual decisions and also considered information gathered related to pensions from the research performed and respondent comments received on the due process documents that led to Statements 67 and 68. For example, similar to the requirements for pension plans in Statement 67, the Board did not require disclosure by agent OPEB plans of information in notes and as required supplementary information about the aggregated liabilities of employers and nonemployer contributing entities. The Board recognizes that this information has less decision utility in relation to the OPEB plan than similar information for single and cost-sharing OPEB plans.

B59. The Board also considered the aggregate expected benefits and perceived costs associated with the entirety of the requirements in this Statement. The Board is cognizant that the costs of implementing the changes required by this Statement may be significant, though principally in terms of the initial implementation effort rather than the ongoing compliance in subsequent years. As discussed in paragraph B49, the Board decided to permit use of an alternative measurement method for OPEB measurements by OPEB plans that are used to provide benefits to fewer than 100 plan members to alleviate some of the ongoing costs of complying with the requirements in this Statement. The Board believes for OPEB plans of that size, the perceived ongoing costs of obtaining actuarial valuations to comply with the provisions in this Statement are substantial relative to the expected incremental benefit of actuarial valuations. The Board believes that the expected benefits—improved decision-usefulness and enhanced value of information for assessing accountability and interperiod equity, greater comparability and consistency, and increased transparency—that will result from the information provided through implementation of this Statement, both initially and on an ongoing basis, are significant.

Effective Date and Transition

B60. Because of the importance that users of financial statements place on information about OPEB provided by governments and the OPEB plans through which those benefits are provided, the Board believes that the requirements of this Statement should be implemented as soon as practicable. The Board considered the need for OPEB plans to schedule an actuarial valuation in order to obtain the information to comply with the reporting requirements of this Statement, including integrating the timing of an actuarial valuation to implement the provisions of this Statement with an actuarial valuation already scheduled to be performed for the measurement of OPEB information in conformity with Statements 43 and 45. For some plans, the next actuarial valuation of OPEB for financial reporting purposes might not be scheduled to be performed until two or three years following issuance of this Statement. The Board concluded that information required by this Statement should be included in OPEB plan financial reports sooner than two to three years after issuance of this Statement.

B61. In the Exposure Draft, the Board proposed that this Statement be effective for fiscal years beginning after December 15, 2015. Some respondents requested a phased-in approach to implementation, which would allow OPEB plans with fewer members to implement the Statement in periods subsequent to OPEB plans with a greater number of members. That approach would have been similar to the implementation approach used in Statements 43 and 45. Although challenges still exist, the need to obtain measurements of OPEB for financial reporting purposes is no longer new, and therefore, the Board concluded that the perceived challenges do not rise to the level of those encountered during the initial implementation of Statements 43 and 45.

B62. Other respondents to the Exposure Draft expressed concerns about the proposed effective date and generally requested that the effective date be delayed. Those respondents noted that they believe that additional time is needed for planning, coordination, and education related to the proposed requirements, including time to develop processes and information systems to provide data that currently is not available. In addition, some respondents observed the timing of the proposed effective date of this Statement with other proposed standards such as Statement 72. Because the Board recognized that a significant effort would need to be undertaken by many entities to implement this Statement and Statement 72 in the same reporting period, the Board

concluded that an additional six months should be provided to implement the provisions of this Statement and delayed the effective date for this Statement until fiscal years beginning after June 15, 2016.

B63. Relative to the transition requirements, some respondents to the Exposure Draft requested clarification as to what would be considered practical. The phrase *if not practical* has been used in other GASB standards under a similar context as used in this Statement. The Board believes that reasonable efforts should be made before a government determines the required action is not practical and that, in all cases, professional judgment should be applied.

Appendix C

ILLUSTRATIONS

C1. This appendix illustrates certain requirements of this Statement. The facts assumed in these examples are illustrative only and are not intended to modify or limit the requirements of this Statement or to indicate the Board's endorsement of the policies or practices shown. Disclosures set forth in this Statement and in other GASB pronouncements, in addition to those shown in Illustrations 1 and 2, are required, if applicable. Illustration 1 is coordinated with Illustration 1 of Appendix C of Statement 75. Amounts presented may include rounding differences.

Illustration 1—Financial Statements, Note Disclosures, and Required Supplementary Information for a Single-Employer OPEB Plan Administered through a Trust That Meets the Criteria in Paragraph 3 of This Statement (No Nonemployer Contributing Entities)

Illustration 2—Financial Statements, Note Disclosures, and Required Supplementary Information for an Agent Multiple-Employer OPEB Plan Administered through a Trust That Meets the Criteria in Paragraph 3 of This Statement (No Nonemployer Contributing Entities)

Illustration 1—Financial Statements, Note Disclosures, and Required Supplementary Information for a Single-Employer OPEB Plan Administered through a Trust That Meets the Criteria in Paragraph 3 of This Statement (No Nonemployer Contributing Entities)

[Note: This illustration includes only note disclosures and required supplementary information required by this Statement. 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 footnotes 8 and 10 of this Statement, as applicable. The circumstances of this OPEB plan do not include all circumstances for which note disclosures and required supplementary information should be presented.]

