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Omnibus 2017

GASB

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OF THE FINANCIAL ACCOUNTING FOUNDATION

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Summary

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and "negative" goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

Effective Date

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements.

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. Paragraph 2 discusses the applicability of this Statement.

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Governmental Accounting
Standards Board

Omnibus 2017

March 2017

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
of the Financial Accounting Foundation
401 Merritt 7, PO Box 5116, Norwalk, Connecticut 06856-5116

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Statement No. 85 of the Governmental Accounting Standards Board

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Statement No. 85 of the Governmental Accounting Standards Board

Omnibus 2017

March 2017

INTRODUCTION

1. The objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

STANDARDS OF GOVERNMENTAL ACCOUNTING AND FINANCIAL REPORTING

Scope and Applicability of This Statement

2. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this Statement apply to state and local governments.

3. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* paragraphs 43 and 48; Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance,* paragraphs 3, 8, 9, and 12; Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* footnote 47; Statement No. 38, *Certain Financial Statement Note Disclosures,* paragraph 13; Statement No. 61, *The Financial Reporting Entity: Omnibus,* paragraph 9; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* paragraph 428; Statement No. 68, *Accounting and Financial Reporting for Pensions,* paragraphs 36, 73, 107, and 121; Statement No. 72, *Fair Value Measurement and Application,* paragraph 69;

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,* paragraphs 37, 60, and 88; Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* paragraphs 36, 56, 57, and 63 and footnote 2; Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* paragraphs 4, 6, 15, 46, 57, 64, 65, 88, 97, 102, 103, 121, 122, 126, 141, 161, 178, 179, 184, 196, 197, 208, 209, 212, 225, and 226 and footnote 2; Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers,* paragraph 1; and *Implementation Guide No. 2015-1,* Questions 5.116.3, 5.122.3, 5.145.1, 5.145.2, 5.185.1, 5.185.2, 5.224.1, and 5.224.2.

Blending Component Units

4. For a primary government that is a business-type activity and uses a single column for financial statement presentation of its business-type activities, a component unit may be blended only if the component unit meets a criterion for blending in paragraph 53 of Statement No. 14, *The Financial Reporting Entity,* as amended.

Goodwill

5. For acquisitions that occurred prior to the effective date of Statement No. 69, *Government Combinations and Disposals of Government Operations,* (a) paragraph 39 of Statement 69 should be applied for circumstances in which consideration provided exceeded the net position acquired and (b) "negative" goodwill should not be reported.

Fair Value Measurement and Application

6. Each unit of account of real estate held by insurance entities should be classified either as an investment or as a capital asset, based on whether the unit of account meets the definition of an investment in Statement 72.

7. The money market investments and participating interest-earning investment contracts described in paragraph 69c of Statement 72 may be measured at amortized cost to the extent permitted by paragraph 9 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.*

Postemployment Benefits

Timing of the Measurement of Pension or OPEB Liabilities and Expenditures Recognized in Financial Statements Prepared Using the Current Financial Resources Measurement Focus

8. In financial statements prepared using the current financial resources measurement focus, liabilities to employees for defined benefit pensions or defined benefit OPEB should be measured as of the end of the reporting period. All expenditures for defined benefit pensions or defined benefit OPEB (including (a) amounts for payables to a pension or OPEB plan and (b) amounts for costs incurred by the employer related to the administration of defined benefit pensions or defined benefit OPEB provided through a pension or OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of Statement 73 or paragraph 4 of Statement 75, respectively) should be measured for the reporting period.

Recognition and Measurement of On-Behalf Payments for Pensions or OPEB in Employer Financial Statements

9. In financial statements prepared using the current financial resources measurement focus, an employer should recognize expenditures for on-behalf payments for pensions or OPEB equal to the total of (a) amounts paid during the reporting period by nonemployer contributing entities to the pension or OPEB plan (or for benefits as they come due) and (b) the change between the nonemployer contributing entities' beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. Both (a) and (b) include amounts for payables to a pension or OPEB plan.

10. Except for the circumstances identified in paragraph 11, in financial statements prepared using the current financial resources measurement focus, an employer should recognize revenue equal to the amount of expenditures determined in accordance with paragraph 9.

11. For on-behalf payments that are not legally required to be made by a nonemployer contributing entity for defined contribution pensions or defined contribution OPEB, an employer should apply the revenue recognition requirements of paragraph 8 of Statement 24.

12. For on-behalf payments for pensions or OPEB, paragraphs 9–12 of Statement 24, as amended, should not be applied.

Presentation of Payroll-Related Measures in Required Supplementary Information by OPEB Plans and Employers That Provide OPEB

13. For single-employer defined benefit OPEB plans (single-employer OPEB plans) and cost-sharing multiple-employer defined benefit OPEB plans (cost-sharing OPEB plans), the measure of payroll that is required by paragraph 36 of Statement 74 to be presented in schedules of required supplementary information (and used in ratios that are presented in required supplementary information) should be covered payroll. Covered payroll is the payroll on which contributions to the OPEB plan are based. If contributions to the OPEB plan are not based on a measure of pay, no measure of payroll should be presented.

14. For employers that provide OPEB through OPEB plans that are administered through trusts that meet the criteria in paragraph 4 of Statement 75, the measure of payroll that is required by paragraphs 57 and 97 of Statement 75 to be presented in schedules of required supplementary information (and used in ratios that are presented in required supplementary information) should be one of the following, as applicable:

a. Covered payroll (as defined in paragraph 13 of this Statement), if contributions to the OPEB plan are based on a measure of pay
b. Covered-employee payroll (as defined in paragraph 246 of Statement 75), if contributions to the OPEB plan are not based on a measure of pay.

Classification of Employer-Paid Member Contributions for OPEB

15. In some circumstances, payments are made by the employer to satisfy contribution requirements that are identified by the OPEB plan terms as plan member contribution requirements. For purposes of applying Statement 74, those amounts should be classified as plan member contributions. For purposes of applying Statement 75, including for purposes of determining a cost-sharing employer's proportion, those amounts should be classified as employee contributions. An employer's expense and expenditures for those amounts should be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than OPEB (for example, as salaries and wages or as fringe benefits).

Alternative Measurement Method for OPEB

16. The following specific modifications may be incorporated into application of the alternative measurement method in accordance with paragraph 56 of Statement 74 or paragraph 225 of Statement 75:

a. *Expected point in time at which plan members (employees) will exit from active service.* The assumption should reflect past experience and future expectations for the covered group. For active plan members (employees) covered under the terms of the OPEB plan, the assumption may incorporate (1) a single assumed age at which plan members (employees) will exit from active service or (2) an assumption that plan members (employees) will exit from active service upon attaining a certain number of years of service.
b. *Turnover.* The requirements of paragraph 56e and paragraph 57a or paragraph 57b, as applicable, of Statement 74 or paragraph 225e and paragraph 226a or paragraph 226b, as applicable, of Statement 75 may be applied to determine the assumed probability that an active plan member (employee) will remain employed until the assumed age at which the plan member (employee) will meet employment-related eligibility requirements to receive benefits.

17. If the alternative measurement method is used, the following should be recognized in expense in the current reporting period:

a. The change in proportion described in paragraph 64, paragraph 102, paragraph 121, paragraph 178, paragraph 196, or paragraph 208 of Statement 75, as applicable
b. The difference between (1) contributions (or amounts that are paid for OPEB as the benefits come due) during the measurement period and (2) the proportionate share of contributions (or amounts that are paid for OPEB as the benefits come due), described in paragraph 65, paragraph 103, paragraph 122, paragraph 179, paragraph 197, or paragraph 209 of Statement 75, as applicable.

OPEB Provided through Certain Multiple-Employer Defined Benefit OPEB Plans

18. Paragraphs 19–25 of this Statement address defined benefit OPEB provided through a cost-sharing OPEB plan that meets the criteria in paragraph 4 of Statement 75 and that (a) is not a state or local governmental OPEB plan, (b) is used to provide defined benefit OPEB both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide OPEB through the OPEB plan).

19. Paragraphs 20–25 of this Statement apply to the financial statements of state and local governmental employers whose employees are provided with defined benefit OPEB through cost-sharing OPEB plans that have the characteristics in paragraph 18. Those requirements apply whether the government's financial statements are presented in stand-alone financial reports or are included in the financial reports of another government.

Recognition and Measurement

20. OPEB expense should be recognized in an amount equal to the employer's required contributions to the OPEB plan for the reporting period, and a payable should be reported for unpaid required contributions at the end of the reporting period. OPEB expense also should be recognized for separate liabili-

ties to the OPEB plan that arise in the reporting period (for example, for amounts assessed to an individual employer upon joining a cost-sharing OPEB plan), and a payable should be reported for unpaid amounts at the end of the reporting period.

21. OPEB expenditures should be recognized in an amount equal to the employer's required contributions to the OPEB plan that are associated with pay periods within the reporting period. In addition, for separate liabilities to the OPEB plan, OPEB expenditures should be recognized equal to the total of (a) amounts paid by the employer in relation to the payable and (b) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.

22. A payable should be recognized to the extent it is normally expected to be liquidated with expendable available financial resources (that is, for (a) the unpaid required contributions that are associated with pay periods within the reporting period and (b) the portion of any separate liabilities to the OPEB plan that is due and payable pursuant to contractual arrangements or legal requirements).

Notes to Financial Statements

23. For each cost-sharing OPEB plan that has the characteristics described in paragraph 18 through which the employer provides OPEB, the following should be disclosed:

a. Name of the OPEB plan, identification of the entity that administers the OPEB plan, and identification of the OPEB plan as a cost-sharing OPEB plan that has the characteristics described in paragraph 18
b. Whether the OPEB plan issues a publicly available financial report and, if so, how to obtain the report
c. A brief description of the benefit terms, including:
   (1) The number of the government's employees covered
   (2) The types of benefits provided
   (3) The authority under which benefit terms are established or may be amended
d. A brief description of the contribution requirements, including:
   (1) The basis for determining the employer's contributions to the OPEB plan (for example, pursuant to a collective-bargaining agreement)

(2) Identification of the authority under which contribution requirements of the employer and its employees are established or may be amended
(3) The required contribution rates of the employer and its employees for the reporting period
(4) The amount, in dollars, of the employer's required contributions for the reporting period
(5) The expiration date(s) of the collective-bargaining agreement(s) requiring contributions to the OPEB plan, if any
(6) A description of any minimum contributions required for future periods by the collective-bargaining agreement(s), statutory obligations, or other contractual obligations, if applicable
(7) Whether the employer is subject to any provisions regarding withdrawal from the OPEB plan

e. The following information about the employer's payables, if any:
(1) If not otherwise identifiable, the balance of payables
(2) Significant terms related to the payables
(3) A description of what gave rise to the payables (for example, required contributions to the OPEB plan or a contractual arrangement for contributions to the OPEB plan related to past service upon entrance into the arrangement).

Required Supplementary Information

24. A schedule of the employer's required contributions for each of the 10 most recent fiscal years should be presented as required supplementary information. The schedule should separately identify amounts associated with each OPEB plan.

Notes to the required schedule

25. Information about factors that significantly affect trends in the amounts reported (for example, changes in the size of the population covered by the benefit terms or changes in required contribution rates) should be presented in notes to the schedule required by paragraph 24.

EFFECTIVE DATE AND TRANSITION

26. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged and is permitted by topic to the extent that all requirements associated with a single topic are implemented simultaneously. For purposes of this paragraph, the requirements of the following paragraphs comprise single topics:

a. Paragraph 4 regarding blending component units
b. Paragraph 5 regarding goodwill and negative goodwill
c. Paragraphs 6 and 7 regarding fair value measurement and application
d. Paragraphs 8–12 regarding employer accounting and reporting for pensions
e. Paragraphs 8–12 and 14–25 regarding employer accounting and financial reporting for OPEB
f. Paragraph 13 regarding reporting by OPEB plans.

27. Changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practicable, for all prior periods presented. In the earliest period to which the provisions of paragraph 5 of this Statement are applied, (a) amounts reported as goodwill resulting from acquisitions prior to the effective date of Statement 69 should be reclassified as deferred outflows of resources and (b) amounts reported as negative goodwill resulting from acquisitions prior to the effective date of Statement 69 should be included as part of the restatement of net position. In the earliest period to which the provision of paragraph 6 of this Statement is applied, it should be determined whether each unit of account of real estate held by insurance entities meets the definition of an investment.

28. If restatement for prior periods is not practicable, 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.

29. For OPEB plans, information required by paragraphs 13 and 15 of this Statement to be presented in 10-year schedules of required supplementary information should be restated for all years presented, if practicable. If, during the transition period, restatement for prior years presented is not practicable, the reason for not restating prior years should be presented in notes to the applicable schedule.

30. Information that is presented in the schedule of required supplementary information required by paragraph 24 of this Statement should include information for each of the 10 most recent fiscal years, if practicable. If, during the transition period, information is not presented for all 10 fiscal years, the reason for not including all required years should be presented in notes to the schedule.

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, *Chair*
Jan I. Sylvis, *Vice-Chair*
James E. Brown
Brian W. Caputo
Michael H. Granof
Jeffrey J. Previdi
David E. Sundstrom

Appendix A

BACKGROUND

A1. A potential project to address certain practice issues was discussed by members of the Governmental Accounting Standards Advisory Council (GASAC) at its March 2016 meeting. The Board added a project to its current technical agenda in April 2016 with the objective of reviewing and considering solutions for certain practice issues that have been identified either during implementation or application of GASB Statements or through technical inquiries from stakeholders. The Board's deliberations began in May 2016, and the project was discussed with the GASAC at its August 2016 meeting.

