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## HILDI INC | USI CONSULTING GROUP

Other Post-Employment Benefits (OPEBs) under GASB 75  
Information on the possible annual OPEB levy through MDE





## Today's Agenda

- Inventory of post-employment benefits
- Annual OPEB levy overview and history
- Annual OPEB levy calculations
- Other Considerations
  - Annual levy process
  - FAQs
  - Early Retirement Incentive OPEBs





# Other Post-Employment Benefits



# Other Post-Employment Benefits OPEBs under GASB 75

- Defined benefit “OPEBs” mainly consist of post-retirement medical, dental, and/or life benefits
- There are some hybrid “severance” types of post-employment benefits
- Many Early Retirement Incentives are designed as OPEBs under GASB 75
- OPEB liabilities are disclosed under GASB Statement No. 75 in the Districts’ financial statements
- These liabilities are calculated by actuaries and communicated to Districts in GASB 75 valuation and disclosure reports



# Other Post-Employment Benefits

## OPEBs under GASB 75

### Types of Liability/Benefits

#### ■ Implicit Rate Subsidy Liability

- Blend retiree claims with active employee claims and “average” the cost - result is a “blended” rate
- Under GASB 75 the actual cost for the retiree portion must be reflected as an implicit rate subsidy
- Creates an implicit rate subsidy liability, even if the employer does not contribute toward the premium
- Minnesota Statute on Insurance Continuation 471.61 subd 2b.

#### ■ Direct Subsidized Liability

- How much of any post employment medical, dental, and/or life premium and/or subsidy is paid and for how long?



# Other Post-Employment Benefits OPEBs under GASB 75

GASB	Post-Employment Benefits	Examples
75	Other Post-Employment Benefits other than Pensions (OPEBs)	<ul style="list-style-type: none"><li>• Retirees are allowed to continue on Entity's medical plan and offered the group/blended premium until Medicare eligibility (retiree pays all or a portion of the premium) / Implicit rate subsidy OPEB benefit</li><li>• Retiree receives a lump sum payment to a health reimbursement arrangement after retirement / Direct subsidized OPEB benefit</li><li>• District pays for the single retiree medical coverage at a certain dollar amount per month for a certain number of years or to Medicare eligibility, whichever is earlier / Direct subsidized OPEB benefit</li></ul>



# Other Post-Employment Benefits OPEBs under GASB 75

Defined Benefit OPEBs under GASB 75 do not include:

- Defined contribution OPEB benefits
  - Employer contributions to a Health Savings Vehicle **while the employee is still actively working**
  - The account is in the employee's name
- GASB 73 – Accounting for Pensions by State and Local Governmental Employers
  - Pension benefits
  - Severance type benefits
- GASB 16 – Accounting for Other Compensated Absences
  - Benefits based on accumulated unused sick leave days or accumulated vacation days





# Annual OPEB Levy Overview & History



A Minnesota School District can apply for the Annual OPEB Levy if:

- 1) An unfunded actuarial accrued liability exists under GASB 75 for OPEBs
- 2) Sunset clauses exist within the contracts – Districts are allowed to levy by Contract Group
- 3) There is room for an annual levy amount after applying the authority calculation by MDE

## 1) What is a Sunset Clause?

### Examples include....

Hire date restriction (If hired before July 1, 1994...)  
Retirement date restriction (If retire by July 1, 2020...)  
Rule of 90 eligibility (If retire under the Rule of 90...)

Applies to the defined benefit OPEBs

## 2) Do we need Sunset Clauses in all Contracts in order to apply for the Levy?

## ■ 2008 state session

- Gave municipalities, including school districts, the authority to issue bonds for funding actuarial liabilities for GASB 45 post-employment benefits without voter approval – by board action.  
(GASB 45 is now GASB 75)

## ■ 2009 state session

- Limited school district OPEB bonding by requiring voter approval
- Added authority to levy annually for actual prior year OPEB benefit payments
- Cap on first year OPEB levy of \$9 million statewide (adjusted annually)
  - Presently the Cap is high enough that Districts have not been limited in the annual levy applications on amount
- Implies other than bonding districts would levy annually.





# Annual OPEB Levy – History in MN

(\$ in Millions)

MDE Fiscal Year	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Benefit Payments from Fiscal Year	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
<b>Statewide Cap</b>	\$ 54.584	\$ 55.633	\$ 58.549	\$ 59.339	\$ 60.849
<b>Total Levied</b>	\$ 41.633	\$ 44.549	\$ 45.339	\$ 46.849	\$ 40.966
<b>Total Number of Districts in MN</b>	331	331	331	329	329
<b>Number of Districts who Levied</b>	109	109	109	113	115
<b>Number of OPEB Bonding Districts</b>	82	73	60	54	47

- Each year \$14 million is added to the MN statewide allotment for the OPEB levy
- Participation, from School Districts, has increased over the years



# Annual OPEB Levy Calculations



# OPEB Levy Calculations – Input Items

*Upcoming September 2023 application*

- OPEB/GASB 75 payments for the prior fiscal year
  - Split out by implicit rate subsidy and direct subsidized benefits
  - True up expected direct subsidized benefit amount to what was **actually** paid in direct subsidized benefit amount
  - Retrieve the OPEB payments from July 1, 2022 through June 30, 2023
- Sunset clauses by Contract Group
- Irrevocable or Revocable OPEB Trust - Market Value of Assets at July 1, 2022
  - MDE considers monies for OPEBs under GASB 75 in an Internal Service Fund as assets for Annual OPEB levy purposes
- Actuarial Accrued Liability (AAL) under GASB 75 at July 1, 2022



**The “Annual OPEB Levy Limit” is defined as:**

Total OPEB benefit payments under GASB 75 (for ALL contract groups) times the GASB 75 unfunded liability percentage from the beginning of the fiscal year

**The “Annual OPEB Levy Amount” is defined as:**

The OPEB/GASB 75 benefit payments for eligible groups (with sunset clauses in place in the contracts) but no greater than the “Annual OPEB Levy Limit.”