CITY EMPLOYEES RETIREMENT SYSTEM

Sample City Retiree Benefits Plan

Statement of Fiduciary Net Position

June 30, 20X9

(Dollar amounts in thousands)

	<u>20X9</u>
Assets	
Cash and deposits	\$ 9,173
Receivables:	
Contributions	132
Due from broker for investments sold	5,322
Investment income	493
Total receivables	<u>5,947</u>
Investments:	
Domestic equities	196,836
Fixed income	165,103
Private equity	91,058
Real estate	15,368
Total investments	<u>468,365</u>
Total assets	<u>483,485</u>
Liabilities	
Payables:	
Investment management fees	245
Due to broker for investments purchased	6,394
Total liabilities	<u>6,639</u>
Net position restricted for postemployment benefits other than pensions	<u><u>\$ 476,846</u></u>

**Statement of Changes in Fiduciary Net Position
for the Year Ended June 30, 20X9**

(Dollar amounts in thousands)

	20X9
Additions	
Employer contributions	\$ 22,424
Investment income:	
Net increase in fair value of investments	37,842
Interest and dividends	7,625
Less investment expense	(1,252)
Net investment income	44,215
Total additions	66,639
 Deductions	
Benefit payments	7,899
Administrative expense	148
Total deductions	8,047
Net increase in net position	58,592
 Net position restricted for postemployment benefits other than pensions	
Beginning of year	418,254
End of year	\$ 476,846

**Notes to the Financial Statements
for the Year Ended June 30, 20X9**

(Dollar amounts in thousands)

Plan Description

Plan administration. The Sample City Employees Retirement System (SCERS) administers the Sample City Retiree Benefits Plan (SCRBP)—a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time general and public safety employees of the City.

Management of the SCRBP is vested in the SCERS Board of Trustees (SCERS Board), which consists of nine members—four elected by plan members, four appointed by the City Council, and the City Treasurer, who serves as an ex-officio member.

Plan membership. At June 30, 20X9, SCRBP membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	1,307
Inactive plan members entitled to but not yet receiving benefit payments	142
Active plan members	<u>8,356</u>
	<u><u>9,805</u></u>

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

Benefits provided. SCRBP provides healthcare and vision benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the plan. Chapter 21 of the Sample City Code grants the authority to establish and amend the benefit terms to the SCERS Board.

[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 this Statement.]

Contributions. Chapter 21 of the Sample City Code grants the authority to establish and amend the contribution requirements of the City and plan members to the SCERS Board. The Board establishes rates based on an actuarially determined rate. For the year ended June 30, 20X9, the City’s average contribution rate was 4.19 percent of covered-employee payroll. Plan members are not required to contribute to the plan.

[If there was a legal or contractual maximum contribution rate, the OPEB plan should disclose information required by paragraph 34a(6)(c) of this Statement.]

Investments

Investment policy. SCRBP’s policy in regard to the allocation of invested assets is established and may be amended by the SCERS Board by a majority vote of its members. It is the policy of the SCERS Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. SCRBP’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board’s adopted asset allocation policy as of June 30, 20X9:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	40%
Fixed income	35
Private equity	20
Real estate	3
Cash	2
Total	<u>100%</u>

[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 this Statement.]

Concentrations. [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 this Statement.]

Rate of return. For the year ended June 30, 20X9, the annual money-weighted rate of return on investments, net of investment expense, was 10.34 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 City for contributions, the OPEB plan should disclose information required by paragraph 34c of this Statement.]

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 this Statement.]

Reserves

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

Net OPEB Liability of the City

The components of the net OPEB liability of the City at June 30, 20X9, were as follows:

Total OPEB liability	\$ 483,212
Plan fiduciary net position	(476,846)
City's net OPEB liability	<u>\$ 6,366</u>
Plan fiduciary net position as a percentage of the total OPEB liability	98.68%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 20X9, 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	7.0 percent, net of OPEB plan investment expense, including inflation
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

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, 20X9 valuation were based on the results of an actuarial experience study for the period July 1, 20X5–April 30, 20X7.

[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 this Statement.]

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 June 30,

20X9 (see the discussion of SCRBP’s investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.8%
Fixed income	1.0
Private equity	6.0
Real estate	5.9
Cash	0.0

Discount rate. The discount rate used to measure the total OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that City contributions 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 this Statement.]

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current discount rate:

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
Net OPEB liability (asset)	\$ 64,687	\$ 6,366	\$ (41,620)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the City, as well as what the City’s 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 (asset)	\$ (61,284)	\$ 6,336	\$ 88,512

(This page intentionally left blank.)

Schedules of Required Supplementary Information

SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years
(Dollar amounts in thousands)

