

# Maine Education Association Benefits Trust



## **GASB 75 Year 4 Accounting for Retiree Medical Benefits**



August, 2022  
Prepared for MEABT  
Participating Entities

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# About this Material



- *Maine Education Association Benefits Trust (MEABT) is making this webcast and recorded session available to its participating entities to help address ongoing GASB 75 requirements.*
- *This session provides background on retiree medical benefits and the GASB 75 requirements, plus shows you how to download your actuarial report that your auditors can use in incorporating GASB 75 into your financial statements.*
- *Your auditors make final decisions about how to incorporate the actuarial valuations that MEABT is making available. MEABT nor Cheiron are not auditors and we defer to each district's auditors in how to reflect any GASB 75 accounting results.*
- *This material reflects that GASB 75 applies to all participating entities in the MEABT program to reflect the full value (in addition to the State subsidy) that the MEABT retiree medical benefits provide.*

*We hope this session is helpful; thank you for your time.*



Terms commonly used include:

- **GASB 75**, or Governmental Accounting Standards Board Statement No. 75. This is the accounting standard that impacts requirements for the audited financial statements of public entities. No. 75 focuses on OPEB benefits.
  - Regardless of size of entity and regardless of community rating or pooled or blended rates
- **OPEB**, or Other Postretirement Employment Benefits, refers to retiree medical health coverage. Retiree medical is offered through participation in the health benefits program.

# Recap: Goals and Tasks



## Goals included:

- ☐ Provide a smooth disbursement of GASB 75 results in this fourth year of MEABT services
- ☐ Minimize entity and auditor questions with details and ease

## Tasks included:

- ☐ **Initial communications** to advise of upcoming reports and portal
  - Memo issued July 25, 2022
- ☐ **This recorded discussion guide**
  - As a reference for you and your auditor
  - Instructions on how to download your reports!
- ☐ **Full and detailed valuation reports via the MEABT GASB Portal**
  - MEABT GASB 75 Portal with emails to each district representative
  - Full reports for year ending June 30, 2021, leveraging one year “look back” to apply to June 30, 2022, reporting
  - The Portal provides access to your detailed census
  - Remember auditor share feature



If eligible, a retired teacher can choose from the same plans offered while teaching:

1. Choice Plus (POS)
2. Standard Plan \$200 Deductible (PPO)
3. Standard Plan \$500 Deductible (PPO)
4. Standard Plan \$1,000 Deductible (PPO)

Age at Retirement	Retiree Eligibility Requirements
Under Age 50	10 years of continuous active service and enrollment in the MEABT health plan for 12 months prior to retirement
Age 50 or older	5 years of continuous active service and enrollment in the MEABT health plan for 12 months prior to retirement





Retired Teachers' Medical Plan has three parts:



**55% of  
Blended\*  
Premium  
Subsidy Paid  
by State of  
Maine**

**45% of  
Blended\*  
Premium  
Paid by  
Eligible  
Retiree**

**Extra Value  
of Offering  
Blended\*  
(lower cost)  
Group  
Premiums**

\*Blended refers to pooling active + retired health costs together, as required by Maine law.

# MEABT Retired Teachers' Medical Plan



Example **Age 62** Retired Teacher with Single Coverage in PPO \$200 Plan with a Blended Premium of \$850/month

**55% of  
\$850 Paid  
by State of  
Maine, or  
\$467/mo**

**45% of  
Blended  
premium  
paid by  
retiree, or  
\$383/mo**

**Real Value  
of \$1,150  
for  
retirees;  
Extra value  
of \$300/mo**

\*Blended refers to pooling active + retired health costs together, as required by Maine law.

