

Maine Education Association Benefits Trust



GASB 75 2023 Accounting for Retiree Medical Benefits



August 2023
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.
- Your auditors make final decisions about how to incorporate the actuarial valuations that MEABT is making available. Neither MEABT nor Cheiron are auditors, and we defer to each district's auditors on how to reflect any GASB 75 accounting results.
- This material recognizes 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 and 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
- Minimize entity and auditor questions with details and ease

Tasks included:

- Initial communications** to advise of upcoming reports and portal
 - Memo issued end of July 2023
- 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, 2022, leveraging one year “look back” to apply to June 30, 2023, 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 Standard Plan with a Blended Premium of \$980/month

55% of \$980 paid by State of Maine, or \$539/mo

45% of Blended Premium paid by retiree, or \$441/mo

Real Value of \$1,325 for retirees; Extra Value of \$345/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

\$539

Retired
Teacher
Portion of 45%

Set at favorable
group rates

\$441

Extra Value of
Blended
Group Rates

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

GASB75

\$345

Real Value \$1,325

Key Accounting Concepts



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

Health care costs increase with age.

Retirement

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 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



- 2023 is a full 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 roll-forward valuation year.



2023 Full Valuation

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



2024 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.

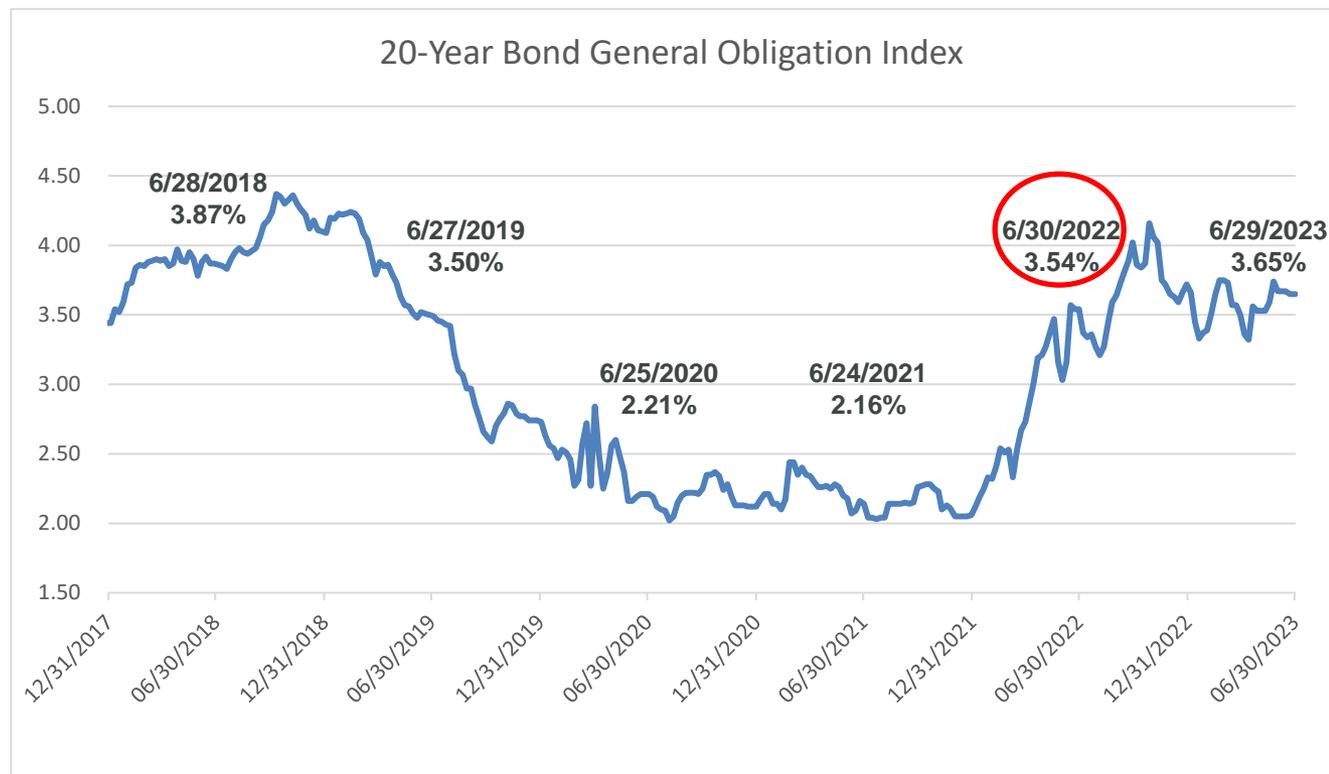


- **Definition of Discount Rate** - A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), for plans with no prefunding solely for retiree medical.

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.



- June 30, 2022, rate: **3.54%** per annum (applies this year).
- June 30, 2023, rate: **3.65%** per annum (for next year's valuation).