	20X9	20X8	20X7	20X6
Total OPEB liability				
Service cost	\$ 19,051	\$ 18,190	\$ 16,642	\$ 16,732
Interest	30,663	27,176	26,061	25,394
Changes of benefit terms	-	-	-	(36,889)
Differences between expected and actual experience	8,925	11,845	(18,490)	11,845
Changes of assumptions	-	-	(1,369)	-
Benefit payments	(7,899)	(7,758)	(7,601)	(7,425)
Net change in total OPEB liability	<u>50,740</u>	<u>49,453</u>	<u>15,243</u>	<u>9,657</u>
Total OPEB liability—beginning	<u>432,472</u>	<u>383,019</u>	<u>367,776</u>	<u>358,119</u>
Total OPEB liability—ending (a)	<u>\$ 483,212</u>	<u>\$ 432,472</u>	<u>\$ 383,019</u>	<u>\$ 367,776</u>
Plan fiduciary net position				
Contributions—employer	\$ 22,424	\$ 25,255	\$ 28,260	\$ 24,737
Net investment income	44,215	28,698	32,698	25,691
Benefit payments	(7,899)	(7,758)	(7,601)	(7,425)
Administrative expense	(148)	(144)	(137)	(128)
Net change in plan fiduciary net position	<u>58,592</u>	<u>46,051</u>	<u>53,220</u>	<u>42,875</u>
Plan fiduciary net position—beginning	<u>418,254</u>	<u>372,203</u>	<u>318,983</u>	<u>276,108</u>
Plan fiduciary net position—ending (b)	<u>\$ 476,846</u>	<u>\$ 418,254</u>	<u>\$ 372,203</u>	<u>\$ 318,983</u>
City's net OPEB liability—ending (a) – (b)	<u>\$ 6,366</u>	<u>\$ 14,218</u>	<u>\$ 10,816</u>	<u>\$ 48,793</u>
Plan fiduciary net position as a percentage of the total OPEB liability	98.68%	96.71%	97.18%	86.73%
Covered-employee payroll	\$ 535,043	\$ 524,209	\$ 511,884	\$ 510,760
City's net OPEB liability as a percentage of covered-employee payroll	1.19%	2.71%	2.11%	9.55%

Notes to Schedule:

Benefit changes. In 20X6, benefit terms were modified to increase copayments for prescription drugs. In 20X3, benefit terms were modified to add vision benefits.

Changes of assumptions. In 20X7, expected retirement ages of general employees were adjusted to more closely reflect actual experience. In 20X2, assumed life expectancies were adjusted as a result of adopting the RP-2000 Healthy Annuitant Mortality Table. In prior years, those assumptions were based on the 1994 Group Annuity Mortality Table.

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.

This schedule is presented using the optional format of combining the required schedules in paragraphs 36a and 36b.

	20X5	20X4	20X3	20X2	20X1	20X0
\$	18,099	\$ 16,798	\$ 16,334	\$ 14,102	\$ 13,574	\$ 12,190
	22,538	20,779	18,120	14,402	13,412	9,999
	-	-	23,566	-	-	-
	8,945	(4,425)	(11,780)	18,015	(5,215)	33,350
	-	-	-	13,568	-	-
	(8,758)	(8,598)	(8,369)	(7,817)	(7,981)	(6,966)
	40,824	24,554	37,871	52,270	13,790	48,573
	317,295	292,741	254,870	202,600	188,810	140,237
\$	<u>358,119</u>	<u>\$ 317,295</u>	<u>\$ 292,741</u>	<u>\$ 254,870</u>	<u>\$ 202,600</u>	<u>\$ 188,810</u>
\$	24,597	\$ 21,444	\$ 19,059	\$ 17,762	\$ 17,495	\$ 17,549
	(1,369)	13,256	14,941	27,851	18,597	(1,869)
	(8,758)	(8,598)	(8,369)	(7,817)	(7,981)	(6,966)
	(112)	(104)	(104)	(96)	(96)	(92)
	14,358	25,998	25,527	37,700	28,015	8,622
	261,750	235,752	210,225	172,525	144,510	135,888
\$	<u>276,108</u>	<u>\$ 261,750</u>	<u>\$ 235,752</u>	<u>\$ 210,225</u>	<u>\$ 172,525</u>	<u>\$ 144,510</u>
\$	<u>82,011</u>	<u>\$ 55,545</u>	<u>\$ 56,989</u>	<u>\$ 44,645</u>	<u>\$ 30,075</u>	<u>\$ 44,300</u>
	77.10%	82.49%	80.53%	82.48%	85.16%	76.54%
\$	512,874	\$ 506,779	\$ 496,272	\$ 472,246	\$ 471,093	\$ 462,133
	15.99%	10.96%	11.48%	9.45%	6.38%	9.59%

SCHEDULE OF CITY CONTRIBUTIONS

Last 10 Fiscal Years
(Dollar amounts in thousands)

	<u>20X9</u>	<u>20X8</u>	<u>20X7</u>	<u>20X6</u>
Actuarially determined contribution	\$ 22,424	\$ 25,255	\$ 28,260	\$ 24,737
Contributions in relation to the actuarially determined contribution	<u>22,424</u>	<u>25,255</u>	<u>28,260</u>	<u>24,737</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 535,043	\$ 524,209	\$ 511,884	\$ 510,760
Contributions as a percentage of covered-employee payroll	4.19%	4.82%	5.52%	4.84%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	3.0 percent
Healthcare cost trend rates	9.5 percent initial, decreasing 0.5 percent per year to an ultimate rate of 5.5 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.0 percent, net of OPEB plan investment expense, including inflation
Retirement age	In the 20X7 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience.
Mortality	In the 20X2 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the RP-2000 Healthy Annuitant Mortality Table. In prior years, those assumptions were based on the 1994 Group Annuity Mortality Table.

Other information:

The results of the 20X6 actuarial valuation reflect a modification to benefit terms that increased retiree copayments for prescription drugs. The results of the 20X3 actuarial valuation reflect the addition of vision benefits.

