

FAQs on OPEB

Prepared July 2009

1. Where can I find “the rules” about Other Post Employment Benefits (OPEB)?

Governmental Accounting Standards Board Statement 45. The entire statement can be ordered at www.gasb.org.

2. What will happen if I do not implement GASB 45 as required?

The auditors will issue either a qualified or an adverse audit opinion on your financial statements. In addition, bonding agencies and grantors may look unfavorably upon that decision and result in negative financial implications.

3. What is RHBT?

That stands for the West Virginia Retiree Health Benefit Trust Fund. It was created by the Legislature to accumulate funds to provide the other post employment benefits to employees in the future.

4. Which employees are subject to recording an expenditure for OPEB?

Every employee with a PEIA health insurance policy. This includes Federal program employees, other grant employees, state aid funded employees and any other employee with a health premium. PEIA bills each employer for an OPEB premium for each health policyholder in an amount calculated by an actuarial valuation. The portion of the OPEB expenditure recorded but not actually paid (the expenditure beyond the pay-as-you-go portion) will not be recorded by project.

5. What will my OPEB liability be for FY 09?

The OPEB liability will be any amounts billed by the RHBT that are not actually paid by the BOE. This will be reported as a current liability on the fund basis balance sheet. The bills are prepared on an average basis since PEIA does not know which policyholders are state aid funded and which are not. To accurately compute the year end liability, you must utilize the worksheet distributed by PEIA for that purpose. See the Sample PEIA OPEB Worksheet for more information.

6. For the county boards implementing GASB 45 for the first time in FY 09, must they also record the OPEB expenditure/OPEB liability for FY 08?

Yes. Use the FY 08 PEIA OPEB worksheet to calculate the FY 08 OPEB expenditure/OPEB liability. This amount will be reflected as an adjustment due to adoption of accounting principal on both the fund basis statement of revenues, expenditures and changes in fund balances and the entity-wide statement of activities. See the FY 09 financial statement template, notes template and the sample OPEB entries for more detail.

7. For entities implementing GASB 45 for FY 09, how is the entry for accrued sick leave under GASB 16 affected?

You will no longer show a balance in a line called "accrued sick leave" because those amounts are covered under the guidance of GASB 45, once implemented. The entity-wide statement of activities will detail an adjustment to beginning net assets for this change as well as the adoption of GASB 45. See the FY 09 financial statement templates, notes template, and sample conversion entries for more detail. The conversion entry for *compensated absences*, on the other hand, includes amounts relating to personal leave earned but not used which is allowed to be carried forward into the subsequent fiscal year. Therefore, Boards will continue to treat compensated absences as they have in the past.

8. When we record an expenditure for OPEB for the 2008-09 year, what amount do we use?

Use the PEIA OPEB worksheet to calculate the OPEB expenditure for FY 09. See the Sample PEIA OPEB Worksheet for more information.

9. What accounting entry is made in WVEIS to record the expenditure for OPEB?

Using the Sample PEIA OPEB Worksheet, make an entry to record the OPEB expenditure/ OPEB liability by debiting the appropriate program/functions and object 218 and crediting account 00462.004. Do not record the OPEB expenditure by project code unless the amounts are actually paid. For most entities, only the pay-as-you-go amount will be recorded by project code. Instead use project 000 and Fund 11 for the entire amount, no matter which fund the related health policyholders are paid from. See the sample OPEB entries for more detail.

10. Do we have to break down the OPEB expenditure/OPEB liability by fund?

No. You would record OPEB expenditure/OPEB liability in Fund 61 only if the Board is recording OPEB expenditure to specific projects, drawing down the federal funds, and remitting them to RHBT. Otherwise, the liability becomes the responsibility of fund 11 since federal projects can

only be charged for OPEB expenditure within six months after year end or the end of the grant liquidation period, whichever comes first.