A2. In September 2016, the Board approved an Exposure Draft, *Omnibus 201X.* The Board received 22 responses to the Exposure Draft from organizations and individuals. As discussed throughout Appendix B, comments and suggestions from the responses to the Exposure Draft and feedback from the GASAC contributed to the Board's deliberations in developing the requirements of this Statement.

Appendix B

BASIS FOR CONCLUSIONS

B1. This appendix discusses 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.

Issues Considered in This Statement

B2. In accordance with the GASB's Rules of Procedure, the Board considered whether to amend existing standards to address certain issues raised either during the implementation and application of GASB Statements or through technical inquiries. Those issues are related to certain provisions of Statements No. 61, *The Financial Reporting Entity: Omnibus;* No. 68, *Accounting and Financial Reporting for Pensions,* as amended; No. 69, *Government Combinations and Disposals of Government Operations;* No. 72, *Fair Value Measurement and Application;* 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;* No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans;* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

B3. Some respondents to the Exposure Draft raised additional issues that, in their view, should have been addressed in this Statement. The Board concluded that it would be inappropriate to expand the scope of the project to address additional issues in this Statement without sufficient due process. Paragraphs B4–B27 discuss the issues addressed in this Statement.

Blending Component Units

B4. Statement 61 amended paragraph 54 of Statement No. 14, *The Financial Reporting Entity,* by including a requirement that is referred to as *paragraph 54a of Statement 14* (or *paragraph 54a*) to address blending a component unit in circumstances in which the primary government is a business-type activity that

reports in a single column. Some stakeholders have asserted that paragraph 54a has been interpreted as an option for a primary government that is a business-type activity reporting in a single column to blend any component unit, rather than only those component units that meet a criterion for blending in paragraph 53 of Statement 14, as amended. The Board noted that the intent of paragraph 54a was to give a primary government that is a business-type activity and reports in a single column a choice to either (a) present the blended component unit information in an additional column as a separate fund of the primary government or (b) consolidate the blended component unit information into the single column of the primary government. The Board affirmed that the intent was not to permit a primary government that is a business-type activity to blend any component unit. Therefore, this Statement clarifies that those governments should blend a component unit only if the component unit meets a criterion for blending in paragraph 53 of Statement 14, as amended.

Goodwill

B5. Statement 69 requires that excess consideration paid in an acquisition (the amount that prior to Statement 69 was labeled *goodwill*) be reported as a deferred outflow of resources. Because the provisions of Statement 69 were required to be applied prospectively, stakeholders have raised questions regarding the classification of goodwill resulting from acquisitions prior to the effective date of Statement 69. Those stakeholders questioned whether goodwill existing as of that effective date should (a) be reclassified as a deferred outflow of resources or (b) continue to be reported as goodwill. The Board concluded that existing goodwill should be reclassified as a deferred outflow of resources in the earliest period to which the provisions of paragraph 5 of this Statement are applied and recognized in expense in accordance with paragraph 39 of Statement 69 so that excess consideration paid in acquisitions is classified in the same manner, regardless of when an acquisition occurred. Further, prior to Statement 69, governments could report "negative" goodwill (a deferred credit) in certain circumstances in which consideration provided was less than the net position acquired. However, in circumstances in which consideration provided is less than the net position acquired, Statement 69 does not provide for reporting of negative goodwill or a deferred inflow of resources. Instead, paragraph 40 of that Statement requires the acquiring government to reduce the acquisition values assigned to noncurrent assets (other than financial assets) that are acquired or, if certain circumstances exist, recognize a contribution. The Board concluded that a government should include any existing negative goodwill balances as part of the restatement of net position in

the earliest period to which the provisions of paragraph 5 of this Statement are applied instead of either reducing the values of noncurrent assets (other than financial assets) associated with the existing negative goodwill or recognizing a special item.

Fair Value Measurement and Application

B6. Prior to the issuance of this Statement, requirements for the classification of certain real estate assets held by insurance entities were included in Statements No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* as amended, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* as amended. Those Statements required that real estate be classified as an investment or as a capital asset based on the asset's predominant use. However, for all governments, Statement 72 defines *investment* and requires that classification of an asset (including real estate) as an investment be based on whether the asset meets that definition. Statement 72 also requires that classification of an asset for financial reporting purposes consider the unit of account—the level at which an asset or a liability is aggregated or disaggregated. Therefore, this Statement amends paragraph 48 of Statement 10, as amended, and paragraph 428 of Statement 62, as amended, to clarify that each unit of account of real estate should be classified either as an investment or as a capital asset based on whether the unit of account meets the definition of an investment in Statement 72.

B7. With regard to paragraph 6 of this Statement, some respondents to the Exposure Draft requested clarification regarding the point in time as of which the determination should be made as to whether each unit of account of real estate meets the definition of an investment. The Board noted that, for assets acquired after the provision of paragraph 6 of this Statement is effective, all relevant literature will apply, including paragraph 68 of Statement 72, which requires the determination of whether an asset meets the definition of an investment to be made as of acquisition. The Board agreed that this Statement should include specific provisions regarding application of the requirements of paragraph 6 to real estate held by insurance entities at transition. The Board concluded that the determination of whether existing real estate held by insurance entities meets the definition of an investment should be made as of the beginning of the earliest period to which the provision of paragraph 6 of this Statement is applied. That is, as part of the implementation of the provision of paragraph 6 of this Statement, real estate held by insurance entities should be

evaluated to determine if it should be reclassified based on the definition of an investment in Statement 72, and the determination should be made based on the facts and circumstances as of implementation of paragraph 6 of this Statement.

B8. Paragraph 69c of Statement 72 was intended to carry forward, without modification, the provisions in paragraph 9 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* Those provisions permit certain governments to measure certain money market investments and participating interest-earning investment contracts at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or other factors. Based on stakeholder feedback, the Board believes that, as issued, the language in paragraph 69c of Statement 72 could have been interpreted as a requirement to measure those investments at amortized cost, rather than as a financial reporting alternative. Therefore, this Statement clarifies that the use of amortized cost to measure those investments continues to be permitted but is not required.

Postemployment Benefits

Timing of the Measurement of Pension or Other Postemployment Benefits (OPEB) Liabilities and Expenditures Recognized in Financial Statements Prepared Using the Current Financial Resources Measurement Focus

B9. Statements 68, 73, and 75 permit defined benefit postemployment benefit liabilities recognized in financial statements prepared using the economic resources measurement focus to be measured as of a date (measurement date) no earlier than the end of the prior fiscal year. However, those Statements were not specific with regard to the timing of the measurement of defined benefit postemployment benefit liabilities recognized in financial statements prepared using the current financial resources measurement focus. The Board considered two alternatives regarding this issue: (a) measure the liability as of the measurement date and expenditures for the measurement period or (b) measure the liability as of the end of the reporting period and expenditures for the reporting period. The Board concluded that the second alternative is more consistent with the reporting of flows of current financial resources within the

existing financial reporting model and with current practice. Therefore, this Statement clarifies that reporting in financial statements prepared using the current financial resources measurement focus should reflect the reporting period.

B10. Some respondents to the Exposure Draft expressed concerns about recognition of a liability to employees for postemployment benefits in financial statements prepared using the current financial resources measurement focus if those benefits are administered through a trust that meets specified criteria. (Throughout this Basis for Conclusions, *specified criteria* refers to the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans,* paragraph 4 of Statement 68, paragraph 4 of Statement 73, paragraph 3 of Statement 74, or paragraph 4 of Statement 75, as applicable.) The Board noted that Statements 68 and 75 require recognition of a liability to employees for pensions or OPEB and that the intent of this Statement is to clarify the point in time at which that liability should be measured. The Board continues to believe that the requirement to recognize a liability to employees for pensions or OPEB in circumstances in which (a) there are benefit payments that are due and payable and (b) the plan's fiduciary net position is not sufficient for the payment of those benefits is consistent with the Board's prior conclusions in Statements 68 and 75 regarding employer liability recognition.

B11. Other respondents requested clarification regarding the extent to which the provisions of paragraph 8 require specific classification of the liability for purposes of financial statement display. The Board noted that the requirements of paragraph 8 are not intended to address financial statement display and that neither the provisions of this Statement regarding postemployment benefits nor the related postemployment benefit pronouncements specifically establish detailed display requirements. The Board also noted that the requirements of this Statement do not further amend any existing requirements relevant to financial statement display (for example, requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* as amended).

B12. Some respondents raised concerns regarding the treatment of administrative costs in circumstances in which postemployment benefits are not administered through trusts that meet specified criteria. In their view, the costs associated with obtaining information about administrative costs outweigh the benefits of including the costs in measurement of amounts reported for postemployment benefits. In circumstances in which postemployment benefits are not administered through trusts that meet specified criteria, Statements 73 and 75

require recognition of administrative costs as pension or OPEB expense in financial statements prepared using the economic resources measurement focus. Amounts recognized as expense are for the measurement period; however, a deferred outflow of resources is required to be recognized for amounts associated with administrative costs subsequent to the measurement date and before the employer's fiscal year-end. Therefore, the Board believes that information needed to recognize those administrative costs as expenditures for the reporting period generally would be available without the employer incurring significant additional cost.

Recognition and Measurement of On-Behalf Payments for Pensions or OPEB in Employer Financial Statements

B13. Prior to the issuance of Statements 68, 73, and 75, requirements for recognition and measurement of on-behalf payments for postemployment benefits were included in Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance.* Statements 68, 73, and 75 incorporated the requirements of Statement 24 for purposes of recognizing the effects of on-behalf payments in financial statements prepared using the economic resources measurement focus. However, Statements 68, 73, and 75 did not include explicit guidance regarding recognition of on-behalf payments for pensions or OPEB by employers in financial statements prepared using the current financial resources measurement focus. As a result, during the implementation of Statement 68, some stakeholders raised questions regarding the appropriate employer accounting and financial reporting for various forms of on-behalf payments for pensions in financial statements prepared using the current financial resources measurement focus.

B14. Because the intent of Statements 68, 73, and 75 was to retain the effects of Statement 24 with regard to employer recognition of on-behalf payments for postemployment benefits, the Board concluded that this Statement should incorporate the requirements of Statement 24. This Statement clarifies that, within the context of postemployment benefits, applying the approach in Statement 24 results in an employer recognizing pension or OPEB expenditures to reflect contributions (or benefit payments) made on behalf of the employer, as well as revenue for the financial support of the nonemployer contributing entities. Additionally, this Statement specifies that Statement 24 should be applied by employers to determine the amount of revenue that they should recognize for on-behalf payments that are not legally required to be made by a nonemployer contributing entity for defined contribution pensions or defined

contribution OPEB in financial statements prepared using the economic resources measurement focus. As a result, this Statement modifies paragraphs 8–12 of Statement 24, as amended, primarily to address requirements that were either duplicative of or inconsistent with requirements in the pensions and OPEB standards.

B15. Some respondents to the Exposure Draft raised concerns regarding the availability of the information needed to report expenditures for the reporting period for on-behalf payments in financial statements prepared using the current financial resources measurement focus. The Board affirmed that the intent of Statements 68, 73, and 75 was to retain the effects of Statement 24 and noted that employers were required to obtain that information in order to report on-behalf payments in accordance with the requirements of Statement 24 and Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers.*

Presentation of Payroll-Related Measures in Required Supplementary Information by OPEB Plans and Employers That Provide OPEB

B16. Statement No. 82, *Pension Issues,* amended Statements 67 and 68 to replace measures of covered-employee payroll (defined as the payroll of employees that are provided with pensions through the pension plan) with measures of covered payroll (defined as the payroll on which contributions to a pension plan are based) because of stakeholder concerns about obtaining the covered-employee payroll measure. As issued, Statements 73, 74, and 75 required a measure of covered-employee payroll and related ratios to be presented in required supplementary information. All three Statements defined covered-employee payroll as the payroll of employees that are provided with benefits through the plan. During the due process that led to Statement 82, some stakeholders questioned the measure required by Statements 73, 74, and 75 to be presented in required supplementary information or requested that the payroll measure required by those Statements be reconsidered. Because of those concerns and the issuance of Statement 82, during the deliberations that led to this Statement, the Board considered whether a different measure of pay should be presented by OPEB plans, employers that provide OPEB through OPEB plans that are administered through trusts that meet specified criteria, and employers that provide pensions or OPEB through plans that are not administered through trusts that meet specified criteria.

B17. With regard to OPEB plans, the Board concluded that the challenges associated with obtaining a measure of covered-employee payroll would be similar to those raised by pension plans. Therefore, similar to the Board's conclusions in the deliberations that led to Statement 82, the Board concluded that Statement 74 should be amended to replace measures of covered-employee payroll with measures of covered payroll if contributions to the OPEB plan are based on a measure of pay. If contributions to the OPEB plan are not based on a measure of pay, covered payroll is not a relevant measure and, because of concerns about obtaining the measure of covered-employee payroll, the Board concluded no measure should be presented by the OPEB plan. The Board noted that, in circumstances in which contributions are based on a measure of pay, this amendment also results in comparable reporting by postemployment benefit plans (both pension plans and OPEB plans) that are provided through trusts that meet specified criteria.

B18. Regarding employers that provide OPEB through OPEB plans administered through trusts that meet specified criteria, the Board concluded that, in circumstances in which contributions are based on pay, covered payroll is a relevant measure and presentation of the measure of covered payroll would provide comparability between (a) the employer reporting its OPEB liability and (b) the OPEB plan through which the benefits are provided. Therefore, the Board concluded that, for circumstances in which contributions to an OPEB plan are based on pay, Statement 75 should be amended to require measures of covered payroll instead of measures of covered-employee payroll. However, in circumstances in which employers provide OPEB through an OPEB plan that is administered through a trust that meets specified criteria and contributions to the OPEB plan are not based on pay, covered payroll is not a relevant measure. Because the Board continues to believe that a common-size measure is essential for placing an employer's basic financial statements and notes to basic financial statements in context, the Board concluded that, in those circumstances, employers should continue to be required to present measures of covered-employee payroll.