<u>20X5</u>	<u>20X4</u>	<u>20X3</u>	<u>20X2</u>	<u>20X1</u>	<u>20X0</u>
\$ 24,597	\$ 21,444	\$ 19,059	\$ 17,762	\$ 17,495	\$ 17,549
<u>24,597</u>	<u>21,444</u>	<u>19,059</u>	<u>17,762</u>	<u>17,495</u>	<u>17,549</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 512,874	\$ 506,779	\$ 496,272	\$ 472,246	\$ 471,093	\$ 462,133
4.80%	4.23%	3.84%	3.76%	3.71%	3.80%

SCHEDULE OF INVESTMENT RETURNS

Last 10 Fiscal Years

	20X9	20X8	20X7	20X6	20X5	20X4	20X3	20X2	20X1	20X0
Annual money-weighted rate of return, net of investment expense	10.34%	7.55%	9.96%	9.05%	(0.51)%	5.49%	6.95%	15.75%	12.51%	(1.33)%

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.

Illustration 2—Financial Statements, Note Disclosures, and Required Supplementary Information for an Agent Multiple-Employer OPEB Plan Administered through a Trust That Meets the Criteria in Paragraph 3 of This Statement (No Nonemployer Contributing Entities)

[Note: This illustration includes only note disclosures and required supplementary information required by this Statement. 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 this Statement, as applicable. The circumstances of this OPEB plan do not include all circumstances for which note disclosures and required supplementary information should be presented.]

COUNTY EMPLOYEES RETIREMENT SYSTEM

County Retiree Healthcare Benefit Plan

Statement of Fiduciary Net Position

June 30, 20X9

(Dollar amounts in thousands)

	<u>20X9</u>
Assets	
Cash and deposits	\$ 154
Securities lending cash collateral	33,601
Total cash	<u>33,755</u>
Receivables:	
Contributions	36,098
Due from broker for investments sold	113
Investment income	3
Total receivables	<u>36,214</u>
Investments:	
Domestic fixed income securities	373,287
Domestic equities	715,912
International equities	619,745
Private equity	191,327
Real estate	163,342
Total investments	<u>2,063,613</u>
Total assets	<u>2,133,582</u>
Liabilities	
Payables:	
Benefits payable	22,135
Investment management fees	19
Due to broker for investments purchased	16
Collateral payable for securities lending	32,933
Other	245
Total liabilities	<u>55,348</u>
Net position restricted for postemployment benefits other than pensions	<u>\$ 2,078,234</u>

**Statement of Changes in Fiduciary Net Position
for the Year Ended June 30, 20X9**

(Dollar amounts in thousands)

	20X9
Additions	
Employer contributions	\$ 771,750
Investment income:	
Net increase in fair value of investments	7,412
Interest and dividends	43
Less investment expenses, other than from securities lending	(382)
Net income from investing, other than from securities lending	7,073
Securities lending income	1,168
Less securities lending expense	(175)
Net income from securities lending	993
Net investment income	8,066
Total additions	779,816
Deductions	
Benefit payments	566,360
Administrative expense	1,910
Total deductions	568,270
Net increase in net position	211,546
Net position restricted for postemployment benefits other than pensions	
Beginning of year	1,866,688
End of year	\$ 2,078,234

**Notes to the Financial Statements
for the Year Ended June 30, 20X9**

(Dollar amounts in thousands)

Plan Description

Plan administration. The County Employees Retirement System (CERS) administers the County Retiree Healthcare Benefit Plan (CRHBP)—an agent multiple-employer defined benefit OPEB plan that provides healthcare benefits for all permanent full-time general and public safety employees of the County and the six cities in the County. Article 133 of the State statutes grants the authority to the County to establish a healthcare benefit trust fund for purposes of providing retiree healthcare benefits to employees of the County and cities within the County. City participation is voluntary.

Management of the CRHBP is vested in the CERS Board of Trustees (CERS Board), which consists of 12 members—4 elected by plan members, 1 appointed by the County, 1 appointed by each participating city, and the County Treasurer, who serves as an ex-officio member.

Plan membership. At June 30, 20X9, CRHBP membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	36,096
Inactive plan members entitled to but not yet receiving benefit payments	852
Active plan members	<u>49,492</u>
	<u><u>86,440</u></u>

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

Benefits provided. Under CRHBP’s benefit terms, 100 percent of health insurance premiums for inactive plan members that are retired through CERS are paid through the plan. Article 133 also grants the ability to amend the benefit terms to the CERS Board.

[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 this Statement.]

Contributions. Article 133 of the State statutes grants the authority to establish and amend the contribution requirements of the participating employers to the CERS Board. The Board establishes rates for each employer based on an actuarially determined rate for each employer. For the year ended June 30, 20X9, the contribution rates of the employers ranged from 6.2 percent to 9.3 percent of covered-employee payroll.

[If there was a legal or contractual maximum contribution rate, the OPEB plan should disclose information required by paragraph 34a(6)(c) of this Statement.]

Investments

Investment policy. CRHBP’s policy in regard to the allocation of invested assets is established and may be amended by the CERS Board by a majority vote of its members. It is the policy of the CERS Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. CRHBP’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board’s adopted asset allocation policy as of June 30, 20X9:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic fixed income	20%
Domestic equity	35
International equity	30
Private equity	8
Real estate	7
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 this Statement.]

Concentrations. [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 this Statement.]

Rate of return. For the year ended June 30, 20X9, the annual money-weighted rate of return on investments, net of investment expense, was 0.02 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 employers for contributions, the OPEB plan should disclose information required by paragraph 34c of this Statement.]

