

Understanding Post- Employment Benefits and the District's Actuarial Valuation



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Today's Presentation

- ▶ Understanding Post Employment Benefits
- ▶ Terminology
- ▶ Accounting and Reporting

- ▶ Goal: Tools to understand your District's current situation

Elements of Presentation

- ▶ Define Post Employment Benefits
- ▶ Understand Implicit Rate Subsidy
- ▶ Determine Measurement Dates
- ▶ Funding Benefits
- ▶ Trust Information
 - ▶ Asset segregation
 - ▶ Investment policy
 - ▶ Reconciliation
- ▶ Implicit rate subsidy and District Contributions
 - ▶ Using DPI's spreadsheet
 - ▶ Self-funding vs. fully-insured

Define the Benefits

Compensated Absences

Sick Leave,
vacation pay, etc.

Pensions (Stipends)

Cash or cash
equivalents incl.
post-employment
TSA contributions

OPEB: Health, Dental, Vision, Life, Implicit Rate Subsidy

Continued insurance
coverages or HRA
contributions available for
premium reimbursement or
other expenses

Determine Obligations

- ▶ Actuarial Valuation
 - OPEB Valuation
 - Supplemental Pension Valuation
 - Compensated Absences Liabilities



Measurement Date

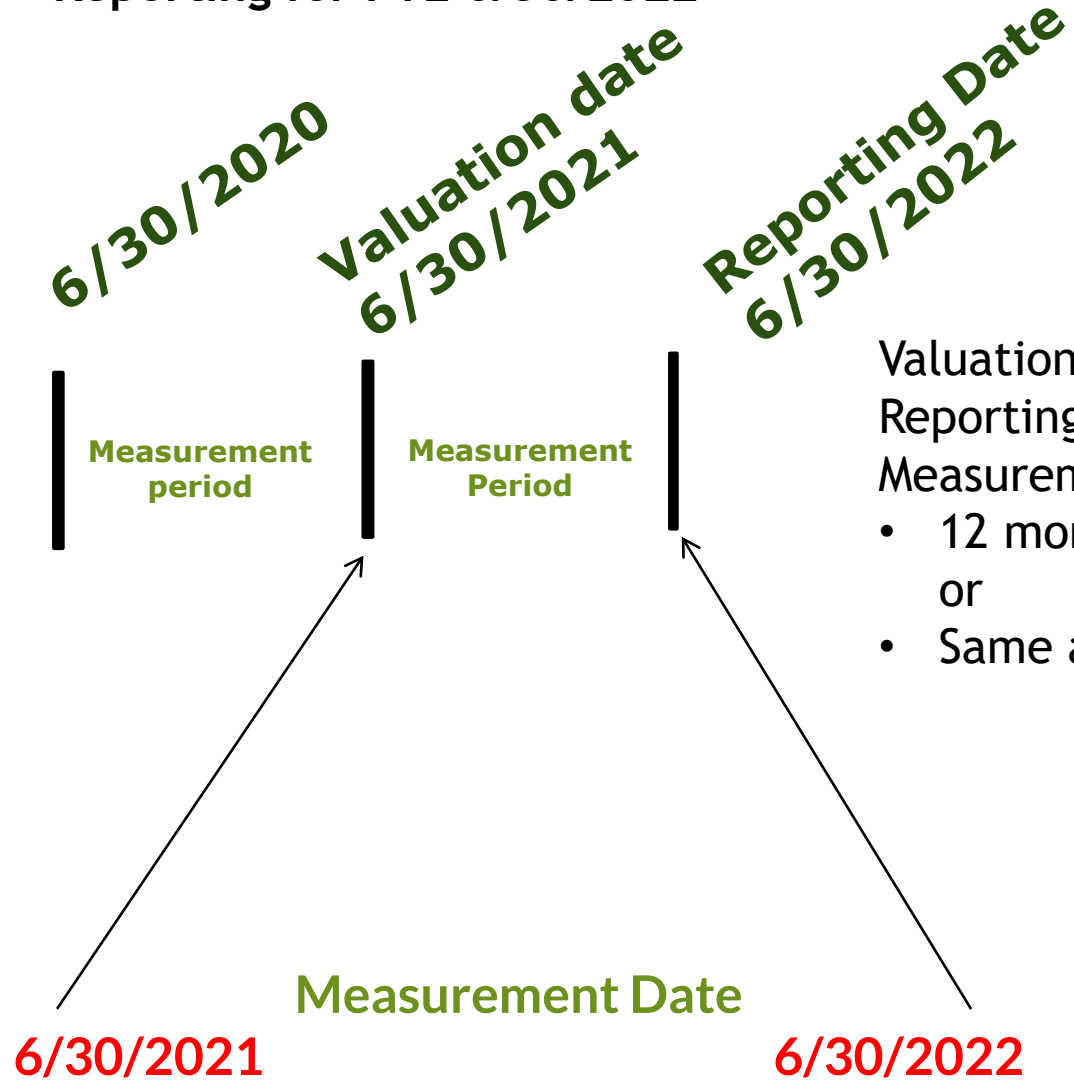
The Measurement Date

- ▶ Same as Valuation Date (Roll back):
 - 12 months prior to reporting date
- ▶ Same as Reporting Date (Roll Forward):
 - Same as financial reporting date



Measurement Date

Reporting for FYE 6/30/2022



Valuation Date: Census Collected as of
Reporting Date: FYE Reporting

Measurement Date:

- 12 months prior to Reporting Date
or
- Same as Reporting Date

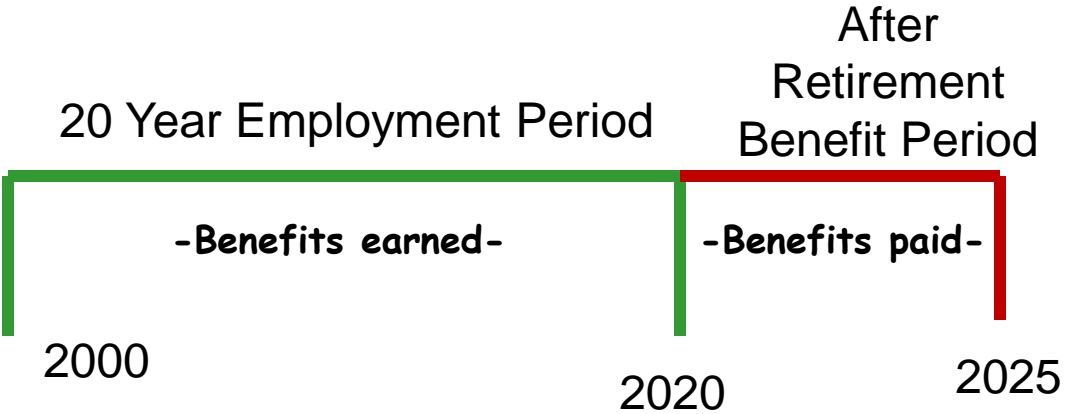
Define the Funding

- ▶ Pay-As-You-Go from General Assets
- ▶ Funding via OPEB/Pension Trust in retirement
- ▶ Funding via OPEB/Pension Trust by individual each year as earned