11. How does a fiscal agent account for the RESA or MCV C OPEB premiums included in their bill from RHBT?

Fiscal agents will have to perform two calculations on two separate PEIA worksheets. You need to break down the “number of covered months” at the top of the worksheet into a fiscal agent number and a RESA or MCV C number. The RESAs and MCV Cs are not required to implement GASB 45 this year, so they will not record their portion on their financial statements until next year, at which time they will record the amounts for FY 08, FY 09 and FY 10. See the sample PEIA OPEB worksheet for more detail.

12. What amounts should be reported in the new object code 218, OPEB expenditures?

All expenditures related to the RHBT should be recorded in object code 218, including the pay-as-you-go portion of each active premium. In order to record the pay-as-you-go portion in object code 218, you may set up each payroll record to charge 218 automatically or you may utilize an adjusting journal entry at year end to transfer the total amount from object 211 to 218. See the sample OPEB entries for more detail.

13. Do we have to remit funds to the RHBT equal to the expenditure recorded for OPEB for Federal employees?

No. You only have to remit the pay-as-you-go portion of the billed amounts. However, if you draw down Federal funds, they must be remitted to the RHBT within three days of drawdown to avoid violating the cash management rules. Furthermore, keep in mind that Federal funds are available only for a limited period of time. If you choose not to drawdown and remit the Federal portion, the county may have to satisfy that obligation in the future out of county funds. Keep in mind that if you remit funds to RHBT for federally funded employees in an amount greater than what is contributed for any other category of employee, your auditors may question whether or not that indicates discrimination and they may determine it is a violation of the grant agreement.

14. How long do we have to drawdown and remit federal funds for OPEB if we choose to do so?

According to OMB Circular A-87, you must drawdown and remit the funds from federal projects within six months after the fiscal year it was recorded in or prior to the end of the grant liquidation period, whichever occurs first. After these times have past, you would need to obtain special permission from the Office of Inspector General (OIG).

15. Do we have to remit funds equal to the RHBT expenditure recorded for OPEB for non-Federally funded employees?

No. You only have to remit the pay-as-you-go portion of the billed amounts.

16. What accounting entry do we use to record the amounts directly appropriated to the RHBT on behalf of the BOEs by the Legislature?

For FY 09, use the PEIA OPEB Worksheet to determine the amount you can claim. Debit OPEB expenditure 11..XXXXX.218 and credit account 11..03914.009 to record the amount as a for/on behalf revenue to the BOE. See the sample PEIA OPEB Worksheet for more detail.

17. Do we also need to record the direct appropriation made by the Legislature to the RHBT in FY 08 on our behalf?

No. Since this entry involves only revenue and expenditure accounts of a prior year, there is no effect on fund balance and therefore no entry will be made in FY 09 to account for that activity.

18. How do we account for the difference between the number of employees funded under the Formula and the number of policyholders? For example, if a county is allowed 100 employees under the formula but only 99 employees have health insurance coverage, can the county assume all policyholders are state aid funded even if that county is over formula by 5 employees?

The letter from PEIA which accompanies the PEIA OPEB Worksheet details the number of state aid funded FTEs you must use in your calculation. By subtracting that number from the total FTE of the county, you can arrive at the FTE of employees other than state aid funded. In some cases, the number of months attributable to the general revenue credit will be greater than the total covered months. See the Sample PEIA OPEB Worksheet for more information.

19. If we remit any additional monies to RHBT beyond the pay-as-you portion, how will that be recorded in WVEIS?

When you cut the check, make the debit to account 00462.004 so the amount remitted will be deducted from the OPEB liability you will record at year end.

20. Will my future billings be reduced if I remit additional monies beyond the pay-as-you portion to the RHBT?

No. PEIA insurance is a cost-sharing multiple-employer plan. That means all employers share equally in all costs associated with providing the benefits, no matter which specific employers contribute additionally to the Fund. Theoretically, when monies are deposited into the RHBT,

the amounts needed in the future to fulfill the promised benefits should be reduced. The additional payments to the RHBT will, however, reduce the current liability showing on your financial statements will be reduced by the additional amounts remitted to the RHBT.