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 this Statement.]

Reserves

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

Schedule of Required Supplementary Information

SCHEDULE OF INVESTMENT RETURNS

Last 10 Fiscal Years

<u>Year</u>	<u>Annual Money- Weighted Rate of Return, Net of Investment Expense</u>
20X9	0.02%
20X8	21.71%
20X7	13.28%
20X6	(24.82)%
20X5	(5.14)%
20X4	19.14%
20X3	11.77%
20X2	12.26%
20X1	16.59%
20X0	3.68%

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.

Appendix D

CODIFICATION INSTRUCTIONS

D1. The sections that follow update the June 30, 2014 *Codification of Governmental Accounting and Financial Reporting Standards* for the effects of this Statement. Only the paragraph number of the Statement is listed if the paragraph will be cited in full in the Codification.

* * *

[Insert new section as follows:]

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

Source: GASB Statement 74

See also: Section P50, “Postemployment Benefits Other Than Pensions—Employer Reporting”
Section Po50, “Postemployment Benefit Plans (Other Than Pension Plans) Administered through Trusts That Meet Specified Criteria—Defined Benefit”

Scope and Applicability of This Section

.101 This section establishes financial reporting standards for governments that hold assets accumulated for purposes of providing **postemployment benefits other than pensions**¹ (referred to as **other postemployment benefits** or **OPEB**) through **defined benefit OPEB plans** that are not administered through trusts or equivalent arrangements that meet the criteria in paragraph .101 of Section Po50. [GASBS 74, ¶4]

¹Terms defined in paragraphs .502–.545 of Section Po50 are shown in **boldface type** the first time they appear in this section. [GASBS 74, fn1]

.102 The requirements of this section are not applicable to defined benefit OPEB plans in which benefits are financed through an arrangement whereby premiums are paid to an insurance company while employees are in active service, in return for which the insurance company unconditionally undertakes an obligation to pay the OPEB of those employees as defined in the OPEB plan terms. Such plans are referred to as **insured plans**. [GASBS 74, ¶18]

.103 For a defined benefit OPEB plan, other than an insured plan, that is not administered through a trust that meets the criteria in paragraph .101 of Section Po50, any assets accumulated for purposes of providing OPEB through the plan should be reported in conformity with the requirements of paragraph .107 or paragraph .108 of this section, as applicable. [GASBS 74, ¶7 and ¶16]

.104 If OPEB is provided through a defined benefit OPEB plan in which assets are accumulated in a trust that meets the criteria in paragraph .101 of Section Po50 and OPEB provided through the same OPEB plan also is paid with assets other than those from that trust, the OPEB plan should be reported as an OPEB plan administered through a trust that meets the criteria of that paragraph. [GASBS 74, ¶17]

Types of OPEB and OPEB Plans

.105 As used in this section, the term *OPEB* includes the following:

- a. **Postemployment healthcare benefits**—including medical, dental, vision, hearing, and other health-related benefits—whether provided separately from or provided through a **pension plan**
- b. Other forms of postemployment benefits—for example, death benefits, life insurance, disability, and long-term care—when provided separately from a pension plan.

OPEB does not include **termination benefits**² or termination payments for sick leave.³ When postemployment benefits other than postemployment healthcare benefits are provided through a pension plan, they are classified as pensions. [GASBS 74, ¶10]

²Termination benefits primarily are addressed in Section T25, “Termination Benefits.” [GASBS 74, fn5]

³Termination payments for sick leave are addressed in Section C60, “Compensated Absences.” [GASBS 74, fn6]

.106 **Defined benefit OPEB** is OPEB for which the benefits that the plan member will receive at or after separation from employment are defined by the benefit terms. The OPEB may be stated as (a) a specified dollar amount; (b) an amount that is calculated based on one or more factors such as age, years of service, and compensation; or (c) a type or level of coverage such as prescription drug coverage or a percentage of health insurance premiums. [GASBS 74, ¶11]

Reporting Accumulated Assets

.107-.108 [GASBS 74, ¶58-¶59]

* * *

D2. The sections that follow update the Codification Instructions of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, for the effects of this Statement.

* * *

[In all sections, update cross-references.]

* * *

SUMMARY STATEMENT OF PRINCIPLES

SECTION 1100

[In sources of section, revise reference to GASBS 34, ¶107 as follows:] GASBS 34, ¶107, as amended by GASBS 67, ¶20, GASBS 73, ¶115 and ¶116, and GASBS 74, ¶26

* * *

FUND ACCOUNTING

SECTION 1300

.102 [In sources of paragraph, delete GASBS 43, ¶11 and ¶24 from amending sources of GASBS 34, ¶107; in footnote 1, revise sources as follows:] GASBS 34, fn43, as amended by GASBS 63, ¶8, GASBS 67, ¶14, GASBS 73, ¶115 and ¶116, and GASBS 74, ¶20

.111 [Revise as follows:] *Pension (and other employee benefit) trust funds* should be used to report resources that are required to be held in trust for the members and beneficiaries of the following:

- a. Pension plans that are administered through trusts that meet the criteria in paragraph .101 of Section Pe5, “Pension Plans Administered through Trusts That Meet Specified Criteria—Defined Benefit,” or paragraph .101 of Section Pe6, “Pension Plans Administered through Trusts That Meet Specified Criteria—Defined Contribution.”
- b. Postemployment benefit plans other than pension plans that are administered through trusts that meet the criteria in paragraph .101 of Section Po50 or paragraph .101 of Section Po51, “Postemployment Benefit Plans Other Than Pension Plans—Defined Contribution”
- c. Employee benefit plans other than pension or other postemployment benefit plans.