B19. With regard to employers that provide pensions or OPEB through plans that are not administered through trusts that meet specified criteria, the Board concluded that covered payroll is not a relevant measure because there are no contributions to the pension or OPEB plan for financial reporting purposes. As discussed in paragraph B18, the Board continues to believe that a common-size measure is essential for placing an employer's basic financial statements and notes to basic financial statements in context. Therefore, the Board concluded that employers that provide pensions or OPEB through plans that are

not administered through trusts that meet specified criteria should continue to present measures of covered-employee payroll. Based on this conclusion, this Statement does not amend the requirements in Statement 73 or Statement 75 related to presentation of measures of covered-employee payroll and related ratios by those employers.

B20. Some respondents to the Exposure Draft expressed concerns about the measure (covered-employee payroll) required to be presented by employers that provide OPEB in circumstances in which contributions to the OPEB plan are not based on pay. In the view of those respondents, either covered-employee payroll is not a relevant measure or presentation of covered-employee payroll limits comparability (both between entities and between pensions and OPEB). The Board continues to believe that covered-employee payroll provides a common-size measure by which a user could assess the magnitude of OPEB liabilities and contribution targets relative to other entities in the same reporting circumstance. The Board considered an alternative in which employers would present no measure of payroll if contributions to the OPEB plan are not based on pay. However, the Board noted that this alternative would have resulted in a significant number of employers presenting no measure. The Board believes that the primary purpose of the measure is to place an employer's basic financial statements and notes to basic financial statements in context. Therefore, the Board concluded that all employers that provide OPEB should present a payroll measure, even in circumstances in which contributions are not based on a measure of pay.

Classification of Employer-Paid Member Contributions for OPEB

B21. Statement 82 clarified that payments that are made by employers to satisfy contribution requirements identified by pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and employee contributions for purposes of Statement 68. During the due process that led to Statement 82, some stakeholders questioned whether similar clarifications should be made for OPEB in Statements 74 and 75. Therefore, during the deliberations that led to this Statement, the Board considered the issue within the context of OPEB and concluded that, for consistency, the requirements regarding employer-paid member contributions should be the same for all postemployment benefits (both pensions and OPEB).

Alternative Measurement Method for OPEB

B22. For purposes of applying the alternative measurement method, Statements 74 and 75 permit modifications with regard to the assumption about the expected point in time at which benefit payments will begin to be made and the method used to develop the assumed probability that an active plan member (employee) will remain employed until the assumed age at which benefit payments will begin to be made. With regard to the assumption about the expected point in time at which benefit payments will begin to be made, the Statements permit that assumption to incorporate a single assumed age at which the benefit payments will begin to be made or an assumption that benefit payments will begin to be made upon attaining a certain number of years of service. With regard to the assumed probability that an active plan member will remain employed until the assumed age at which benefit payments will begin to be made, the Statements provide a specific approach for calculating that probability. For purposes of applying the alternative measurement method, the following also need to be identified: (a) the expected point in time at which the plan member will exit from active service (which is similar to the expected point in time at which benefit payments will begin to be made) and (b) the assumed probability that an active plan member will remain employed until the assumed age at which the plan member will meet employment-related eligibility requirements to receive benefits (which is similar to the assumed probability that an active plan member will remain employed until the assumed age at which benefit payments will begin to be made). However, (a) and (b) were not specifically addressed in Statement 74 or Statement 75. Therefore, if the assumed age at which a plan member will exit from active service or the assumed age at which a plan member will meet employment-related eligibility requirements to receive benefits is different from the assumed age at which benefit payments will begin to be made, no simplification of either assumption was permitted.

B23. The Board believes that similar modifications should be permitted for similar assumptions for purposes of applying the alternative measurement method. Therefore, this Statement specifies that the assumption regarding the expected point in time at which a plan member will exit from active service may incorporate the same modifications that Statements 74 and 75 permit for the determination of the expected point in time at which benefit payments will begin to be made. Likewise, this Statement specifies that the assumption regarding the probability that a plan member will remain employed until the assumed age at which the plan member will meet employment-related eligibility requirements

to receive benefits may incorporate the same modifications that Statements 74 and 75 permit for the determination of the probability that an active plan member will remain employed until the assumed age at which benefit payments will begin to be made. Those modifications include the specific calculation methods identified in paragraph 57 of Statement 74 and paragraph 226 of Statement 75.

B24. Statement 75 requires that changes in the collective OPEB liability resulting from (a) differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total OPEB liability and (b) changes of assumptions about future economic or demographic factors or of other inputs be recognized in expense over a period equal to the average of the expected remaining service lives of employees. For governments that apply the alternative measurement method, Statement 75 simplifies those provisions by requiring that those changes be recognized in expense in the period in which the effects are first reported in the OPEB liability. However, Statement 75 did not include a similar simplification for circumstances in which the cost-sharing (or similar) requirements are applied with regard to changes in an entity's OPEB liability resulting from (1) changes in its proportion or (2) differences during the measurement period between its contributions (or amounts that are paid for OPEB as the benefits come due) and its proportionate share of contributions (or amounts that are paid for OPEB as the benefits come due). The Board believes that expense recognition for those entity-specific changes in the OPEB liability should be approached in a manner consistent with the approach applied to changes in the collective OPEB liability. Therefore, because Statement 75 included a modification to the period over which changes in the collective OPEB liability are recognized in expense in circumstances in which the alternative measurement method is used, this Statement requires that entity-specific changes in the OPEB liability also be recognized in expense in the current reporting period.

OPEB Provided through Certain Multiple-Employer Defined Benefit OPEB Plans

B25. The issue raised by some stakeholders regarding OPEB provided through certain multiple-employer defined benefit OPEB plans is parallel to the issue the Board addressed in Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.* Statement 78 provides an exception to the application of Statement 68, as amended, for employers that provide pensions through cost-sharing defined benefit pension

plans that have specific characteristics (such as Taft-Hartley plans or plans that have similar characteristics) that prevent the application of the cost-sharing employer requirements of Statement 68, as amended.

B26. As issued, the requirements of Statement 75 applied to all state and local governmental employers whose employees are provided with OPEB. There was no exception for employers that report OPEB in circumstances that are similar to those addressed in Statement 78 for pensions. In those circumstances, obtaining the measurements and information required by Statement 75 might not be feasible due to the relationship between the employers and the plan. The nature of a government's involvement as an employer in the arrangement might prevent coordination with the plan, especially because those types of plans generally are not established specifically for the employees of that government. Therefore, the Board concluded that, similar to Statement 78, this Statement should modify the requirements for OPEB provided through OPEB plans that have the characteristics described in paragraph 18 of this Statement.

B27. Some respondents to the Exposure Draft questioned a government's inability to obtain information necessary to report in accordance with Statement 75 and raised concerns that the revised reporting requirements may influence policy decisions about the mechanism through which a government provides OPEB. The Board noted that those are management decisions likely based on many factors with financial reporting requirements potentially among those factors. Therefore, if no change was made to the requirements of Statement 75, the inability to obtain information necessary to comply with the financial reporting requirements also could influence such policy decisions. After considering those comments, the Board concluded that, if a government provides OPEB through a cost-sharing OPEB plan that has the characteristics described in paragraph 18, that government likely would be unable to influence the OPEB plan to provide the information needed to report in accordance with Statement 75. Further, without the exception in this Statement, Statement 75 would require an allocation of the collective net OPEB liability, for which information about not only the governmental employer but all employers in the plan is needed. The Board continues to believe that governments that provide OPEB through cost-sharing OPEB plans that have the characteristics described in paragraph 18 of this Statement would face significant challenges in obtaining the information that would be required to report in conformity with Statement 75. Likewise, auditors would face significant challenges in auditing the information. After considering those challenges, the Board concluded that modification of the requirements of Statement 75 was necessary.

Considerations Related to Benefits and Costs

B28. 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 financial reporting is the assessment of the expected benefits and perceived costs. The Board strives to determine that its standards (including disclosure requirements) address a significant user 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.

B29. 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 accordance 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 new information to meaningfully inform their assessments and decisions.

B30. 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 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 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 maximizing benefits and minimizing costs.

B31. As previously discussed, this Statement addresses practice issues that have been raised through technical inquiries or during the implementation and application of GASB Statements. The Board believes that the expected benefit—greater consistency—that will result from the clarifications provided by this Statement will not result in significant additional cost, because the Board believes that much of the information necessary to comply with this Statement already is available to governments or would not require extensive effort to

obtain. In addition, the Board believes that certain of the provisions—for example, the requirements related to presentation of a payroll-related measure—will decrease the costs of applying the requirements that are being amended.

Effective Date and Transition

B32. The Board concluded that this Statement should be effective as soon as possible in order to address concerns in a timely manner. Therefore, the Board concluded that this Statement should be effective for reporting periods beginning after June 15, 2017. Regarding early application, the Exposure Draft proposed that earlier application be encouraged. Respondents to the Exposure Draft requested that earlier application be permitted for individual topics, rather than requiring implementation of all provisions of this Statement simultaneously. The Board concluded that interrelated requirements should not be permitted to be implemented at different dates; however, it decided that implementation by topic would be reasonable given the discrete nature of the individual topics addressed in this Statement.

B33. With respect to transition, the Board concluded that it is appropriate to require retroactive application of the provisions of this Statement, if practicable. The phrase *if practicable* has been used in other GASB standards in a similar context as used in this Statement with respect to transition provisions that require restating the financial statements and schedules of required supplementary information for all prior periods presented. The Board believes that reasonable efforts should be deployed before a government determines that restatement of all prior periods presented is not practicable. In other words, *inconvenient* should not be considered equivalent to *not practicable.*

B34. As discussed in paragraph B7, some respondents to the Exposure Draft requested clarification regarding the application of paragraph 6 of this Statement at transition and as of which point in time the determination should be made as to whether real estate held by insurance entities meets the definition of an investment. The Board concluded that, for purposes of applying paragraph 6 at transition, the determination generally should be made as of the beginning of the period in which the provision of paragraph 6 of this Statement is implemented, although the Board noted that, if comparative statements are presented, the determination should be made as of the beginning of the earliest period restated.

B35. Other respondents to the Exposure Draft requested clarification regarding the transition provisions relative to the requirement of paragraph 24 of this Statement to present a 10-year schedule of contributions. After considering those comments, the Board concluded that the specific requirements in paragraph 30 related to the presentation at transition of that schedule, in combination with the discussion in paragraph B33 regarding the basis for the Board's conclusions, appropriately convey that a full 10 years should be presented at transition, if practicable.

Appendix C

CODIFICATION INSTRUCTIONS

C1. The sections that follow update the June 30, 2016 *Codification of Governmental Accounting and Financial Reporting Standards* (Codification) for the effects of this Statement.

* * *

[Update cross-references throughout.]

* * *

REPORTING ENTITY AND COMPONENT UNIT PRESENTATION AND DISCLOSURE **SECTION 2600**

.115 [Revise first sentence as follows:] For governments engaged only in business-type activities that use a single column for financial statement presentation, a component unit that meets a criterion for blending in paragraph .113 of this section may be blended by consolidating its financial statement data within the single column of the primary government and presenting condensed combining information in the notes to the financial statements. [GASBS 61, ¶9, as amended by GASBS 63, ¶7 and ¶8 and GASBS 85, ¶4]

* * *

INVESTMENTS **SECTION I50**

.101 [Revise sources as follows:] GASBS 3, ¶1; GASBS 31, ¶2, as amended by GASBS 32, ¶5, GASBS 52, ¶4, and GASBS 72, ¶2; GASBS 40, ¶9, ¶11, and ¶14–¶17; GASBS 52, ¶5; GASBS 53, ¶20, ¶67, ¶76, and ¶79; GASBS 59, ¶5; GASBS 62, ¶202–¶210; GASBS 67, ¶18; GASBS 72, ¶2, ¶64 –¶68, and ¶70–¶75; GASBS 72, ¶69, as amended by GASBS 85, ¶7

.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 and ¶70; GASBS 72, ¶69, as amended by GASBS 85, ¶7

.123 [In paragraph and in footnotes 8 and 9, add GASBS 85, ¶7 as an amending source of GASBS 72, ¶69.]

* * *

PENSION ACTIVITIES—REPORTING FOR BENEFITS PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED BENEFIT **SECTION P20**

Sources: [Add the following:] GASB Statement 85

.107 [Replace *paragraphs .116–.230* with *paragraphs .116–.232*.] [GASBS 68, ¶9; GASBS 78, ¶5–¶10; GASBS 85, ¶9 and ¶10]

.109 [Replace *paragraphs .119–.146, .183–.191, or .222–.224* with *paragraphs .119–.147, paragraphs .185–.193, or paragraphs .224–.226*.] [GASBS 68, ¶11; GASBS 85, ¶9 and ¶10]

.110 [Replace *paragraphs .119–.146, .183–.191, or .222–.224* with *paragraphs .119–.147, paragraphs .185–.193, or paragraphs .224–.226*.] [GASBS 68, ¶12; GASBS 85, ¶9 and ¶10]

.111 [Replace *paragraphs .147–.182, .192–.197, or .222–.224* with *paragraphs .148–.184, paragraphs .194–.199, or paragraphs .224–.226*.] [GASBS 68, ¶13, as amended by GASBS 78, ¶2; GASBS 85, ¶9 and ¶10]

.117 [In the first sentence, replace *paragraphs .119–.221* with *paragraphs .119–.223*. In the second sentence, replace *paragraphs .136–.146* with *paragraphs .137–.147*. In the last sentence, replace *paragraphs .147–.182* with *paragraphs .148–.184*.] [GASBS 68, ¶18; GASBS 85, ¶9 and ¶10]

.135 [Revise as follows:] In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, a net pension liability[10] should be recognized to the extent that the liability measured as of the end of the reporting period is normally expected to be liquidated with expendable available financial resources. Net pension liabilities are normally expected to be liquidated with expendable available financial resources to the extent that benefit payments have matured—that is, benefit payments are due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits. Pension expenditures should be recognized equal to the total of (a) amounts paid during the reporting period by the employer (and by nonemployer contributing entities, if any) to the pension plan and (b) the change between the employer's (and nonemployer contributing entities', if any) beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. Pension expenditures include amounts for payables to a pension plan. [GASBS 68, ¶36, as amended by GASBS 85, ¶8; GASBS 85, ¶9]

[Insert new paragraph .136, including heading, as follows; renumber subsequent paragraphs.]