# OPEB Levy Calculations – Example 1

*District that did NOT issue OPEB Bonds*

GASB 75 Valuation Date of 7/1/2022

Values as of July 1, 2022	
Accrued Liability	\$ 1,770,000
Asset Value	<i>no OPEB trust</i>
Unfunded Accrued Liability	\$ 1,770,000
Unfunded Liability Percentage	100.00%

July 1, 2022 - June 30, 2023 (GASB 75)	Levy Eligible Benefit Payments	Total Benefit Payments
Subsidized Payments	\$ -	\$ -
Implicit Subsidy Payments	\$ 143,000	\$ 143,000
Total Payments	\$ 143,000	\$ 143,000

Annual OPEB Levy Limit and Amount: \$143,000 for 2022-2023 in September 2023 application





# OPEB Levy Calculations – Example 2

*District that did NOT issue OPEB Bonds*

GASB 75 Valuation Date of 7/1/2022

Values as of July 1, 2022	
Accrued Liability	\$ 1,770,000
Asset Value	<i>no OPEB trust</i>
Unfunded Accrued Liability	\$ 1,770,000
Unfunded Liability Percentage	100.00%

July 1, 2022 - June 30, 2023 (GASB 75)	Levy Eligible Benefit Payments	Total Benefit Payments
Subsidized Payments	\$ 25,000	\$ 70,000
Implicit Subsidy Payments	\$ 30,000	\$ 73,000
Total Payments	\$ 55,000	\$ 143,000

Annual OPEB Levy Limit: \$143,000 for 2022-2023 in September 2023 application

Annual OPEB Levy Amount: \$55,000 for 2022-2023 in September 2023 application





# OPEB Levy Calculations – Example 3

*District did issue OPEB bonds*

GASB 75 Valuation Date of 7/1/2022

Values as of July 1, 2022	
Accrued Liability	\$ 1,350,000
Asset Value	\$ 1,120,000
Unfunded Accrued Liability	\$ 230,000
Unfunded Liability Percentage	17.04%

July 1, 2022 - June 30, 2023 (GASB 75)	Levy Eligible Benefit Payments	Total Benefit Payments
Subsidized Payments	\$ 48,000	\$ 83,000
Implicit Subsidy Payments	\$ 30,000	\$ 51,000
Total Payments	\$ 78,000	\$ 134,000

Annual OPEB Levy Limit: \$22,834 ( $\$134,000 \times 17.04\%$ ) for 2022-2023

Annual OPEB Levy Amount: \$22,834 (\$78,000 is limited to \$22,834) for 2022-2023





# OPEB Levy Calculations – Example 4

*District with a Revocable OPEB trust*

GASB 75 Valuation Date of 7/1/2022

Values as of July 1, 2022		
Accrued Liability	\$	6,100,000
Asset Value*	\$	3,577,000
Unfunded Accrued Liability	\$	2,523,000
Unfunded Liability Percentage		41.36%

\*MDE recognizes a Revocable OPEB trust as an offset to OPEB liabilities while GASB 75 does not.

July 1, 2022 - June 30, 2023 (GASB 75)	Levy Eligible Benefit Payments	Total Benefit Payments
Subsidized Payments	\$ 320,000	\$ 320,000
Implicit Subsidy Payments	\$ 180,000	\$ 180,000
Total Payments	\$ 500,000	\$ 500,000

Annual OPEB Levy Limit: \$206,800 ( $\$500,000 \times 41.36\%$ ) for 2022-2023

Annual OPEB Levy Amount: \$206,800 (\$500,000 is limited to \$206,800) for 2022-2023



# Annual OPEB Levy Other Considerations



# Annual OPEB Levy Information

## Levy Information System

<https://education.mn.gov/MDE/dse/datasub/LevyInfo/>

MDE website

- > Districts, Schools and Educators
- > Data Submissions
- > Levy Information System

## Timeline

- For 2021-2022, School Districts were required to complete all sections of the application by August 26, 2022
- Revisions were allowed through September 30, 2022
- Similar timeline for 2022-2023 is expected





# Annual OPEB Levy Process

## Checklist

- Review to see that actual costs reported look reasonable compared to the estimate in your GASB 75 actuarial report (direct subsidized benefit plus implicit rate subsidy) for the 2022-2023 fiscal year.
- Implicit rate subsidy, for 2022-2023, may be taken directly from the GASB 75 actuarial report if a true-up benefit calculation is not required by your auditors.
- Review which OPEB benefit payments for retirees should be subtracted due to contracts without a sunset clause.
- Subtract OPEB benefit payments already financed by other funding sources.
- Make sure reported costs are supported by UFARS entries.



# Frequently Asked Questions

- Can a School District apply for the Annual OPEB Levy for defined contribution type OPEBs?
- Can a School District levy for implicit rate subsidy benefits?
- The School District did not levy last year, so can they add last year's OPEB benefit payment amount to this year's OPEB benefit payment amount?
- When the School District receives the OPEB levy monies, should they be deposited into the District's OPEB Trust?



# OPEB/GASB 75 Early Retirement Incentives (ERIs)

- Where do we report/disclose an Early Retirement Incentive benefit?
  - OPEB (GASB 75) or Termination Benefit (GASB 47)
  - Implementation Guide states that if benefit given is an enhancement to an existing OPEB, then should be included/reported under GASB 75
- Substantive Plan and Annual OPEB Levy
- Year-end disclosure timing for OPEB ERIs



# Questions?

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# Contact Information

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