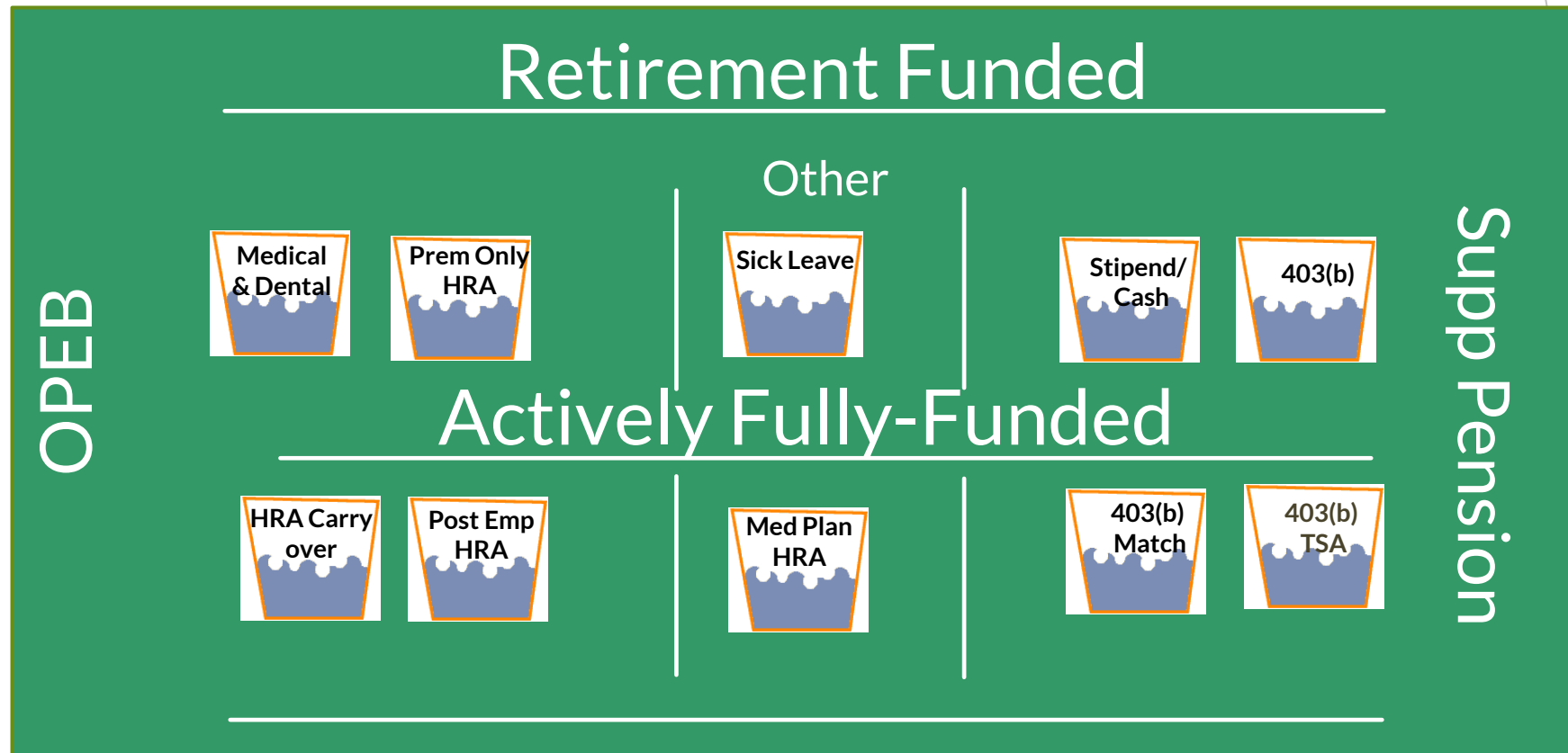


Funding Benefit

On a pay-as-you-go basis, an employee earns benefits during employment, but the District pays out the benefits following their retirement.



Example of Post-Employment Benefit Trust



Actively Funded means the amount earned each year is funded each year via a Trust

Funding Benefit

Funded at Retirement:

- Benefit is earned during active years but paid out in retirement
- May be paid from trust or general assets
- No specific accounting of individual benefit during active years of employment

Irrevocable Trust:

- Fund 73
- Established and funded for 1 specific purpose
- Cannot be used for another purpose

Funding Benefit

Funded During Active Years of Service:

- Funded (by individual) During Years of Service:
- Amount earned per year – funded in year earned
 - Can be in District trust or directly in employee's account
 - If funded in District irrevocable account, earmarked by employee (paper only)
 - Accounted for as an expense in year funded
- If vesting schedule, forfeited funds are used to offset District's next annual payment to the trust

If the District stops funding in the year earned, benefit becomes a post employment benefit requiring valuation.

Funding Post-Employment Benefits

- ▶ Investment policy
 - Should address at minimum, the purpose of the investments (for funding OPEB, Pension, etc.), the types of investments acceptable and the expected rate at which these investments will fund the benefit.



How to Use This Information

- ▶ Calculating Implicit Rate Subsidy
- ▶ DPI Reporting
- ▶ Trust Funding and Accumulated Assets
- ▶ Financial Statements

Determining The Implicit Rate Subsidy Amount to Report

► Implicit Rate Subsidy

- Actual Total Medical Premiums* (Cost Value Factor – 1) = Implicit Rate Subsidy
- For those utilizing Fund 73: Used to reduce Object 241 expenditures due to Retirees being on the district’s health plan

A	B	C	D	E	F
Fiscal Year Beginning	Retiree Plan Premiums	District Benefit Payments	District OPEB Liability (C + E)	Implicit Rate Subsidy	Cost → Value
2021	\$ 541,365	\$ 365,492	\$ 649,048	\$ 283,556	1.5238
2022	525,427	343,123	622,796	279,674	1.5323
2023	472,664	298,203	551,319	253,116	1.5355
2024	495,380	297,250	557,502	260,253	1.5254
2025	618,297	343,370	654,135	310,765	1.5026