Support of nonemployer contributing entities

.136 In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, revenue should be recognized equal to the total of (a) amounts paid during the reporting period by nonemployer contributing entities to the pension plan and (b) the change between the nonemployer contributing entities' beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. Both (a) and (b) include amounts for payables to a pension plan. [GASBS 85, ¶9 and ¶10]

.174 [Revise current paragraph .173 as follows:] In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, an employer's proportionate share of the collective net pension liability should be recognized to the extent the liability measured as of the end of the reporting period is normally expected to be liquidated with expendable available financial resources. Net pension liabilities are normally expected to be liquidated with expendable available financial resources to the extent that benefit payments have matured—that is, benefit payments are due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits. Pension expenditures should be recognized equal to

the total of (a) amounts paid during the reporting period by the employer (and, to the extent associated with the employer, by nonemployer contributing entities, if any) to the pension plan and (b) the change between the employer's (and to the extent associated with the employer, nonemployer contributing entities', if any) beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. Pension expenditures include amounts for payables to a pension plan. [GASBS 68, ¶73, as amended by GASBS 85, ¶8; GASBS 85, ¶9]

[Insert new paragraph .175, including heading, as follows; renumber subsequent paragraphs.]

Support of nonemployer contributing entities

.175 In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, revenue should be recognized equal to the portion of the following amount that is associated with the employer: the total of (a) amounts paid during the reporting period by nonemployer contributing entities to the pension plan and (b) the change between the nonemployer contributing entities' beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. Both (a) and (b) include amounts for payables to a pension plan. [GASBS 85, ¶9 and ¶10]

.193 [In current paragraph .191, replace *paragraphs .135–.146* with *paragraphs .135–.147*.] [GASBS 68, ¶91; GASBS 85, ¶9 and ¶10]

.199 [In current paragraph .197, replace *paragraphs .173–.182* with *paragraphs .174–.184*.] [GASBS 68, ¶96; GASBS 85, ¶9 and ¶10]

.211 [Revise current paragraph .209 as follows:] In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, a governmental nonemployer contributing entity's proportionate share of the collective net pension liability should be recognized to the extent the liability measured as of the end of the reporting period is normally expected to be liquidated with expendable available financial resources. Net pension liabilities are normally expected to be liquidated with expendable available financial resources to the extent that benefit payments have matured—that is, benefit payments are due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits. Expenditures should be recognized equal to the total of (a) amounts paid during

the reporting period by the governmental nonemployer contributing entity to the pension plan and (b) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. Expenditures include amounts for payables to the pension plan. Expenditures should be classified in the same manner as the governmental nonemployer contributing entity classifies similar grants to other entities. [GASBS 68, ¶107, as amended by GASBS 85, ¶8]

.222 [In current paragraph .220, replace *paragraphs .117–.182* with *paragraphs .117–.184*.] [GASBS 68, ¶118; GASBS 85, ¶9 and ¶10]

.225 [Insert the following sentence at the end of current paragraph .223:] Expenditures for payables to a defined benefit pension plan should be recognized in accordance with paragraph .135, paragraph .174, paragraph .193, paragraph .199, or paragraph .211, as applicable. [GASBS 68, ¶121, as amended by GASBS 85, ¶8]

.701-3 [In the answer, remove */expenditure*.] [GASBIG 2015-1, Q5.116.3, as amended by GASBS 78, ¶2 and GASBS 85, ¶9 and ¶10]

.705-3 [In the answer, revise the penultimate sentence as follows:] The employers that provide benefits through the plan should apply the requirements of this section for employers that are not in special funding situations and the requirements of Section N50 for on-behalf payments that are not legally required to be made by a nonemployer contributing entity. [GASBIG 2015-1, Q5.122.3, as amended by GASBS 85, ¶3]

.720-1 [In the question, replace *measurement date* with *end of the reporting period*.] [GASBIG 2015-1, Q5.145.1, as amended by GASBS 85, ¶8]

.720-2 [In the question, replace *measurement date* with *end of the reporting period*.] [GASBIG 2015-1, Q5.145.2, as amended by GASBS 85, ¶8]

[Insert new heading .721 and text as follows; renumber subsequent headings and associated questions.]

.721 Support of nonemployer contributing entities

No questions assigned.

.749-1 [In current Question .748-1, replace *measurement date* with *end of the reporting period*.] [GASBIG 2015-1, Q5.185.1, as amended by GASBS 85, ¶8]

.749-2 [In current Question .748-2, replace *measurement date* with *end of the reporting period*.] [GASBIG 2015-1, Q5.185.2, as amended by GASBS 85, ¶8]

[Insert new heading .750 and text as follows; renumber subsequent headings and associated questions.]

.750 Support of nonemployer contributing entities

No questions assigned.

.781-1 [In current Question .779-1, replace *measurement date* with *end of the reporting period*.] [GASBIG 2015-1, Q5.224.1, as amended by GASBS 85, ¶8]

.781-2 [In current Question .779-2, replace *measurement date* with *end of the reporting period*.] [GASBIG 2015-1, Q5.224.2, as amended by GASBS 85, ¶8]

* * *

PENSION ACTIVITIES—REPORTING FOR BENEFITS PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED CONTRIBUTION **SECTION P21**

Sources: [Add the following:] GASB Statement 85

[Remove paragraph .102; renumber subsequent paragraphs.]

.108 [In current paragraph .109, in the first sentence, replace *paragraphs .114–.120* with *paragraphs .113–.120*. In the second sentence, replace *paragraph .108* with *paragraph .107*.] [GASBS 68, ¶16; GASBS 85, ¶10]

.110 [In current paragraph .111, in the first sentence, revise (a) and (b) as follows:] (a) amounts paid by the employer (and by nonemployer contributing entities, if any) to the pension plan and (b) the change between the employer's (and nonemployer contributing entities', if any) beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. [GASBS 68, ¶124; GASBS 85, ¶9]

[Insert new paragraph .114 as follows; renumber subsequent paragraphs.]

.114 In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, the requirements in paragraph .110 should be applied. In addition, revenue should be recognized equal to the total of (a) amounts paid by nonemployer contributing entities to the pension plan and (b) the change between the nonemployer contributing entities' beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. [GASBS 68, ¶128; GASBS 85, ¶9 and ¶10]

.115 [Revise the first sentence as follows:] The requirements in paragraphs .111 and .112 for financial statement display and notes to financial statements should be applied.

.121 [Replace *paragraph .108* with *paragraph .107* and replace *paragraphs .114 and .115* with *paragraphs .113–.11*5.] [GASBS 68, ¶134; GASBS 85, ¶10]

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PENSION ACTIVITIES—REPORTING FOR BENEFITS NOT PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED BENEFIT **SECTION P22**

Sources: [Add the following:] GASB Statement 85

.106 [Replace *paragraphs .113–.192* with *paragraphs .113–.194*.] [GASBS 73, ¶12; GASBS 85, ¶9 and ¶10]

.110 [Replace *paragraphs .113–.168 or paragraph .188* with *paragraphs .113–.170 or paragraph .190*.] [GASBS 73, ¶17; GASBS 85, ¶9 and ¶10]

.113 [Replace *paragraphs .115–.189* with *paragraphs .115–.191*.] [GASBS 73, ¶22; GASBS 85, ¶9 and ¶10]

.114 [Replace *paragraphs .115–.189* with *paragraphs .115–.191*.] [GASBS 73, ¶23; GASBS 85, ¶9 and ¶10]

.115 [In the first sentence, replace *paragraphs .129–.137* with *paragraphs .130–.138*. In the last sentence, replace *paragraphs .138–.158* with *paragraphs .139–.160*.] [GASBS 73, ¶24; GASBS 85, ¶9 and ¶10]

.128 [Revise as follows:] In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, a total pension liability (or, if an employer has a special funding situation, a proportionate share of the **collective total pension liability**) should be recognized to the extent the liability measured as of the end of the reporting period is normally expected to be liquidated with expendable available financial resources. A total pension liability (or, if an employer has a special funding situation, a proportionate share of the collective total pension liability) is normally expected to be liquidated with expendable available financial resources to the extent that benefit payments have matured—that is, benefit payments are due and payable. Pension expenditures should be recognized equal to the total of (a) amounts paid during the reporting period by the employer (and by nonemployer contributing entities, if any) for pensions as the benefits come due and (b) the change between the employer's (and nonemployer contributing entities', if any) beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. Pension expenditures also should be recognized for costs incurred during the reporting period by the employer related to the administration of pensions. [GASBS 73, ¶37, as amended by GASBS 85, ¶8; GASBS 85, ¶9]

[Insert new paragraph .129, including heading, as follows; renumber subsequent paragraphs.]

Support of nonemployer contributing entities

.129 In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, revenue should be recognized equal to the total of (a) amounts paid during the reporting period by nonemployer contributing entities for pensions as the benefits come due and (b) the change between the nonemployer contributing entities' beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. [GASBS 85, ¶9 and ¶10]

.152 [Revise current paragraph .151 as follows:] In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, the government's proportionate share of the collective total pension liability should be recognized to the extent the liability

measured as of the end of the reporting period is normally expected to be liquidated with expendable available financial resources. A total pension liability is normally expected to be liquidated with expendable available financial resources to the extent that benefit payments have matured—that is, benefit payments are due and payable. Pension expenditures should be recognized equal to the total of (a) amounts paid during the reporting period by the government (and, to the extent associated with the government, by nonemployer contributing entities, if any) for pensions as the benefits come due and (b) the change between the government's (and, to the extent associated with the government, nonemployer contributing entities', if any) beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. Pension expenditures also should be recognized for costs incurred during the reporting period by the government related to the administration of pensions. [GASBS 73, ¶60, as amended by GASBS 85, ¶8; GASBS 85, ¶9]

[Insert new paragraph .153, including heading, as follows; renumber subsequent paragraphs.]

Support of nonemployer contributing entities

.153 In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, revenue should be recognized equal to the portion of the following amount that is associated with the government: the total of (a) amounts paid during the reporting period by nonemployer contributing entities for pensions as the benefits come due and (b) the change between the nonemployer contributing entities' beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. [GASBS 85, ¶9 and ¶10]

.170 [In current paragraph .168, replace *paragraphs .128–.137* with *paragraphs .128–.138*.] [GASBS 73, ¶77; GASBS 85, ¶9 and ¶10]

.181 [Revise current paragraph .179 as follows:] In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, a governmental nonemployer contributing entity's proportionate share of the collective total pension liability should be recognized to the extent the liability measured as of the end of the reporting period is normally expected to be liquidated with expendable available financial resources. A total pension liability is normally expected to be liquidated with expendable available financial resources to the extent that benefit payments

have matured—that is, benefit payments are due and payable. Expenditures should be recognized equal to the total of (a) amounts paid during the reporting period by the governmental nonemployer contributing entity for pensions as the benefits come due and (b) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. Expenditures also should be recognized for costs incurred during the reporting period by the governmental nonemployer contributing entity related to the administration of pensions. Expenditures should be classified in the same manner as the governmental nonemployer contributing entity classifies similar grants to other entities. [GASBS 73, ¶88, as amended by GASBS 85, ¶8]

.190 [In current paragraph .188, replace *paragraphs .113–.158* with *paragraphs .113–.160.*] [GASBS 73, ¶97; GASBS 85, ¶9 and ¶10]

[Insert new heading .717 and text as follows; renumber subsequent headings and associated questions.]

.717 Support of nonemployer contributing entities

No questions assigned.

[Insert new heading .734 and text as follows; renumber subsequent headings and associated questions.]

.734 Support of Nonemployer Contributing Entities

No questions assigned.

* * *

PENSION ACTIVITIES—REPORTING FOR BENEFITS NOT PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED CONTRIBUTION **SECTION P24**

Sources: [Add the following:] GASB Statement 85

[Remove paragraph .103; renumber subsequent paragraphs.]

.107 [In current paragraph .108, in the first sentence, replace *paragraphs .113–.119* with *paragraphs .112–.119*. In the last sentence, replace *paragraph .107a or paragraph .107b* with *paragraph .106a or paragraph .106b*.] [GASBS 73, ¶21; GASBS 85, ¶10]

.109 [In current paragraph .110, in the first sentence, revise (a) and (b) as follows:] (a) amounts paid by the employer (and by nonemployer contributing entities, if any) for pensions as the benefits come due and (b) the change between the employer's (and nonemployer contributing entities', if any) beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. [GASBS 73, ¶103; GASBS 85, ¶9]

[Insert new paragraph .113 as follows; renumber subsequent paragraphs.]