[GASBS 34, ¶170, as amended by GASBS 73, ¶115 and ¶116 and GASBS 74, ¶58 and ¶59]

* * *

BASIS OF ACCOUNTING

SECTION 1600

[In list of sources for the Statement of Principle, revise reference to GASBS 34, ¶107 as follows:] GASBS 34, ¶107, as amended by GASBS 67, ¶20, GASBS 73, ¶115 and ¶116, and GASBS 74, ¶26

.138 [Replace *paragraph .117 of Section Po50* with *paragraph .120 of Section Po50*.] [GASBS 34, ¶107, as amended by GASBS 67, ¶20, GASBS 73, ¶115 and ¶116, and GASBS 74, ¶26]

* * *

Sources: [Delete GASB Statement 43; add GASB Statement 74.]

.196 [Replace *benefit plans* with *benefit plans that are administered through trusts that meet the criteria in paragraph .101 of Section Po50.*] [GASBS 34, ¶106, as amended by GASBS 63, ¶8, GASBS 73, ¶115 and ¶116, and GASBS 74, ¶20]

[In footnote 46, replace *benefit plans* with *benefit plans that are administered through trusts that meet the criteria in paragraph .101 of Section Po50.*] [GASBS 34, fn43, as amended by GASBS 67, ¶14, GASBS 73, ¶115 and ¶116, and GASBS 74, ¶20]

[In footnote 47, replace *paragraph .110 of Section Po50* with *paragraph .114 of Section Po50.*] [GASBS 34, fn44, as amended by GASBS 67, ¶14, GASBS 73, ¶115 and ¶116, and GASBS 74, ¶20]

.197 [In fifth sentence, replace *other postemployment benefit plans* with *other postemployment benefit plans that are administered through trusts that meet the criteria in paragraph .101 of Section Po50.*] [GASBS 34, ¶108, as amended by GASBS 63, ¶7 and ¶8, GASBS 67, ¶15–¶21, GASBS 73, ¶115 and ¶116, and GASBS 74, ¶21–¶27; GASBS 63, ¶7]

.198 [In last sentence, replace *other postemployment benefit plans* with *other postemployment benefit plans that are administered through trusts that meet the criteria in paragraph .101 of Section Po50.*] [GASBS 34, ¶109, as amended by GASBS 63, ¶8, GASBS 67, ¶22–¶29, GASBS 73, ¶115 and ¶116, and GASBS 74, ¶20–¶33]

.199 [Revise the second sentence as follows:] The requirements of Section P23, “Reporting Assets Accumulated for Defined Benefit Pensions Not Provided through Trusts That Meet Specified Criteria,” or Section P53, “Reporting Assets Accumulated for Defined Benefit OPEB Not Provided through Trusts That Meet Specified Criteria,” apply to agency fund reporting for assets accumulated for purposes of providing postemployment benefits through state and local governmental defined benefit pension or other postemployment benefit plans that are not administered through trusts that meet the criteria in paragraph .101 of Section Pe5 or paragraph .101 of Section Po50. [GASBS 34, ¶110, as amended by GASBS 63, ¶8; GASBS 73, ¶8 and ¶116; GASBS 74, ¶17 and ¶59]

.205 [In sources, revise reference to GASBS 34, ¶129, as follows:] GASBS 34, ¶129, as amended by GASBS 45, ¶40, GASBS 67, ¶32–¶34, GASBS 68, ¶46, ¶47, ¶81, ¶82, ¶114, ¶115, and ¶117, GASBS 73, ¶45, ¶46, ¶66, ¶67, ¶93, ¶94, ¶96, ¶115 and ¶116, and GASBS 74, ¶36–¶38 and ¶59

.208 [In footnote 55, replace parenthetical sentence with the following:] (See Section Sp20, paragraph .109.) [GASBS 34, ¶140, as amended by GASBS 63, ¶8, GASBS 67, ¶5 and ¶11, GASBS 73, ¶5, ¶7, ¶115 and ¶116, and GASBS 74, ¶3, ¶5, and ¶18]

* * *

NOTES TO FINANCIAL STATEMENTS

SECTION 2300

Sources: [Delete GASB Statement 43; add GASB Statement 74.]

.107 [In sources, remove GASBS 43, ¶30, and insert GASBS 74, ¶34 and ¶35 as amending sources of NCGAS 1, ¶157.]

* * *

STATISTICAL SECTION

SECTION 2800

.109 [In subparagraph (b), replace the italicized phrase with the following:] *for each individual pension or other postemployment benefit plan that is reported as a pension (or other employee benefit) trust fund* [GASBS 44, ¶10, as amended by GASBS 63, ¶8, GASBS 73, ¶115 and ¶116, and GASBS 74, ¶3, ¶58, and ¶59]

.138 [Replace the italicized phrase with the following:] *for each individual pension or other postemployment benefit plan that is reported as a pension (or other employee benefit) trust fund* [GASBS 44, ¶39, as amended by GASBS 73, ¶115 and ¶116 and GASBS 74, ¶3, ¶58, and ¶59]

INVESTMENTS

SECTION I50

Sources: [Delete GASB Statement 43.]