# Continuing this Example Cost/Month



State Subsidy  
of 55%

- Defined by the law
- Called “**explicit**”

GASB75

**\$467**

Retired  
Teacher  
Portion of 45%

Set at favorable  
group rates

**\$383**

Extra Value of  
Blended  
Group Rates

- Part of retiree costs
- Called “**implicit**”

GASB75

**\$300**

**Real Value \$1,150**

July, 2022



# Key Accounting Concepts



**Goal:** Define **all retiree promises** for future benefits and their impact on costs



**How:** If benefits are explicit, value them.

If costs are implicit or blended, determine how much extra value relates to retiree benefits.

# Key Accounting Concepts



**Goal:** Achieve **equity** across generations of workers and taxpayers

Currently Retired  
Teachers

Actively Working

Future Retirees



**How:** Accrue costs of retiree benefits over working active lifetime, not on a pay-as-you-go basis.



**Goal:** Be **transparent** today about the costs of programs in retirement

- ✓ Project cost of retiree benefits (all, explicit + implicit)
- ✓ Determine the actuarial liability
- ✓ Book it on the balance sheet



**How:** Recognize actuarial liability on balance sheet, not just as a footnote disclosure.

# Implicit Subsidies for School Districts



**Implicit subsidies for MEABT** mean that more is paid in blended premiums for all such that retirees buy coverage at lower cost, group premiums.

- ✓ GASB 75 quantifies the value that the retiree plan has as a long-term promise.
- ✓ GASB 75's precise goal is to identify the impact of all retiree promises.

**GASB 75** recognizes both the obligation and the expense:

1. Balance sheet obligation **recorded** as a transparent liability on each school district's books, plus
2. Ongoing expense to **include** in the school district's expenditures.

# Impact on School District's Financials



- GASB 75 obligation and annual expense to be recognized on the district's books.
- If material to the school district's financials, GASB 75 could be reflected in the rating agencies' evaluation of bonds the district issues and could impact the district's credit rating.
- Many factors are involved in the overall financial evaluation of a school district. GASB 75 is one factor.
  - Further, no funding requirements exist for OPEB (unlike pensions).
  - The GASB 75 liabilities provided here are implicit rather than explicit obligations. The GASB 75 explicit obligations will be provided by the State as proportionate shares.
- By identifying these implicit costs now, we achieve the overall goal of GASB 75 to quantify the extra value of the retiree program.

# GASB 75 Valuation Cycle



- 2022 is a roll-forward valuation under GASB 75.
- GASB 75 requires:
  - ✓ **Full** actuarial valuations every two (2) years and
  - ✓ **Roll-forward** valuations in between
- Next year will be a full valuation year.





## 2021 Full Valuation

- By person census
- Claims by age
- All assumptions studied



## 2022 Roll-forward

- Same census
- Same claims and plan
- Updated discount rate

**GASB 75 Two (2) Year Cycle**

# Discount Rate for each GASB 75



- **GASB 75** defined the discount rate, which is used to convert year by year projected costs to a single sum present value or “liability” at the measurement date.

					Projected Net Plan Costs by Year				
--	--	--	--	--	----------------------------------	--	--	--	--

Discount Rate

Present Value of Projected Plan Costs –  
the “Liability”