.113 In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, the requirements in paragraph .109 should be applied. In addition, revenue should be recognized equal to the total of (a) amounts paid by nonemployer contributing entities for pensions as the benefits come due and (b) the change between the nonemployer contributing entities' beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. [GASBS 73, ¶107; GASBS 85, ¶9 and ¶10]

.114 [Revise the first sentence as follows:] The requirements in paragraphs .110 and .111 for financial statement display and notes to financial statements should be applied.

.120 [Replace *paragraph .107a or paragraph .107b* with *paragraph .106a or paragraph .106b* and replace *paragraphs .113 and .114* with *paragraphs .112–.114*.] [GASBS 73, ¶113; GASBS 85, ¶10]

* * *

COLLEGES AND UNIVERSITIES **SECTION Co5**

.110 [Revise first sentence as follows:] For governments engaged only in business-type activities that use a single column for financial statement presentation, a component unit that meets a criterion for blending in paragraph .113 of Section 2600 may be blended by consolidating its financial

statement data within the single column of the primary government and presenting condensed combining information in the notes to the financial statements. [GASBS 61, ¶9, as amended by GASBS 63, ¶7 and ¶8 and GASBS 85, ¶4]

* * *

COMBINATIONS AND DISPOSALS OF OPERATIONS **SECTION Co10**

Sources: [Add the following:] GASB Statement 85

.136 [Add GASBS 85, ¶5 to sources.]

* * *

HOSPITALS AND OTHER HEALTHCARE PROVIDERS **SECTION Ho5**

.111 [Revise first sentence as follows:] For governments engaged only in business-type activities that use a single column for financial statement presentation, a component unit that meets a criterion for blending in paragraph .113 of Section 2600 may be blended by consolidating its financial statement data within the single column of the primary government and presenting condensed combining information in the notes to the financial statements. [GASBS 61, ¶9, as amended by GASBS 63, ¶7 and ¶8 and GASBS 85, ¶4]

* * *

INSURANCE ENTITIES—OTHER THAN PUBLIC ENTITY RISK POOLS **SECTION In3**

[In the heading that precedes paragraph .137, remove *Used in Operations*.]

.137 [Revise first and second sentences as follows:] Each unit of account of real estate should be classified either as an investment or as a capital asset, depending on whether the unit of account meets the definition of an investment.

Real estate operating costs should be classified as investment expenses or operating expenses consistent with the statement of net position classification of the related asset. [GASBS 62, ¶428, as amended by GASBS 63, ¶8 and GASBS 85, ¶6]

* * *

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

[Remove paragraph .102; renumber subsequent paragraphs.]

* * *

PUBLIC ENTITY RISK POOLS **SECTION Po20**

.139 [Revise sources as follows:] GASBS 10, ¶43, as amended by GASBS 72, ¶64–¶75 and GASBS 85, ¶7

[In the heading that precedes paragraph .145, remove *Used in the Pool's Operations*.]

.145 [Revise first and second sentences as follows:] Each unit of account of real estate should be classified either as an investment or as a capital asset, depending on whether the unit of account meets the definition of an investment. Real estate operating costs should be classified as investment expenses or operating expenses consistent with the statement of net position classification of the related asset. [GASBS 10, ¶48, as amended by GASBS 63, ¶8 and GASBS 85, ¶6]

* * *

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

Sources: [Add the following:] GASB Statement 85

See also: [Remove the reference to Section N50.]

[Revise footnote 2 as follows:] In some circumstances, payments are made by the employer to satisfy contribution requirements that are identified by the OPEB plan terms as plan member contribution requirements. For purposes of this section, those amounts should be classified as plan member contributions. [GASBS 74, fn2, as amended by GASBS 85, ¶15]

.130 [In subparagraphs b(5), b(6), c(5), and c(6) replace *covered-employee payroll* with *covered payroll, if contributions to the OPEB plan are based on a measure of pay*; in subparagraph b(5), bold the term *covered payroll*.] [GASBS 74, ¶36, as amended by GASBS 85, ¶13]

.150 [Insert new subparagraph (c) as follows; renumber subsequent subparagraphs.]

c. *Expected point in time at which plan members will exit from active service.* The assumption should reflect past experience and future expectations for the covered group. For active plan members covered under the terms of the OPEB plan, the assumption may incorporate (1) a single assumed age at which plan members will exit from active service or (2) an assumption that plan members will exit from active service upon attaining a certain number of years of service.

[Revise renumbered subparagraph (f) as follows:]

f. *Turnover.* The assumed probability that an active plan member will remain employed until the assumed age at which (1) benefit payments will begin to be made or (2) the active plan member will meet employment-related eligibility requirements to receive benefits 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 .151a. However, if experience data are not available, that probability should be assigned using the method identified in paragraph .151b.

[GASBS 74, ¶56, as amended by GASBS 85, ¶16]

.151 [Revise paragraph as follows:] The following calculation methods and default values should be used, if applicable, to meet the requirements of (a) paragraph .150f to determine the probability that an active plan member will remain employed until the expected point in time that benefit payments will begin to be made or the probability that an active plan member will remain employed until the assumed age at which the plan member will meet employment-related eligibility requirements to receive benefits and (b) paragraph .150h to determine age-adjusted premiums for inactive plan members.

a. For purposes of applying the requirements of paragraph .150f, 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 or the probability that an active plan member will remain employed until the assumed age at which the plan member will meet employment-related eligibility requirements to receive benefits:

[Revise the heading to column (d) of the table as follows:] Probability of Remaining Employed from Age Shown to Assumed Age at Which Benefit Payments Will Begin to Be Made or at Which the Plan Member Will Meet Employment-Related Eligibility Requirements to Receive Benefits (d)

[Revise the remainder of subparagraph (a) as follows:]

Column a: For each age (*n*) from the earliest entry age to assumed age at which benefit payments will begin to be made or at which the plan member will meet employment-related eligibility requirements to receive benefits, as applicable, 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 or at which the plan member will meet employment-related eligibility requirements to receive benefits, as applicable.

[Retain subparagraphs (b) and (c).]

[GASBS 74, ¶57, as amended by GASBS 85, ¶16]

[Replace current paragraph .515 with the following:]

.515 **Covered payroll.** The portion of compensation paid to active employees on which contributions to an OPEB plan are based. [GASBS 85, ¶13]

* * *

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

[Revise footnote 2 as follows:] In some circumstances, payments are made by the employer to satisfy contribution requirements that are identified by the OPEB plan terms as plan member contribution requirements. For purposes of this section, those amounts should be classified as plan member contributions. [GASBS 74, fn2, as amended by GASBS 85, ¶15]

[Remove paragraph .105; renumber subsequent paragraphs.]

* * *

SPECIAL-PURPOSE GOVERNMENTS **SECTION Sp20**

.115 [Revise first sentence as follows:] For governments engaged only in business-type activities that use a single column for financial statement presentation, a component unit that meets a criterion for blending in paragraph .113 of Section 2600 may be blended by consolidating its financial statement data within

the single column of the primary government and presenting condensed combining information in the notes to the financial statements. [GASBS 61, ¶9, as amended by GASBS 63, ¶7 and ¶8 and GASBS 85, ¶4]

UTILITIES **SECTION Ut5**

.111 [Revise first sentence as follows:] For governments engaged only in business-type activities that use a single column for financial statement presentation, a component unit that meets a criterion for blending in paragraph .113 of Section 2600 may be blended by consolidating its financial statement data within the single column of the primary government and presenting condensed combining information in the notes to the financial statements. [GASBS 61, ¶9, as amended by GASBS 63, ¶7 and ¶8 and GASBS 85, ¶4]

* * *

C2. The instructions that follow update the Codification Instructions of Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* 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.

* * *

[Update cross-references throughout.]

* * *

NOTES TO FINANCIAL STATEMENTS **SECTION 2300**

Sources: [Add the following:] GASB Statement 85

.106 [Add GASBS 85, ¶23 to sources.]

[Revise the second sentence of footnote 5 as follows:] Payables to a defined benefit pension or defined benefit OPEB plan administered through a trust that meets the criteria of paragraph .101 of Section P20 or paragraph .101 of Section P50 should be disclosed with short-term or long-term liabilities, as appropriate, and governments also should apply the requirements of para-

graph .226 or paragraph .230 of Section P20 or paragraph .246 or paragraph .253 of Section P50, as applicable. [GASBS 34, fn47, as amended by GASBS 68, ¶37–¶45, ¶74–¶80, ¶109–¶113, ¶116, and ¶122, GASBS 73, ¶38–¶44, ¶61–¶65, ¶77, ¶89–¶92, ¶95, ¶101, ¶105, ¶107, ¶111, and ¶114, GASBS 75, ¶47–¶56, ¶89–¶96, ¶127–¶133, ¶136, ¶142, ¶162–¶169, ¶185–¶190, ¶213–¶217, ¶220, ¶229, ¶233, ¶239, ¶240, and ¶242, GASBS 78, ¶8, and GASBS 85, ¶23]

.125 [Revise last sentence as follows:] Governments that report balances of payables related to liabilities to a defined benefit pension or defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph .101 of Section P20 or paragraph .101 of Section P50, as applicable, also should disclose information required by paragraph .226 or paragraph .230 of Section P20 or paragraph .246 or paragraph .253 of Section P50, as applicable. [GASBS 38, ¶13, as amended by GASBS 63, ¶8, GASBS 68, ¶122, GASBS 75, ¶142, GASBS 78, ¶8, and GASBS 85, ¶23]

* * *

NONEXCHANGE TRANSACTIONS **SECTION N50**

Sources: [Add the following:] GASB Statement 85

[Replace the instructions for paragraphs .103 and .130 as follows:]

[Revise the fourth and fifth sentences of paragraph .103 as follows:] The provisions of this section also do not apply to employers that receive support from on-behalf payments that are legally required to be made by nonemployer contributing entities directly to a pension or other postemployment benefit (OPEB) plan (including benefit payments made directly as the benefits come due) or the nonemployer contributing entities that are legally required to make those on-behalf payments. Sections P20, P21, P22, and P24, and Sections P50, P51, P52, and P54, respectively, provide guidance for accounting and financial reporting for those payments.

[Replace current paragraph .130 with new paragraphs .130–.133 as follows; renumber subsequent paragraphs.]

.130 An employer government should recognize revenue and expenditures or expenses for on-behalf payments for fringe benefits and salaries.

Revenue

.131 For defined benefit pensions and defined benefit OPEB, employers should recognize revenue in accordance with the requirements of Section P20, Section P22, Section P50, or Section P52, as applicable. For other on-behalf payments, the employer government should recognize revenue equal to the amounts that third-party recipients of the payments received and that are receivable at year-end for the current fiscal year. [GASBS 24, ¶8, as amended by GASBS 73, ¶33, ¶59, ¶76, and ¶122, GASBS 75, ¶43, ¶69, ¶107, ¶114, ¶157, ¶183, and ¶201, and GASBS 85, ¶9–¶11; GASBS 85, ¶11]

Expenditures or Expenses

.132 For on-behalf payments for pensions or OPEB, the employer government should follow accounting standards for pensions or OPEB to recognize expenditures or expenses and related liabilities or assets. [GASBS 24, ¶8, as amended by GASBS 68, ¶33, ¶53, and ¶123, GASBS 73, ¶33, ¶52, ¶70, and ¶102, GASBS 75, ¶43, ¶63, ¶101, ¶110, ¶157, ¶176, ¶195, and ¶230, and GASBS 85, ¶9]

.133 For on-behalf payments for fringe benefits and salaries other than pensions or OPEB:

a. If the employer government is not legally responsible for the payment, it should recognize expenditures or expenses equal to the amount recognized as revenue.
b. If the employer government is legally responsible for the payment, it should follow accounting standards for that type of transaction to recognize expenditures or expenses and related liabilities or assets. For example, expenditures or expenses for on-behalf payments for pensions should be recognized and measured using pension accounting standards for state and local governmental employers. (See Section P20, Section P21, Section P22, or Section P24, as applicable.)

For purposes of applying the requirements of this paragraph, the **legally responsible entity** is the entity required by legal[17] or contractual provisions to make the payment. [GASBS 24, ¶8]

[Replace current paragraphs .131–.134, including headings, with the following; renumber subsequent paragraphs.]

Additional Requirements for On-Behalf Payments for Salaries and Fringe Benefits Other Than Pensions or OPEB

.134 Employer governments should apply paragraphs .135–.138 for on-behalf payments for salaries and fringe benefits other than pensions or OPEB. [GASBS 24, ¶3, as amended by GASBS 85, ¶12]

.135 Employer governments should obtain information about the amount of on-behalf payments for fringe benefits and salaries from the paying entity or the third-party recipient; interentity cooperation is encouraged. If information cannot be obtained from those sources, employer governments should make their best estimates of the amounts. [GASBS 24, ¶9, as amended by GASBS 85, ¶12]

.136 [Insert current paragraph .132.]

.137 [Insert current paragraph .133, including footnote.]

.138 Employer governments should disclose in the notes to financial statements the amounts recognized for on-behalf payments for fringe benefits and salaries. [GASBS 24, ¶12, as amended by GASBS 85, ¶12]

* * *

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS—REPORTING FOR BENEFITS PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED BENEFIT **SECTION P50**

Sources: [Add the following:] GASB Statement 75, GASB Statement 85

See also: [Add references to Sections N50, T25, Bn5, and Po50.]