21. How will I report the OPEB liability on my FY 09 financial statements?

WVDE recommends you show two separate line items for the current liability relating to OPEB: one line for the current liability relating to the personnel funded under the Public School Support Program (PSSP), and one line relating to the OPEB liability for all other employees. There will also be an adjustment due to adoption of accounting policy on both the entity-wide statement of activities and fund basis statement of revenues, expenditures and changes in fund balances.

22. How will the notes to my financial statements change as a result of GASB 45 and OPEB?

WVDE has included in the Notes Template suggested language to describe the benefits and resulting liability relating to OPEB as part of the Summary of Significant Accounting Policies. There is also a note describing the adoption of GASB 45 and the resulting adjustment due to the adoption of accounting policy affecting beginning fund balance and beginning net assets. In addition, if your county is pursuing legal action to obtain funding for OPEB, you may describe that in the commitments and contingencies note. Any opinions of management regarding OPEB and its effects on the entity's financial condition should be included in Management's Discussion and Analysis instead of the notes to the financial statements.

23. When I record the expenditures for OPEB, won't I be over budget as a result? How do I handle that?

The State Auditor recommends taking the OPEB expenditures (beyond the pay-as-you portion) out of the expenditure amounts shown on the budgetary comparison statements since the OPEB liability will not be liquidated with available financial resources. The note to the financial statement concerning budgetary information should be revised to reflect this action. As a result, you will not appear to be over budget in any line items and will not be cited by the auditors for a violation. See the notes template for sample language.

24. Do I need to budget anything for OPEB in FY 10?

You only need to budget what you intend to actually remit to RHBT during the year. For example, every BOE is remitting the pay-as-you-go portion as a part of each employee's regular active PEIA premium. This amount is included in your budget relating to each employee with health coverage. The pay-as-you-go portion is the **only** amount you are required to remit. If the BOE does not intend to pay any additional amounts to the RHBT, then do not budget any additional OPEB expenditure.

25. I thought WVDE told us to budget \$1,090 per policyholder in our federal program budgets for FY 10. Is that still true?

No. That recommendation was based on the preliminary budget information from the State which indicated, at that time, that the Legislature was making a direct appropriation to the RHBT for state aid funded employees in the amount of \$1,090 per health policyholder for the year. In the final budget bill, however, nothing was appropriated to the RHBT. Therefore, the WVDE now recommends you budget and remit nothing from the federal projects other than the required pay-as-you-go portion already included in your budgets.

26. Do we have to record an expenditure for Federal program employees for OPEB for the 2009-10 year?

Yes. You must record OPEB expenditure for every employee with a PEIA health insurance policy, regardless of funding source. The portion of the OPEB expenditure recorded but not actually paid (the expenditure beyond the pay-as-you-go portion) will not be recorded by project.

27. Do we have to record an expenditure for non-Federally funded employees for OPEB for the 2009-10 year?

Yes. You must record OPEB expenditure for every employee with a PEIA health insurance policy, regardless of funding source.

28. When we record an expenditure for OPEB for the 2009-10 year, what amount do we use?

Wait until information is received from PEIA after the end of fiscal year 2010 in order to calculate the OPEB expenditure for FY 10, using the PEIA OPEB Worksheet. (To **estimate** what this expenditure will be, use \$9,243.60 per health policyholder for the year.)

29. Could the Legislature decide to appropriate monies into the RHBT during FY10? If so, how would that change the amount recorded as an expenditure/liability for Federal program employees for FY 10? What about non-Federal employees?

Yes. The legislature could appropriate monies to the RHBT during FY 10. And if so: The amount recorded for OPEB expenditure/OPEB liability for any employee not funded by state aid would be calculated the same – use the PEIA OPEB Worksheet after FY end. For the state aid funded employees, however, the per health policyholder amount appropriated by the Legislature directly into the RHBT would be recorded as a “for/on behalf “revenue, reducing the OPEB liability relating to FY 10. These amounts will be calculated by using the PEIA OPEB Worksheet.