- **Year July 1, 2022, ending June 30, 2023**
 - Continued updates to the out-of-pocket maximums
 - Office Visit Copay for Behavioral Health will be waived
 - Updates to LiveHealth Online Network and Anthem's ConditionCare chronic disease management program
 - Not significant enough to require footnote disclosure



- June 30, 2022 Measurement Date
- Applies to June 30, 2023 Results
- Amendments that occur after June 30, 2023 are required to be valued, and possibly disclosed, if significant
- No material amendments announced after June 30, 2023 at this time

First Email from Webmaster



Watch for an email from **Webmaster@Cheiron.us!**

Dear MEABT participating member,

We are pleased to provide the 2023 GASB 75 Portal information for you and your auditors to access your entity's GASB 75 actuarial valuation reports, as described in the July 31st 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 2023 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

[Please click on this link to set up your password
https://meabt.cheiron.us/login/reset/2/token](https://meabt.cheiron.us/login/reset/2/token)

[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. Questions regarding the contents of your report should be directed to your auditor. Thank you.](mailto:jkent@meabt.org)

Welcome!



MEA **Benefits Trust**

Welcome to the 2023 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

Note: Please create your password even if you logged into the Data Confirm Site earlier.



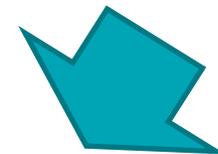
MEA **Benefits Trust**

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

If you did not sign up, or if you have trouble accessing your account, please contact Jennifer Kent, Executive Director, of the MEABT at jkent@meabt.org. Questions regarding the contents of your report should be directed to your auditor. Thank you.



MEA Benefits Trust GASB 75 Reports Portal

Username

Password

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Sign in



MEA Benefits Trust GASB 75 Reports Dashboard

Viewing Report: 123421

Share this page with your auditor

GASB 75 Reports for Year: 2023

GroupID: 123421



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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	2023-07-29	2023-06-28	Delete

Enter Auditors Email

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GASB 75 Reports for Year: 2023

GroupID: 123421

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Does your auditor need census file extracts?

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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!

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Summary of Results Table I



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

Table 1
Summary of Results

Reporting Date	06/30/2023	06/30/2022
Measurement Date	06/30/2022	06/30/2021
Valuation Date	06/30/2022	06/30/2020
Total OPEB Liability	\$ 6,358,584	\$ 6,366,534
Plan Fiduciary Net Position	<u>0</u>	<u>0</u>
Net OPEB Liability	\$ 6,358,584	\$ 6,366,534
Deferred Inflows	176,482	162,513
Deferred Outflows	<u>672,068</u>	<u>804,492</u>
Net Impact on Statement of Net Position	\$ 5,862,998	\$ 5,724,555
Contributions Subsequent to Measurement Date	<u>288,743</u>	<u>254,372</u>
Net Impact on Statement of Net Position	\$ 5,574,255	\$ 5,470,183
OPEB Expense (\$ Amount)	\$ 392,815	\$ 386,983
OPEB Expense (% of Payroll)	2.9%	2.9%

Step-by-Step Analysis of Liability



No Changes in benefits →

Changes in assumptions relate to the increase in the discount rate, claims cost, and trends. →

Table 2
Change in Net OPEB Liability
Increase (Decrease)

	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 06/30/2021 (Reporting June 30, 2022)	\$ 6,366,534	\$ 0	\$ 6,366,534
Changes for the year:			
Service cost	101,781		101,781
Interest	136,983		136,983
Changes of benefits	0		0
Differences between expected and actual experience	(106,117)		(106,117)
Changes of assumptions	113,775		113,775
Contributions – employer		254,372	(254,372)
Contributions – member		0	0
Net investment income		0	0
Benefit payments	(254,372)	(254,372)	0
Administrative expense		0	0
Net changes	(7,950)	0	(7,950)
Balances at 06/30/2022 (Reporting June 30, 2023)	\$ 6,358,584	\$ 0	\$ 6,358,584

Determination of OPEB Expense



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

Table 8 Calculation of OPEB Expense		
	FYE 2022	FYE 2021
Change in Net OPEB Liability	\$ (7,950)	\$ (2,345)
Change in Deferred Outflows	132,424	184,792
Change in Deferred Inflows	13,969	(76,987)
Employer Contributions	<u>254,372</u>	<u>281,523</u>
OPEB Expense	\$ 392,815	\$ 386,983
OPEB Expense as % of Payroll	2.9%	2.9%
Operating Expenses		
Service cost	\$ 101,781	\$ 94,283
Employee contributions	0	0
Administrative expenses	<u>0</u>	<u>0</u>
Total	\$ 101,781	\$ 94,283
Financing Expenses		
Interest cost	\$ 136,983	\$ 139,742
Expected return on assets	<u>0</u>	<u>0</u>
Total	\$ 136,983	\$ 139,742
Changes		
Benefit changes	\$ 0	\$ 0
Recognition of assumption changes	197,720	181,467
Recognition of liability gains and losses	(43,669)	(28,509)
Recognition of investment gains and losses	<u>0</u>	<u>0</u>
Total	\$ 154,051	\$ 152,958
OPEB Expense	\$ 392,815	\$ 386,983





- 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.

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Principal Consulting Actuary