.101 [Delete GASBS 43, ¶22 from sources of paragraph; in footnote 1, delete GASBS 43, fn1 from sources.]

.108 [Revise sources as follows:] GASBS 31, ¶2; GASBS 31, ¶7, as amended by GASBS 34, ¶6 and GASBS 72, ¶5–¶58 and ¶64–¶75; GASBS 32, ¶5; GASBS 52, ¶4; GASBS 53, ¶20 and ¶67; GASBS 62, ¶204; GASBS 67, ¶18, as amended by GASBS 72, ¶5–¶58 and ¶64–¶75; GASBS 72, ¶64, ¶69, and ¶70

.122 [Revise sources as follows:] GASBS 59, ¶4, as amended by GASBS 73, ¶115 and ¶116; GASBS 67, ¶18; GASBS 72, ¶69

.144 [Revise sources of paragraph as follows; in footnote, delete GASBS 43, fn6:] GASBS 31, ¶15; GASBS 67, ¶24

.572 [Delete GASBS 43, ¶46 from sources.]

* * *

ACCOUNTING FOR PARTICIPATION IN JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

SECTION J50

.115 [Revise sources as follows:] GASBS 14, ¶81, as amended by GASBS 67, ¶13–¶32 and ¶34–¶46, GASBS 73, ¶115 and ¶116, and GASBS 74, ¶9–¶36 and ¶38–¶57

* * *

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS—EMPLOYER REPORTING

SECTION P50

.120 [Revise subparagraph (b) as follows:] If any multiple-employer plan is not administered as a formal trust, or equivalent arrangement, in which all of the preceding conditions are met, employers should apply the requirements of this section applicable to agent employers. [GASBS 45, ¶22, as amended by GASBS 74, ¶59]

.122 [In footnote 19, delete *agency funds*.] [GASBS 45, fn19, as amended by GASBS 74, ¶34–¶38]

.123 [In footnote 21, delete the first sentence and the last sentence.] [GASBS 45, fn21, as amended by GASBS 74, ¶36 and ¶37]

[Delete paragraph .125; renumber subsequent paragraphs.]

.128 [In footnote 25, revise sources as follows:] GASBS 45, fn25, as amended by GASBS 74, ¶60

.602 [Revise the first sentence of the second paragraph of the Response to Question 2 as follows:] If a multiple-employer plan is not administered as a qualifying trust (or equivalent arrangement), paragraph .120 of this section requires that employers in such a plan apply the requirements of this section pertaining to agent employers. [GASBTB 2006-1, ¶8, as amended by GASBS 74, ¶59]

* * *

**PENSION PLANS ADMINISTERED THROUGH TRUSTS SECTION Pe6
THAT MEET SPECIFIED CRITERIA—DEFINED
CONTRIBUTION**

.104 [Revise sources of footnote 5 as follows:] GASBS 67, fn6, as amended by GASBS 74, ¶3 and ¶5

* * *

PUBLIC ENTITY RISK POOLS SECTION Po20

.102 [In the first sentence, delete *and retirees*.] [GASBS 10, ¶2, as amended by GASBS 74, ¶3 and ¶4]

* * *

[Revise title of current Section Po50 as follows:]

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

[Replace section with the following:]

Sources: GASB Statement 74, GASB Technical Bulletin 2006-1

See also: Section I50, “Investments”
Section N50, “Nonexchange Transactions”
Section P50, “Postemployment Benefits Other Than Pensions—
Employer Reporting”
Section Sp20, “Special-Purpose Governments”
Section T25, “Termination Benefits”

Scope and Applicability of This Section

.101 This section establishes financial reporting standards for state and local governmental **defined benefit other postemployment benefit (OPEB) plans**¹ that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) in which:

- a. Contributions from employers² and **nonemployer contributing entities** to the **OPEB plan** and earnings on those contributions are irrevocable.
- b. OPEB plan assets are dedicated to providing **other postemployment benefits (OPEB) to plan members** in accordance with the benefit terms.³
- c. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and plan members.

[GASBS 74, ¶3]

¹Terms defined in paragraphs .502–.545 are shown in **boldface type** the first time they appear in this section. [GASBS 74, fn1]

²[GASBS 74, fn2]

³[GASBS 74, fn4]

.102–.103 [GASBS 74, ¶5 and ¶6]

.104 [GASBS 74, ¶18]

.105–.110 [GASBS 74, ¶10–¶15, including headings and footnotes; in paragraph .105, boldface *pensions*.]

.111–.112 [GASBS 74, ¶17 and ¶18]

.113–.151 [GASBS 74, ¶19–¶57, including headings and footnotes; omit first heading before GASBS 74, ¶19.]

DEFINITIONS

.501 Paragraphs .502–.545 contain definitions of certain terms *as they are used in this section, Section Po51, and Section P53, “Reporting Assets Accumulated for Defined Benefit OPEB Not Provided through Trusts That Meet Specified Criteria;”* the terms may have different meanings in other contexts. [GASBS 74, ¶63]

.502–.545 [GASBS 74, ¶63, including footnotes; insert GASBS 74, ¶63 as the source of each paragraph.]