.101 [Revise sources as follows:] GASBS 75, ¶4, as amended by GASBS 85, ¶18; GASBS 85, ¶18

[In footnote 1, replace *paragraphs .502–.554* with *paragraphs .502–.555*.] [GASBS 75, fn1; GASBS 85, ¶13]

[Revise footnote 2 as follows:] In some circumstances, payments are made by the employer to satisfy contribution requirements that are identified by the OPEB plan terms as plan member contribution requirements. For purposes of this section, those amounts should be classified as employee contributions, including for purposes of determining a cost-sharing employer's proportion. An employer's expense and expenditures for those amounts should be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). [GASBS 75, fn2, as amended by GASBS 85, ¶15]

.103 [Revise sources as follows:] GASBS 75, ¶6, as amended by GASBS 85, ¶19; GASBS 85, ¶19

.105 [Replace *paragraphs .116–.240* with *paragraphs .117–.255*.] [GASBS 75, ¶9; GASBS 85, ¶9, ¶10, and ¶16–¶25]

.111 [In the first sentence, replace the first use of *as applicable, and* with *as applicable, and, except as provided in paragraph .112,*. Replace *paragraphs .116–.153, .194–.203, .233, and .235–.237* with *paragraphs .117–.155, .199–.210, .242, and .247–.249*; replace *paragraphs .116–.121, .154–.193, .204–.210, .233, and .244–.246* with *paragraphs .117–.122, .156–.198, .211–.217, .242, and .247–.249*.] [GASBS 75, ¶15, as amended by GASBS 85, ¶18; GASBS 85, ¶9, ¶10, and ¶17]

[Insert new paragraph .112 as follows; renumber subsequent paragraphs.]

.112 Paragraphs .250–.255 apply to employers whose employees are provided with defined benefit OPEB through a cost-sharing OPEB plan that (a) is not a state or local governmental OPEB plan, (b) is used to provide defined benefit OPEB both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employers (either individually or collectively with other state or local governmental employers that provide OPEB through the OPEB plan). Each employer that provides OPEB through such a plan should apply those requirements rather than the requirements in paragraphs .117–.122, .156–.198, .211–.217, .242, and .247–.249. [GASBS 85, ¶18 and ¶19]

.116 [In the first sentence of current paragraph .115, replace *paragraphs .116–.121, .194–.232, and .235–.237* with *paragraphs .117–.122, .199–.241, and .247–.249*. In the last sentence, replace *paragraph .114a or paragraph .114b* with *paragraph .115a or paragraph .115b* and replace *paragraphs .233 and .234* with *paragraphs .242 and .243*.] [GASBS 75, ¶19; GASBS 85, ¶17]

[Revise the heading that follows current paragraph .115 as follows:] OPEB Provided through OPEB Plans That Are Administered through Trusts That Meet the Criteria in Paragraph .101 and That Do Not Have the Characteristics in Paragraph .112

[Delete the heading that follows current paragraph .117.]

.120 [In current paragraph .119, in the first sentence, replace *paragraphs .120–.234* with *paragraphs .121–.243*. In the second sentence, replace *paragraphs .142–.153* with *paragraphs .144–.155*. In the last sentence, replace *paragraphs .154–.193* with *paragraphs .156–.198*.] [GASBS 75, ¶24; GASBS 85, ¶9, ¶10, and ¶17]

.121 [In current paragraph .120, replace *paragraphs .121–.234* with *paragraphs .122–.243*.] [GASBS 75, ¶25; GASBS 85, ¶9, ¶10, and ¶17]

.141 [In current paragraph .140, replace *paragraphs .194–.202* with *paragraphs .199–.209*.] [GASBS 75, ¶45; GASBS 85, ¶17]

.142 [Revise current paragraph .141 as follows:] In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, a net OPEB liability[12] should be recognized to the extent the liability measured as of the end of the reporting period is normally expected to be liquidated with expendable available financial resources. A net OPEB liability is normally expected to be liquidated with expendable available financial resources to the extent that benefit payments have matured—that is, benefit payments are due and payable and the OPEB plan's fiduciary net position is not sufficient for payment of those benefits. OPEB expenditures should be recognized equal to the total of (a) amounts paid during the reporting period by the employer (and by nonemployer contributing entities, if any) to the OPEB plan, including amounts paid for OPEB as the benefits come due, and (b) the change between the employer's (and nonemployer contributing enti-

ties', if any) beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. OPEB expenditures include amounts for payables to an OPEB plan. [GASBS 75, ¶46, as amended by GASBS 85, ¶8; GASBS 85, ¶9]

[Insert new paragraph .143, including heading, as follows; renumber subsequent paragraphs.]

Support of Nonemployer Contributing Entities

.143 In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, revenue should be recognized equal to the total of (a) amounts paid during the reporting period by nonemployer contributing entities to the OPEB plan, including amounts paid for OPEB as the benefits come due, and (b) the change between the nonemployer contributing entities' beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. Both (a) and (b) include amounts for payables to an OPEB plan. [GASBS 85, ¶9 and ¶10]

.154 [In subparagraphs b(1)(e), b(2)(f), c(4), and d(4) of current paragraph .152, replace *covered-employee payroll* with *covered payroll, if contributions to the OPEB plan are based on pay; otherwise, the covered-employee payroll*; in subparagraph b(1)(e), bold the terms *covered payroll* and *covered-employee payroll*; in subparagraph b(1)(f) replace *covered-employee payroll* with *the payroll in subparagraph b(1)(e)*; in subparagraph b(2)(g), replace *covered-employee payroll* with *the payroll in subparagraph b(2)(f)*; in subparagraph c(5), replace *covered-employee payroll* with *the payroll in subparagraph c(4)*; and in subparagraph d(5), replace *covered-employee payroll* with *the payroll in subparagraph d(4)*.] [GASBS 75, ¶57, as amended by GASBS 85, ¶14]

[Revise the heading that follows current paragraph .153 as follows:] Cost-sharing employers that provide benefits through OPEB plans that do not have the characteristics in paragraph .112

.159 [In the first sentence of current paragraph .157, replace *paragraphs .158–.163* with *paragraphs .160–.167*. In the second sentence, replace *paragraphs .159 and .160* with *paragraphs .161 and .163*.] [GASBS 75, ¶62; GASBS 85, ¶17]

.161 [In the first sentence of current paragraph .159, replace *If* with *If the alternative measurement is not used and*.] [GASBS 75, ¶64, as amended by GASBS 85, ¶17]

[Insert new paragraph .162 as follows; renumber subsequent paragraphs.]

.162 If the alternative measurement method is used and there is a change in the employer's proportion of the collective net OPEB liability since the prior measurement date, the net effect of that change on the employer's proportionate shares of the collective net OPEB liability and collective deferred outflows of resources and deferred inflows of resources related to OPEB, determined as of the beginning of the measurement period, should be recognized in the employer's OPEB expense in the current reporting period. [GASBS 85, ¶17]

.163 [At the beginning of the first sentence of current paragraph .160, replace *For* with *If the alternative measurement method is not used, for*.] [GASBS 75, ¶65, as amended by GASBS 85, ¶17]

[Insert new paragraph .164 as follows; renumber subsequent paragraphs.]

.164 If the alternative measurement method is used, for contributions to the OPEB plan, other than those to separately finance specific liabilities of an individual employer or nonemployer contributing entity to the OPEB plan, the difference during the measurement period between (a) the total amount of such contributions from the employer (and amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation) and (b) the amount of the employer's proportionate share of the total of such contributions from all employers and all nonemployer contributing entities should be recognized in the employer's OPEB expense in the current reporting period. [GASBS 85, ¶17]

[Revise the heading that follows current paragraph .182 as follows:] Recognition in financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting—all cost-sharing employers that provide benefits through OPEB plans that do not have the characteristics in paragraph .112

.187 [Revise current paragraph .183 as follows:] In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, an employer's proportionate share of the collective net OPEB liability should be recognized to the extent the liability measured as

of the end of the reporting period is normally expected to be liquidated with expendable available financial resources. A net OPEB liability is normally expected to be liquidated with expendable available financial resources to the extent that benefit payments have matured—that is, benefit payments are due and payable and the OPEB plan's fiduciary net position is not sufficient for payment of those benefits. OPEB expenditures should be recognized equal to the total of (a) amounts paid during the reporting period by the employer (and, to the extent associated with the employer, by nonemployer contributing entities, if any) to the OPEB plan, including amounts paid for OPEB as the benefits come due, and (b) the change between the employer's (and, to the extent associated with the employer, nonemployer contributing entities', if any) beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. OPEB expenditures include amounts for payables to an OPEB plan. [GASBS 75, ¶88, as amended by GASBS 85, ¶8; GASBS 85, ¶9]

[Insert new paragraph .188 as follows, including heading; renumber subsequent paragraphs.]

Support of Nonemployer Contributing Entities

.188 In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, revenue should be recognized equal to the portion of the following amount that is associated with the employer: the total of (a) amounts paid during the reporting period by nonemployer contributing entities to the OPEB plan, including amounts paid for OPEB as the benefits come due, and (b) the change between the nonemployer contributing entities' beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. Both (a) and (b) include amounts for payables to an OPEB plan. [GASBS 85, ¶9 and ¶10]

[Revise the heading that follows new paragraph .188 as follows:] Notes to financial statements—all cost-sharing employers that provide benefits through OPEB plans that do not have the characteristics in paragraph .112

[Revise the heading that precedes current paragraph .192 as follows:] Required supplementary information—all cost-sharing employers that provide benefits through OPEB plans that do not have the characteristics in paragraph .112

.197 [In subparagraphs a(1)(c), a(2)(e), and b(4) of current paragraph .192, replace *covered-employee payroll* with *covered payroll, if contributions to the OPEB plan are based on pay; otherwise, the employer's covered-employee payroll*; in subparagraph a(1)(d), replace *covered-employee payroll* with *payroll in subparagraph a(1)(c)*; in subparagraph a(2)(f), replace *covered-employee payroll* with *payroll in subparagraph a(2)(e)*; in subparagraph b(5), replace *covered-employee payroll* with *payroll in subparagraph b(4)*.] [GASBS 75, ¶97, as amended by GASBS 85, ¶14]

.200 [In current paragraph .195, replace *paragraphs .196–.200* with *paragraphs .201–.207*.] [GASBS 75, ¶100; GASBS 85, ¶17]

.202 [In the first sentence of current paragraph .197, replace *If* with *If the alternative measurement is not used and*.] [GASBS 75, ¶102, as amended by GASBS 85, ¶17]

[Insert new paragraph .203 as follows; renumber subsequent paragraphs.]

.203 If the alternative measurement method is used and there is a change in the employer's proportion of the collective net OPEB liability since the prior measurement date, the net effect of that change on the employer's proportionate shares of the collective net OPEB liability and collective deferred outflows of resources and deferred inflows of resources related to OPEB, determined as of the beginning of the measurement period, should be recognized in the employer's OPEB expense in the current reporting period. [GASBS 85, ¶17]

.204 [At the beginning of the first sentence of current paragraph .198, replace *For* with *If the alternative measurement method is not used, for*.] [GASBS 75, ¶103, as amended by GASBS 85, ¶17]

[Insert new paragraph .205 as follows; renumber subsequent paragraphs.]

.205 If the alternative measurement method is used, for contributions to the OPEB plan other than those to separately finance specific liabilities of an individual employer or nonemployer contributing entity to the OPEB plan, the difference during the measurement period between (a) the total amount of such contributions from the employer (and amounts associated with the employer from nonemployer contributing entities that are not in a special funding situa-

tion) and (b) the amount of the employer's proportionate share of the total of such contributions from all employers and all nonemployer contributing entities should be recognized in the employer's OPEB expense in the current reporting period. [GASBS 85, ¶17]

.210 [In current paragraph .203, replace *paragraphs .141–.153* with *paragraphs .142–.155*.] [GASBS 75, ¶108; GASBS 85, ¶9 and ¶10]

[Revise the heading that follows current paragraph .203 as follows:] Cost-sharing employers that provide benefits through OPEB plans that do not have the characteristics in paragraph .112

.212 [In current paragraph .205, replace *paragraphs .157–.161 and .163* with *paragraphs .159–.165 and .167*.] [GASBS 75, ¶110; GASBS 85, ¶17]

.217 [In current paragraph .210, replace *paragraphs .183–.193* with *paragraphs .187–.198*.] [GASBS 75, ¶115; GASBS 85, ¶9 and ¶10]

.221 [In the first sentence of current paragraph .214, replace *paragraphs .215–.220* with *paragraphs .222–.229*. In the second sentence, replace *paragraphs .216 and .217* with *paragraphs .223 and .225*.] [GASBS 75, ¶119; GASBS 85, ¶17]

.223 [In the first sentence of current paragraph .216, replace *If* with *If the alternative measurement is not used and*.] [GASBS 75, ¶121, as amended by GASBS 85, ¶17]

[Insert new paragraph .224 as follows; renumber subsequent paragraphs.]

.224 If the alternative measurement method is used and there is a change in the governmental nonemployer contributing entity's proportion of the collective net OPEB liability since the prior measurement date, the net effect of that change on the governmental nonemployer contributing entity's proportionate shares of the collective net OPEB liability and collective deferred outflows of resources and deferred inflows of resources related to OPEB, determined as of the beginning of the measurement period, should be recognized in the governmental nonemployer contributing entity's expense in the current reporting period. [GASBS 85, ¶17]

.225 [At the beginning of the first sentence of current paragraph .217, replace *Fo*r with *If the alternative measurement method is not used, for*.] [GASBS 75, ¶122, as amended by GASBS 85, ¶17]

[Insert new paragraph .226 as follows; renumber subsequent paragraphs.]