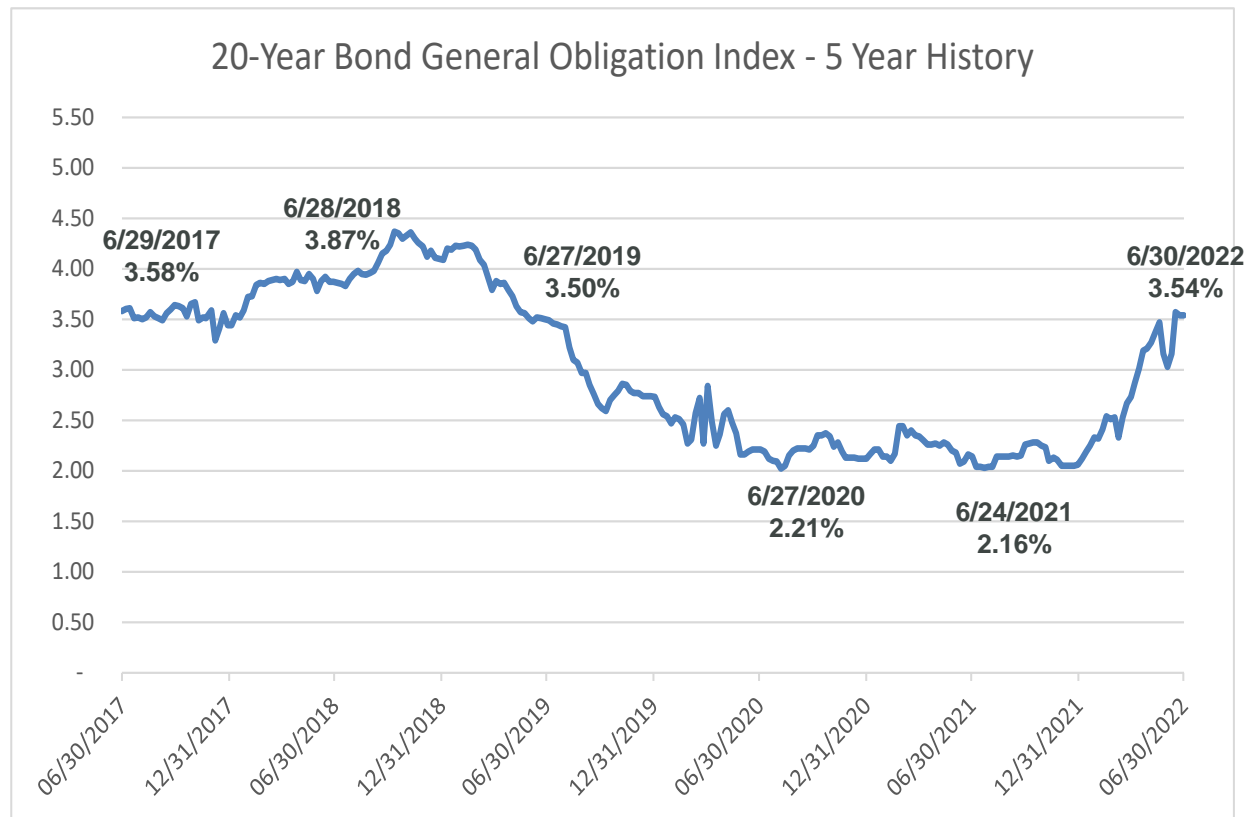
- **Definition of Discount Rate** - A yield or index rate for 20-year, **tax-exempt general obligation** municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), for plans with no prefunding solely for retiree medical.



# 20 Year Tax-Exempt Bond Rates



- **Discount rate:** Single annual rate equal to 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa.



- GASB 75 discount rate was 2.21% as of June 30, 2020 and 3.50% as of June 30, 2019.
- June 30, 2021, rate: **2.16%** per annum. At 12/31/21, the rate declined to 2.06% and has increased to 3.54% as of 6/30/2022.



- **Year July 1, 2020, ending June 30, 2021**
  - Additional plan updates related to acupuncture, transplant services, increase in out of pocket in line with the ACA
  - **Medicare retirees migrate to Medicare Advantage plan with overall improved benefits at lower costs to the MEABT**
  - **Reflected in June 30, 2021 Reporting**
- **Year July 1, 2021, ending June 30, 2022**
  - Continued updates to the out-of-pocket maximums
  - State of Maine improved its subsidy from 45% to 55%
  - Not significant enough to require footnote disclosure

# About MEABT Plan Amendments



- June 30, 2021 Measurement Date
- Applies to June 30, 2022 Results
- Amendments that occur after June 30, 2022, are required to be valued and possibly disclosed, if significant
- There were no Amendments after June 30, 2022

# First Email *from Webmaster*



- You will receive this invitation *from Webmaster*:

Dear MEABT participating member,

We are pleased to provide the 2022 GASB 75 Portal information for you and your auditors to access your entity's GASB 75 actuarial valuation reports, as described in the July 30th memorandum from Jennifer Kent, Executive Director, and in the recorded presentation posted.