GASB TECHNICAL BULLETINS

Accounting and Financial Reporting by OPEB Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D

.601 This paragraph clarifies the application of existing standards of accounting and financial reporting to payments that a defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph .101 of this section receives from the federal government pursuant to the retiree drug subsidy (RDS) provisions of Medicare Part D, as established in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. [GASBTB 2006-1, ¶1, as amended by GASBS 74, ¶3 and ¶5]

Question 1

How does an RDS payment from the federal government to an employer affect the accounting and financial reporting by a defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph .101 of this section? [GASBTB 2006-1, ¶4, as amended by GASBS 74, ¶3 and ¶5]

Response

An RDS payment to an employer is a voluntary nonexchange transaction between the federal government and the employer. The transaction does not affect accounting for employer contributions or the financial reporting presentation by a defined benefit OPEB plan in which an employer participates. A defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph .101 of this section should apply the measurement requirements of this section to determine the total OPEB liability *without reduction* for RDS payments. [GASBTB 2006-1, ¶5, as amended by GASBS 74, ¶3, ¶5, and ¶43]

Question 2

How should a defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph .101 of this section account for and report an RDS payment from the federal government to the plan? [GASBTB 2006-1, ¶9, as amended by GASBS 74, ¶3 and ¶5]

Response

In the statement of changes in plan fiduciary net position, the plan should display separately contributions from the employer(s) and the on-behalf payment from the federal government, as required by paragraph .120 of this section. For single-employer and cost-sharing OPEB plans, for purposes of determining the total OPEB liability, benefit payments are required to be projected without reduction for RDS payments. For those plans, in the schedule of required supplementary information required by paragraph .130a of this section, contributions from the employer(s) and the on-behalf payment from the federal government should be reported separately. [GASBTB 2006-1, ¶10, as amended by GASBS 63, ¶8, and GASBS 74, ¶20, ¶28, and ¶36]

* * *

[Revise the title of current Section Po51 as follows:]

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

[Replace section with the following:]

Source: GASB Statement 74

See also: Section P50, “Postemployment Benefits Other Than Pensions—Employer Reporting”
Section Sp20, “Special-Purpose Governments”

Scope and Applicability of This Section

.101 This section establishes financial reporting standards for state and local governmental **defined contribution other postemployment benefit (OPEB) plans**¹ that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) in which:

- a. Contributions from employers² and **nonemployer contributing entities** to the **OPEB plan** and earnings on those contributions are irrevocable.³
- b. OPEB plan assets are dedicated to providing **other postemployment benefits (OPEB)** to **plan members** in accordance with the benefit terms.⁴
- c. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator.

[GASBS 74, ¶3]

¹Terms defined in paragraphs .502–.545 of Section Po50 are shown in **boldface type** the first time they appear in this section. [GASBS 74, fn1]

^{2–4}[GASBS 74, fn2–fn4]

.102 [GASBS 74, ¶5; omit first sentence.]

.103 [GASBS 74, ¶10, including heading and footnotes; boldface *pensions*.]

⁵[GASBS 74, fn5; include only first sentence.]

⁶[GASBS 74, fn6; include only first sentence.]

⁷[GASBS 74, fn7]

.104 [GASBS 74, ¶11]

.105 A state or local government may act as the fiduciary entrusted with administering one or more OPEB plans. If the financial report of a government includes more than one OPEB plan that is within the scope of this section, the provisions of this section should be applied separately to each such OPEB plan administered. [GASBS 74, ¶18]

Notes to Financial Statements

.106 [GASBS 74, ¶60, including footnote]

* * *

SPECIAL-PURPOSE GOVERNMENTS

SECTION Sp20

.109 [Replace *OPEB plan* with *OPEB plan that is administered through a trust that meets the criteria in paragraph .101 of Section Po50*.] [GASBS 34, ¶140, as amended by GASBS 63, ¶8, GASBS 67, ¶5 and ¶11, GASBS 73, ¶5, ¶7, ¶115, and ¶116, and GASBS 74, ¶3, ¶5, and ¶18]

[Revise footnote 7 as follows:] See Section Pe5, “Pension Plans Administered through Trusts That Meet Specified Criteria—Defined Benefit,” paragraphs .109 and .501, and Section Po50, “Postemployment Benefit Plans (Other Than Pension Plans) Administered through Trusts That Meet Specified Criteria—Defined Benefit,” paragraphs .112 and .501. [GASBS 34, fn63, as amended by GASBS 67, ¶11 and ¶51, GASBS 73, ¶5, ¶115, and ¶116, and GASBS 74, ¶18 and ¶63]

[Revise sources of footnote 8 as follows:] [GASBS 34, fn64, as amended by GASBS 67, ¶9, GASBS 73, ¶5, and GASBS 74, ¶9]

.110 [Revise sources as follows:] [GASBS 34, ¶141, as amended by GASBS 73, ¶115 and ¶116 and GASBS 74, ¶13]

* * *

D3. The section that follows updates the Codification Instructions in paragraph D2 for the effects of this Statement that will not be incorporated into the Codification until Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is effective. Statement 75 is effective for financial statements for fiscal years beginning after June 15, 2017.

* * *

[Revise the title of current Section P52 as follows:]

**POSTEMPLOYMENT BENEFITS OTHER THAN
PENSIONS—REPORTING FOR BENEFITS NOT
PROVIDED THROUGH TRUSTS THAT MEET
SPECIFIED CRITERIA—DEFINED BENEFIT**

SECTION P52

.602 [Revise Response to Question 2 as indicated in Statement 75, paragraph D2.]

* * *