.226 If the alternative measurement method is used, for contributions to the OPEB plan other than those to separately finance specific liabilities of an individual employer or nonemployer contributing entity to the OPEB plan, the difference during the measurement period between (a) the total amount of such contributions from the governmental nonemployer contributing entity and (b) the amount of the entity's proportionate share of the total of such contributions from all employers and all nonemployer contributing entities should be recognized in the governmental nonemployer contributing entity's expense in the current reporting period. [GASBS 85, ¶17]

.230 [Revise current paragraph .221 as follows:] In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, a governmental nonemployer contributing entity's proportionate share of the collective net OPEB liability should be recognized to the extent the liability measured as of the end of the reporting period is normally expected to be liquidated with expendable available financial resources. A net OPEB liability is normally expected to be liquidated with expendable available financial resources to the extent that benefit payments have matured—that is, benefit payments are due and payable and the OPEB plan's fiduciary net position is not sufficient for payment of those benefits. Expenditures should be recognized equal to the total of (a) amounts paid during the reporting period by the governmental nonemployer contributing entity to the OPEB plan, including amounts paid by the governmental nonemployer contributing entity for OPEB as the benefits come due, and (b) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. Expenditures include amounts for payables to the OPEB plan. Expenditures should be classified in the same manner as the governmental nonemployer contributing entity classifies similar grants to other entities. [GASBS 75, ¶126, as amended by GASBS 85, ¶8]

.242 [In current paragraph .233, replace *paragraph .114a or paragraph .114b* with *paragraph .115a or paragraph .115b* and replace *paragraphs .119–.193* with *paragraphs .120–.198*.] [GASBS 75, ¶138; GASBS 85, ¶9, ¶10, and ¶17]

[Insert new paragraphs .244–.246 as follows; renumber subsequent paragraphs.]

.244 [Insert current paragraph .238.]

.245 [Insert current paragraph .239, including new subparagraph (c) as follows; renumber subsequent subparagraphs.]

c. *Expected point in time at which employees will exit from active service.* The assumption should reflect past experience and future expectations for the covered group. For active employees covered under the terms of the OPEB plan, the assumption may incorporate (1) a single assumed age at which employees will exit from active service or (2) an assumption that employees will exit from active service upon attaining a certain number of years of service.

[Revise renumbered subparagraph (f) as follows:]

f. *Turnover.* The assumed probability that an active employee covered under the terms of the OPEB plan will remain employed until the assumed age at which (1) benefit payments will begin to be made or (2) the active employee will meet employment-related eligibility requirements to receive benefits 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 .246a. However, if experience data are not available, that probability should be assigned using the method identified in paragraph .246b.

[GASBS 75, ¶225, as amended by GASBS 85, ¶16]

.246 [Insert current paragraph .240, revised as follows:]

The following calculation methods and default values should be used, if applicable, to meet the requirements of (a) paragraph .245f to determine the probability that an active employee covered under the terms of the OPEB plan will remain employed until the expected point in time that benefit payments will begin to be made or the probability that an active employee covered under the terms of the OPEB plan will remain employed until the assumed age at which the employee will meet employment-related eligibility requirements to receive benefits and (b) paragraph .245h to determine age-adjusted premiums for inactive plan members.

a. For purposes of applying the requirements of paragraph .245f, 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 or the probability that an active employee covered under the terms of the OPEB plan will remain employed until the assumed age at which the employee will meet employment-related eligibility requirements to receive benefits:

[Revise the heading to column (d) of the table as follows:] Probability of Remaining Employed from Age Shown to Assumed Age at Which Benefit Payments Will Begin to Be Made or at Which the Employee Will Meet Employment-Related Eligibility Requirements to Receive Benefits (d)

[Revise the remainder of subparagraph (a) as follows:]

Column a: For each age (*n*) from the earliest entry age to assumed age at which benefit payments will begin to be made or at which the employee will meet employment-related eligibility requirements to receive benefits, as applicable, 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 or at which the employee will meet employment-related eligibility requirements to receive benefits, as applicable.

[Retain subparagraphs (b) and (c).]

[GASBS 75, ¶226, as amended by GASBS 85, ¶16]

[Revise the heading that precedes current paragraph .235 as follows:] Payables to a Defined Benefit OPEB Plan—All Employers That Provide Benefits through OPEB Plans That Do Not Have the Characteristics in Paragraph .112 and Governmental Nonemployer Contributing Entities

.248 [Insert the following at the end of current paragraph .236:] Expenditures for payables to a defined benefit OPEB plan should be recognized in accordance with paragraph .142, paragraph .187, paragraph .210, paragraph .217, or paragraph .230, as applicable. [GASBS 75, ¶141, as amended by GASBS 85, ¶8]

[Insert new paragraphs .250–.255, including heading, as follows:]

Defined Benefit OPEB Provided through OPEB Plans That Have the Characteristics in Paragraph .112

.250–.255 [GASBS 85, ¶20–¶25, including headings]

[Insert new paragraph .524 as follows; renumber subsequent paragraphs.]

.524 **Covered payroll**. The payroll on which contributions to an OPEB plan are based. [GASBS 85, ¶13]

[In the heading that precedes paragraph .601, revise heading as follows:] Recognition of Certain OPEB Expenditures and Liabilities in Financial Statements Prepared Using the Current Financial Resources Measurement Focus and Modified Accrual Basis of Accounting by Cost-Sharing Employers That Provide Benefits through OPEB Plans That Do Not Have the Characteristics in Paragraph .112 and Certain Governmental Nonemployer Contributing Entities for OPEB Provided through Trusts That Meet Specified Criteria

.601 [Replace *cost-sharing employers* with *cost-sharing employers that provide benefits through OPEB plans that do not have the characteristics in paragraph .112*.] [GASBTB 2004-2, ¶1, as amended by GASBS 75, ¶4, ¶6, and ¶141 and GASBS 85, ¶19]

* * *

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS—REPORTING FOR BENEFITS PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED CONTRIBUTION **SECTION P51**

Sources: [Add the following:] GASB Statement 85

See also: [Remove the reference to Section Sp20.]

[In footnote 1, replace *paragraphs .502–.554* with *paragraphs .502–.555*.] [GASBS 75, fn1; GASBS 85, ¶13]

[Revise footnote 2 as follows:] In some circumstances, payments are made by the employer to satisfy contribution requirements that are identified by the OPEB plan terms as plan member contribution requirements. For purposes of this section, those amounts should be classified as employee contributions. An employer's expense and expenditures for those amounts should be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). [GASBS 75, fn2, as amended by GASBS 85, ¶15]

[Remove paragraph .102; renumber subsequent paragraphs.]

.106 [In the first sentence of current paragraph .107, replace *paragraphs .112–.118* with *paragraphs .111–.118*. In the second sentence, replace *paragraph .106a or paragraph .106b* with *paragraph .105a or paragraph .105b*.] [GASBS 75, ¶20; GASBS 85, ¶10]

.108 [In current paragraph .109, revise (a) and (b) as follows:] (a) amounts paid by the employer (and by nonemployer contributing entities, if any) to the OPEB plan and (b) the change between the employer's (and nonemployer contributing entities', if any) beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. [GASBS 75, ¶231; GASBS 85, ¶9]

[Insert new paragraph .112 as follows; renumber subsequent paragraphs.]

.112 In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, the requirements in paragraph .109 should be applied. In addition, revenue should be recognized

equal to the total of (a) amounts paid by nonemployer contributing entities to the OPEB plan and (b) the change between the nonemployer contributing entities' beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. [GASBS 75, ¶235; GASBS 85, ¶9 and ¶10]

.113 [Revise first sentence as follows:] The requirements in paragraphs .109 and .110 for financial statement display and notes to financial statements should be applied.

.119 [Replace *paragraph .106a or paragraph .106b* with *paragraph .105a or paragraph .105b* and replace *paragraphs .112 and .113* with *paragraphs .111–.113*.] [GASBS 75, ¶241; GASBS 85, ¶10]

* * *

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS—REPORTING FOR BENEFITS NOT PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED BENEFIT **SECTION P52**

Sources: [Add the following:] GASB Statement 85

See also: [Remove the reference to Section Sp20.]

[In footnote 1, replace *paragraphs .501–.554* with *paragraphs .502–.555*.] [GASBS 75, fn1; GASBS 85, ¶13]

[Revise footnote 2 as follows:] In some circumstances, payments are made by the employer to satisfy contribution requirements that are identified by the OPEB plan terms as plan member contribution requirements. For purposes of this section, those amounts should be classified as employee contributions. [GASBS 75, fn2, as amended by GASBS 85, ¶15]

.105 [Replace *paragraphs .110–.196* with *paragraphs .110–.205*.] [GASBS 75, ¶9; GASBS 85, ¶9, ¶10, and ¶17]

.109 [In the first sentence, replace *paragraphs .110–.112 and .139–.188* with *paragraphs .110–.113 and .141–.197*. In the second sentence, replace *paragraphs .189 and .190* with *paragraphs .198 and .199*.] [GASBS 75, ¶19; GASBS 85, ¶9, ¶10, and ¶17]

[Replace both headings that precede paragraph .110 with the following heading:]

Defined Benefit OPEB Other Than Insured Benefits

.110 [Insert new sentence at the beginning of paragraph as follows:] Liabilities, expense/expenditures, deferred outflows of resources, and deferred inflows of resources should be reported as required by this section for liabilities to employees for OPEB. [In current first sentence, replace *paragraphs .111–.190* with *paragraphs .111–.112 and .114–.199*. In current second sentence, replace *paragraphs .129–.138* with *paragraphs .131–.140*. In the last sentence, replace *paragraphs .139–.159* with *paragraphs .141–.164*.] [GASBS 75, ¶21 and ¶143; GASBS 85, ¶9, ¶10, and ¶17]

.112 [Replace *paragraphs .113–.190* with *paragraphs .114–.199*.] [GASBS 75, ¶145; GASBS 85, ¶9, ¶10, and ¶17]

[Insert new paragraph .113 as follows; renumber subsequent paragraphs.]

.113 Liabilities to employees for defined benefit OPEB provided through different OPEB plans may be displayed in the aggregate. [GASBS 75, ¶22]

.128 [In current paragraph .127, replace *paragraphs .160–.168* with *paragraphs .165–.175*.] [GASBS 75, ¶160; GASBS 85, ¶17]

.129 [In current paragraph .128, revise as follows:] In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, a total OPEB liability (or, if an employer has a special funding situation, a proportionate share of the **collective total OPEB liability**) should be recognized to the extent the liability measured as of the end of the reporting period is normally expected to be liquidated with expendable available financial resources. A total OPEB liability (or, if an employer has a special funding situation, a proportionate share of the collective total OPEB liability) is normally expected to be liquidated with expendable available financial resources to the extent that benefit payments have matured—that is, benefit payments are due and payable. OPEB expenditures should be recog-

nized equal to the total of (a) amounts paid during the reporting period by the employer (and by nonemployer contributing entities, if any) for OPEB as the benefits come due and (b) the change between the employer's (and nonemployer contributing entities', if any) beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. OPEB expenditures also should be recognized for costs incurred during the reporting period by the employer related to the administration of OPEB. [GASBS 75, ¶161, as amended by GASBS 85, ¶8; GASBS 85, ¶9]

[Insert new paragraph .130, including heading, as follows; renumber subsequent paragraphs.]

Support of Nonemployer Contributing Entities

.130 In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, revenue should be recognized equal to the total of (a) amounts paid during the reporting period by nonemployer contributing entities for OPEB as the benefits come due and (b) the change between the nonemployer contributing entities' beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. [GASBS 85, ¶9 and ¶10]

.144 [In the first sentence of current paragraph .142, replace *paragraphs .143–.148* with *paragraphs .145–.152*. In the second sentence, replace *paragraphs .145 and .146* with *paragraphs .147 and .149*.] [GASBS 75, ¶175; GASBS 85, ¶17]

.147 [In the first sentence of current paragraph .145, replace *If* with *If the alternative measurement is not used and*.] [GASBS 75, ¶178, as amended by GASBS 85, ¶17]

[Insert new paragraph .148 as follows; renumber subsequent paragraphs.]

.148 If the alternative measurement method is used and there is a change in the government's proportion of the collective total OPEB liability since the prior measurement date, the effect of that change on the government's proportionate share of the collective total OPEB liability, determined as of the beginning of the measurement period, should be recognized in the government's OPEB expense in the current reporting period. [GASBS 85, ¶17]

.149 [At the beginning of the first sentence of current paragraph .146, replace *For* with *If the alternative measurement method is not used, for*.] [GASBS 75, ¶179, as amended by GASBS 85, ¶17]

[Insert new paragraph .150 as follows; renumber subsequent paragraphs.]

.150 If the alternative measurement method is used, for amounts that are paid for OPEB as the benefits come due, the difference during the measurement period between (a) the total amount of such payments from the government (and amounts associated with the government from nonemployer contributing entities that are not in a special funding situation) and (b) the amount of the government's proportionate share of the total of such payments from all entities that make benefit payments should be recognized in the government's OPEB expense in the current reporting period. [GASBS 85, ¶17]

.155 [Revise current paragraph .151 as follows:] In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, the government's proportionate share of the collective total OPEB liability should be recognized to the extent the liability measured as of the end of the reporting period is normally expected to be liquidated with expendable available financial resources. A total OPEB liability is normally expected to be liquidated with expendable available financial resources to the extent that benefit payments have matured—that is, benefit payments are due and payable. OPEB expenditures should be recognized equal to the total of (a) amounts paid during the reporting period by the government (and, to the extent associated with the government, by nonemployer contributing entities, if any) for OPEB as the benefits come due and (b) the change between the employer's (and, to the extent associated with the government, nonemployer contributing entities', if any) beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. OPEB expenditures also should be recognized for costs incurred during the reporting period by the government related to the administration of OPEB. [GASBS 75, ¶184, as amended by GASBS 85, ¶8; GASBS 85, ¶9]

[Insert new paragraph .156, including heading, as follows; renumber subsequent paragraphs.]