**After signing up, please provide access to this portal and the report to your auditors by clicking on the "Share this page with your auditor" button and entering their email.**

Please see below your username and link to set up a password for the 2022 GASB 75 Portal. Your account has been set up, so that you may access your GASB 75 actuarial valuation report prepared for your district.

Your username is your email address: [mdomash@cheiron.us](mailto:mdomash@cheiron.us)

Please click on this link to set up a new password

<https://meabt.cheiron.us/login/reset/pM4aswArs8lRXos75weQt6TQ>

If you have questions, or if you have trouble accessing your account, please contact Jennifer Kent, Executive Director, of the MEABT at [jkent@meabt.org](mailto:jkent@meabt.org). Questions regarding the contents of your report should be directed to your auditor. Thank you.

# Welcome!



## ***MEA*** **Benefits Trust**

Welcome to the 2022 MEABT GASB 75 Portal!

Your username is mdomash@cheiron.us.

Please set your password below to login.

\*Passwords must be at least eight characters long, contain at least one uppercase letter, one lowercase letter, and one numeral

New Password

Retype Password

Set Password



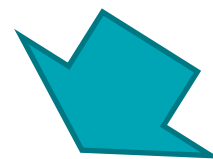
## **MEA** **Benefits Trust**

Your Password Has Been Set



**Next, Please Check Your Email To Verify  
Your Email Address**

In order to log in to your account, you must confirm your email address. To do this an email is being sent now to you. Please open the email and click on the link. You will then be automatically brought back to the portal site.



Dear MEABT participating member,

To complete your sign up, please verify your email by clicking on the link below.

[https://meabt.cheiron.us/login/verify/1931/iiCa-XpdfbxVrw6sYr\\_2Pw](https://meabt.cheiron.us/login/verify/1931/iiCa-XpdfbxVrw6sYr_2Pw)

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## ***MEA*** **Benefits Trust** **GASB 75 Reports Portal**

Username

Password

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**Sign in**

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## **MEA** **Benefits Trust** GASB 75 Reports Dashboard

Viewing Report: 123112

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GASB 75 Reports for Year: 2022

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*If a share authorization has expired, but the auditor needs access again, please enter the auditor's email again below and click share. You can also share with multiple email addresses if needed.*

Email Shared	Expires	Last Accessed	
klala@cheiron.us	2022-07-30	2022-07-12	Delete

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GASB 75 Reports for Year: 2022

GroupID: 123112



View the report in your browser

View Report



Download the report to your device

Download Report



Excel

Does your auditor need census file extracts?

Download Data

# Recap from Webmaster



1. Each MEABT participating entity will be invited to the portal via email.  
**Validate your email.**
2. **Login** and share access to the portal with your auditor or others involved with your GASB 75.
3. **Call** the MEABT with any questions if you do not receive your login invitation!

## From Webmaster@cheiron.us!

Dear MEABT participating member,

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Please click on this link to set up a new password  
<https://meabt.cheiron.us/login/reset/pM4aswArs8lRXxos75weQt6TQ>

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# Summary of Results Table I



- Shows this year and last year results
- Impact on balance sheet and annual OPEB expense