Support of Nonemployer Contributing Entities

.156 In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, revenue should be recognized equal to the portion of the following amount that is associated with the government: the total of (a) amounts paid during the reporting period by nonemployer contributing entities for OPEB as the benefits come due and (b) the change between the nonemployer contributing entities' beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. [GASBS 85, ¶9 and ¶10]

.166 [In the first sentence of current paragraph .161, replace *paragraphs .162–.166* with *paragraphs .167–.173*. In the second sentence, replace *paragraphs .163 and .164* with *paragraphs .168 and .170*.] [GASBS 75, ¶194; GASBS 85, ¶17]

.168 [In the first sentence of current paragraph .163, replace *If* with *If the alternative measurement is not used and*.] [GASBS 75, ¶196, as amended by GASBS 85, ¶17]

[Insert new paragraph .169 as follows; renumber subsequent paragraphs.]

.169 If the alternative measurement method is used and there is a change in the employer's proportion of the collective total OPEB liability since the prior measurement date, the effect of that change on the employer's proportionate share of the collective total OPEB liability, determined as of the beginning of the measurement period, should be recognized in the employer's OPEB expense in the current reporting period. [GASBS 85, ¶17]

.170 [At the beginning of the first sentence of current paragraph .164, replace *For* with *If the alternative measurement method is not used, for*.] [GASBS 75, ¶197, as amended by GASBS 85, ¶17]

[Insert new paragraph .171 as follows; renumber subsequent paragraphs.]

.171 If the alternative measurement method is used, for amounts that are paid for OPEB as the benefits come due, the difference during the measurement period between (a) the total amount of such payments from the employer (and amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation) and (b) the amount of the employer's

proportionate share of the total of such payments from the employer and all nonemployer contributing entities should be recognized in the employer's OPEB expense in the current reporting period. [GASBS 85, ¶17]

.176 [In current paragraph .169, replace *paragraphs .128–.138* with *paragraphs .129–.140*.] [GASBS 75, ¶202; GASBS 85, ¶9 and ¶10]

.180 [In the first sentence of current paragraph .173, replace *paragraphs .174–.178* with *paragraphs .181–.187*. In the second sentence, replace *paragraphs .175 and .176* with *paragraphs .182 and .184*.] [GASBS 75, ¶206; GASBS 85, ¶17]

.182 [In the first sentence of current paragraph .175, replace *If* with *If the alternative measurement method is not used and*.] [GASBS 75, ¶208, as amended by GASBS 85, ¶17]

[Insert new paragraph .183 as follows; renumber subsequent paragraphs.]

.183 If the alternative measurement method is used and there is a change in the governmental nonemployer contributing entity's proportion of the collective total OPEB liability since the prior measurement date, the effect of that change on the governmental nonemployer contributing entity's proportionate share of the collective total OPEB liability, determined as of the beginning of the measurement period, should be recognized in the governmental nonemployer contributing entity's expense in the current reporting period. [GASBS 85, ¶17]

.184 [In the first sentence of current paragraph .176, replace *For* with *If the alternative measurement method is not used, for*.] [GASBS 75, ¶209, as amended by GASBS 85, ¶17]

[Insert new paragraph .185 as follows; renumber subsequent paragraphs.]

.185 If the alternative measurement method is used, for amounts that are paid for OPEB as the benefits come due, the difference during the measurement period between (a) the total amount of such payments from the governmental nonemployer contributing entity and (b) the amount of the entity's proportionate share of the total of such payments from the employer and all nonemployer contributing entities should be recognized in the governmental nonemployer contributing entity's expense in the current reporting period. [GASBS 85, ¶17]

.188 [Revise current paragraph .179 as follows:] In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, a governmental nonemployer contributing entity's proportionate share of the collective total OPEB liability should be recognized to the extent the liability measured as of the end of the reporting period is normally expected to be liquidated with expendable available financial resources. A total OPEB liability is normally expected to be liquidated with expendable available financial resources to the extent that benefit payments have matured—that is, benefit payments are due and payable. Expenditures should be recognized equal to the total of (a) amounts paid during the reporting period by the governmental nonemployer contributing entity for OPEB as the benefits come due and (b) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. Expenditures also should be recognized for costs incurred during the reporting period by the governmental nonemployer contributing entity related to the administration of OPEB. Expenditures should be classified in the same manner as the governmental nonemployer contributing entity classifies similar grants to other entities. [GASBS 75, ¶212, as amended by GASBS 85, ¶8]

.198 [Replace *paragraphs .113–.159* with *paragraphs .114–.164.*] [GASBS 75, ¶222; GASBS 85, ¶9, ¶10, and ¶17]

.201 [In current paragraph .192, insert new subparagraph (c) as follows; renumber subsequent subparagraphs.]

c. *Expected point in time at which employees will exit from active service.* The assumption should reflect past experience and future expectations for the covered group. For active employees covered under the terms of the OPEB plan, the assumption may incorporate (1) a single assumed age at which employees will exit from active service or (2) an assumption that employees will exit from active service upon attaining a certain number of years of service.

[Revise renumbered subparagraph (f) as follows:]

f. *Turnover.* The assumed probability that an active employee covered under the terms of the OPEB plan will remain employed until the assumed age at which (1) benefit payments will begin to be made or (2) the active employee will meet employment-related eligibility requirements to receive benefits 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 .201a. However, if experience data are not available, that probability should be assigned using the method identified in paragraph .201b.

[GASBS 75, ¶225, as amended by GASBS 85, ¶16]

.202 [Revise current paragraph .193 as follows:] The following calculation methods and default values should be used, if applicable, to meet the requirements of (a) paragraph .200f to determine the probability that an active employee covered under the terms of the OPEB plan will remain employed until the expected point in time that benefit payments will begin to be made or the probability that an active employee covered under the terms of the OPEB plan will remain employed until the assumed age at which the employee will meet employment-related eligibility requirements to receive benefits and (b) paragraph .200h to determine age-adjusted premiums for inactive plan members.

a. For purposes of applying the requirements of paragraph .200f, 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 or the probability that an active employee covered under the terms of the OPEB plan will remain employed until the assumed age at which the employee will meet employment-related eligibility requirements to receive benefits:

[Revise the heading to column (d) of the table as follows:] Probability of Remaining Employed from Age Shown to Assumed Age at Which Benefit Payments Will Begin to Be Made or at Which the Employee Will Meet Employment-Related Eligibility Requirements to Receive Benefits (d)

[Revise the remainder of subparagraph (a) as follows:]

Column a: For each age (*n*) from the earliest entry age to assumed age at which benefit payments will begin to be made or at which the employee will meet employment-related eligibility requirements to receive benefits, as applicable, 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 or at which the employee will meet employment-related eligibility requirements to receive benefits, as applicable.

[Retain subparagraphs (b) and (c).]

[GASBS 75, ¶226, as amended by GASBS 85, ¶16]

* * *

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS—REPORTING FOR BENEFITS NOT PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED CONTRIBUTION **SECTION P54**

Sources: [Add the following:] GASB Statement 85

[In footnote 1, replace *paragraphs .502–.542* with *paragraphs .502–.555*.] [GASBS 75, fn1; GASBS 85, ¶13]

[Revise footnote 2 as follows:] In some circumstances, payments are made by the employer to satisfy contribution requirements that are identified by the OPEB plan terms as plan member contribution requirements. For purposes of this section, those amounts should be classified as employee contributions. [GASBS 75, fn2, as amended by GASBS 85, ¶15]

[Remove paragraph .102; renumber subsequent paragraphs.]

.106 [In the first sentence of current paragraph .107, replace *paragraphs .112–.118* with *paragraphs .111–.118*. In the second sentence, replace *paragraph .106a or paragraph .106b* with *paragraph .105a or paragraph .105b*.] [GASBS 75, ¶20; GASBS 85, ¶10]

.108 [In current paragraph .109, revise (a) and (b) as follows:] (a) amounts paid by the employer (and by nonemployer contributing entities, if any) for OPEB as the benefits come due and (b) the change between the employer's (and nonemployer contributing entities', if any) beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. [GASBS 75, ¶231; GASBS 85, ¶9]

.109 [Revise current paragraph .110 as follows:] Liabilities for defined contribution OPEB provided through different OPEB plans may be displayed in the aggregate. [GASBS 75, ¶232]

[Insert new paragraph .112 as follows; renumber subsequent paragraphs.]

.112 In financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting, the requirements in paragraph .109 should be applied. In addition, revenue should be recognized equal to the total of (a) amounts paid by nonemployer contributing entities for OPEB as the benefits come due and (b) the change between the nonemployer contributing entities' beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. [GASBS 75, ¶235; GASBS 85, ¶9 and ¶10]

.113 [Revise first sentence as follows:] The requirements in paragraphs .109 and .110 for financial statement display and notes to financial statements should be applied.

.116 [Revise paragraph as follows:] Liabilities resulting from special funding situations for defined contribution OPEB provided through different OPEB plans may be displayed in the aggregate. [GASBS 75, ¶238]

.119 [Replace *paragraph .106a or paragraph .106b* with *paragraph .105a or paragraph .105b* and replace *paragraphs .112 and .113* with *paragraphs .111–.113*.] [GASBS 75, ¶241; GASBS 85, ¶10]

* * *

C3. The instructions that follow update the Codification Instructions of Statement No. 84, *Fiduciary Activities,* for the effects of this Statement.

* * *

NOTES TO FINANCIAL STATEMENTS **SECTION 2300**

.106 [Add GASBS 85, ¶23 to sources.]

* * *

REPORTING ENTITY AND COMPONENT UNIT PRESENTATION AND DISCLOSURE **SECTION 2600**

[Replace the instruction for paragraph .115 with the following:]

.115 [Revise first sentence as follows:] For governments engaged only in business-type activities or only in business-type activities and fiduciary activities that use a single column for financial statement presentation of their business-type activities, a component unit that meets a criterion for blending in paragraph .113 of this section may be blended by consolidating its financial statement data within the single column of the primary government and presenting condensed combining information in the notes to the financial statements. [GASBS 61, ¶9, as amended by GASBS 63, ¶7 and ¶8, GASBS 84, ¶14, and GASBS 85, ¶4]

* * *

COLLEGES AND UNIVERSITIES **SECTION Co5**

[Replace the instruction for paragraph .111 with the following:]

.111 [Revise first sentence as follows:] For governments engaged only in business-type activities or only in business-type activities and fiduciary activities that use a single column for financial statement presentation of their business-type activities, a component unit that meets a criterion for blending in paragraph .113 of Section 2600 may be blended by consolidating its financial statement data within the single column of the primary government and presenting condensed combining information in the notes to the financial statements. [GASBS 61, ¶9, as amended by GASBS 63, ¶7 and ¶8, GASBS 84, ¶14, and GASBS 85, ¶4]

* * *

HOSPITALS AND OTHER HEALTHCARE PROVIDERS **SECTION Ho5**

[Replace the instruction for paragraph .112 with the following:]

.112 [Revise first sentence as follows:] For governments engaged only in business-type activities or only in business-type activities and fiduciary activities that use a single column for financial statement presentation of their business-type activities, a component unit that meets a criterion for blending in paragraph .113 of Section 2600 may be blended by consolidating its financial statement data within the single column of the primary government and presenting condensed combining information in the notes to the financial statements. [GASBS 61, ¶9, as amended by GASBS 63, ¶7 and ¶8, GASBS 84, ¶14, and GASBS 85, ¶4]

* * *

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

[Replace the instruction for paragraph .107 as follows:]

.106 [Replace *acts as the fiduciary entrusted with administering* with *administers*.] [GASBS 67, ¶11, as amended by GASBS 84, ¶5]

* * *

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

[Do not apply the instruction for paragraph .105.]

* * *

SPECIAL-PURPOSE GOVERNMENTS **SECTION Sp20**

[Replace the instruction for paragraph .123 as follows:]

.123 [Revise first sentence as follows:] For governments engaged only in business-type activities or only in business-type activities and fiduciary activities that use a single column for financial statement presentation of their business-type activities, a component unit that meets a criterion for blending in paragraph .113 of Section 2600 may be blended by consolidating its financial statement data within the single column of the primary government and presenting condensed combining information in the notes to the financial statements. [GASBS 61, ¶9, as amended by GASBS 63, ¶7 and ¶8, GASBS 84, ¶14, and GASBS 85, ¶4]

* * *

UTILITIES **SECTION Ut5**

[Replace the instruction for paragraph .123 as follows:]

.112 [Revise first sentence as follows:] For governments engaged only in business-type activities or only in business-type activities or fiduciary activities that use a single column for financial statement presentation of their business-type activities, a component unit that meets a criterion for blending in paragraph .113 of Section 2600 may be blended by consolidating its financial statement data within the single column of the primary government and presenting condensed combining information in the notes to the financial statements. [GASBS 61, ¶9, as amended by GASBS 63, ¶7 and ¶8, GASBS 84, ¶14, and GASBS 85, ¶4]

* * *

C4. The instructions that follow update the June 30, 2016 *Comprehensive Implementation Guide* for the effects of this Statement.

* * *

5.116.3. [In the answer, remove */expenditure*.]

5.122.3. [In the answer, revise the penultimate sentence as follows:] The employers that provide benefits through the plan should apply the requirements of this section for employers that are not in special funding situations and the requirements of Section N50 for on-behalf payments that are not legally required to be made by a nonemployer contributing entity.

5.145.1. [In the question, replace *measurement date* with *end of the reporting period*.]

5.145.2. [In the question, replace *measurement date* with *end of the reporting period*.]

5.185.1. [In the question, replace *measurement date* with *end of the reporting period*.]

5.185.2. [In the question, replace *measurement date* with *end of the reporting period*.]

5.224.1. [In the question, replace *measurement date* with *end of the reporting period*.]

5.224.2. [In the question, replace *measurement date* with *end of the reporting period*.]