**Table 1**  
**Summary of Results**

<b>Reporting Date</b>	<b>06/30/2022</b>	<b>06/30/2021</b>
<b>Measurement Date</b>	<b>06/30/2021</b>	<b>06/30/2020</b>
<b>Valuation Date</b>	<b>06/30/2020</b>	<b>06/30/2020</b>
Total OPEB Liability	\$ 2,464,407	\$ 2,447,584
Plan Fiduciary Net Position	<u>0</u>	<u>0</u>
Net OPEB Liability	\$ 2,464,407	\$ 2,447,584
Deferred Inflows	14,972	29,943
Deferred Outflows	<u>514,074</u>	<u>634,041</u>
Net Impact on Statement of Net Position	\$ 1,965,305	\$ 1,843,486
Contributions Subsequent to Measurement Date	<u>89,870</u>	<u>88,427</u>
Net Impact on Statement of Net Position	\$ 1,875,435	\$ 1,755,059
OPEB Expense (\$ Amount)	\$ 210,246	\$ ( 100)
OPEB Expense (% of Payroll)	3.6%	0.0%

# Step by Step Analysis of Liability



**No Changes in benefits**

**Changes in assumptions** relate to the decrease in the discount rate.



**Table 2**  
**Change in Net OPEB Liability**  
Increase (Decrease)

	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
<b>Balances at 06/30/2020 (Reporting June 30, 2021)</b>	<b>\$ 2,447,584</b>	<b>\$ 0</b>	<b>\$ 2,447,584</b>
<b>Changes for the year:</b>			
Service cost	34,057		34,057
Interest	53,872		53,872
Changes of benefits	0		0
Differences between expected and actual experience	0		0
Changes of assumptions	17,321		17,321
Contributions – employer		88,427	(88,427)
Contributions – member		0	0
Net investment income		0	0
Benefit payments	(88,427)	(88,427)	0
Administrative expense		0	0
<b>Net changes</b>	<b>16,823</b>	<b>0</b>	<b>16,823</b>
<b>Balances at 06/30/2021 (Reporting June 30, 2022)</b>	<b>\$ 2,464,407</b>	<b>\$ 0</b>	<b>\$ 2,464,407</b>

# Determination of OPEB Expense



- Done in two ways with the same results!
- This year and last year!

Table 8 Calculation of OPEB Expense			
	FYE 2021		FYE 2020
Change in Net OPEB Liability	\$	16,823	\$ 476,456
Change in Deferred Outflows		119,967	(558,117)
Change in Deferred Inflows		(14,971)	(14,971)
Employer Contributions		88,427	96,532
<b>OPEB Expense</b>	<b>\$</b>	<b>210,246</b>	<b>\$ (100)</b>
<b>OPEB Expense as % of Payroll</b>		<b>3.6%</b>	<b>0.0%</b>
<b>Operating Expenses</b>			
Service cost	\$	34,057	\$ 17,686
Employee contributions		0	0
Administrative expenses		0	0
Total	\$	34,057	\$ 17,686
<b>Financing Expenses</b>			
Interest cost	\$	53,872	\$ 67,934
Expected return on assets			
Total	\$	53,872	\$ 67,934
<b>Changes</b>			
Benefit changes	\$	0	\$ (205,150)
Recognition of assumption changes		98,366	95,479
Recognition of liability gains and losses		23,951	23,951
Recognition of investment gains and losses		0	0
Total	\$	122,317	\$ (85,720)
<b>OPEB Expense</b>	<b>\$</b>	<b>210,246</b>	<b>\$ (100)</b>



# Other Report Exhibits Too!



- Tracking of deferred inflows and outflows
- Sensitivity of obligations due to a change in discount and change in trends
- Assumptions
- Census summaries
- Plan provisions

**In Summary** – a complete and thorough report to enable your auditors to have all that is needed!

# Disclaimer



*This analysis was prepared exclusively for MEABT or educational purposes of understanding the accounting standards under GASB 75.*

*This analysis has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practices set out by the Actuarial Standards Board. Furthermore, as a credentialed actuary, I meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report.*

*To the extent any legal issues are involved in any determinations, we recommend you consult appropriate counsel regarding contractual and legal issues identified in this presentation. We are not attorneys and our firm does not provide any legal services or advice.*

*This analysis was prepared exclusively for MEABT for the purposes as stated above. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other users.*

*Michele Domash, FSA, MAAA  
Principal Consulting Actuary*