Completing the DPI Spreadsheet is NOT REQUIRED

- ▶ Annual report (PI-1505) Due September
 - This is just a matter of recording activity for the year from the Trust
 - Contribution into the Trust
 - Disbursements for benefits
 - Implicit Rate Subsidy
- ▶ Financial Statements Due in December
 - Values from Actuarial study (Net Liability amount and items for notes to financial statements)



Reporting and Valuation Timetables

- ▶ Annual report (PI-1505) Due September
- ▶ Financial Statements Due December

- ▶ Planning Dates
 - Schedule a study if needed (start RFP planning Dec/Jan prior to FY end)
 - Schedule the study
 - Provide all required data needed for study
 - After all data is provided, studies generally take 8-12+ weeks



Sample School District
Projection of Total OPEB Liability

		Baseline - 1%	Discount Rate Baseline	Baseline + 1%
Total OPEB liability	6/30/2020	\$ 11,482,669	\$ 10,959,724	\$ 10,457,264
Service cost		531,953	458,876	394,646
Interest		222,098	316,363	400,435
Benefit Payments		(1,287,445)	(1,287,445)	(1,287,445)
Changes of benefit terms		-	-	-
Differences between expected and actual experience		(55,532)	(66,267)	(75,593)
Changes of assumptions or other input		(932,971)	(890,554)	(848,415)
Total OPEB liability,	6/30/2021	\$ 9,960,772	\$ 9,490,697	\$ 9,040,892

From financial reporting statement

From Trust Statement or whatever was paid should include IRS

OPEB Table II

Sample School District
Change in Net OPEB Liability

Need information broken out
By benefit type

	Total OPEB Liability (a)	Increase (Decrease) Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/2020	\$ 10,959,724	\$ 201,394	\$ 10,758,330
Changes for the year:			
Service Cost	458,876		458,876
Interest	316,363		316,363
Changes of benefit terms	-		-
Differences between expected and actual experience	(66,267)		(66,267)
Changes of assumptions or other input	(890,554)		(890,554)
Contributions - Employer		1,431,041	(1,431,041)
Net investment income		2,626	(2,626)
Benefit payments	(1,287,445)	(1,287,445)	-
Administrative expense		-	-
Net Changes	(1,469,027)	146,222	(1,615,249)
Balances at 6/30/2021	\$ 9,490,697	\$ 347,616	\$ 9,143,081



Reconciliation

Sample Reconciliation							
	6/30/2020	EEcontrib	ERcontrib	InvInc	BftPmts	AdminExp	6/30/2021
OPEB	1,820,753.00	43,154.00	250,000.00	52,549.00	(411,589.00)	-	1,754,867.00
Pension	1,127,750.00	-	80,000.00	37,584.00	(115,418.00)	-	1,129,916.00
Active HRA	708,944.00	-	82,125.00	11,549.00	(62,000.00)	-	740,618.00
Total	3,657,447.00	43,154.00	412,125.00	101,682.00	(589,007.00)	-	3,625,401.00
	-	-	-	-	-	-	-
	6/30/2021	EEcontrib	ERcontrib	InvInc	BftPmts	AdminExp	6/30/2019
OPEB	1,754,867.00						
Pension	1,129,916.00						
Active HRA	740,618.00						
Total	3,625,401.00						
	-	--	-	-	-	-	-



OPEB Table V

Sample School District
Schedule of Collective Deferred Inflows and Outflows

Gain/Loss	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 56,800
Changes of assumptions or other input	-	763,332
Net difference between projected and actual earnings on OPEB plan investments	5,549	-
District contributions subsequent to the measurement date	TBD	-
Total	\$ 5,549	\$ 820,132

Contribution to Trust
after measurement
date

Or

PAYG + Implicit Rate
Subsidy

Deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended
June 30:

2021	\$ (135,302)
2022	(135,302)
2023	(135,302)
2024	(135,301)
2025	(136,689)
Thereafter	(136,687)

Pay As You Go
Projection of OPEB (30 Year Projection)

A	B	C	D	E	F
Fiscal Year Beginning	Retiree Plan Premiums	District Benefit Payments	District OPEB Liability (C + E)	Implicit Rate Subsidy	Cost → Value
2021	\$ 604,144	\$ 1,031,547	\$ 1,248,060	\$ 216,513	1.3584
2022	584,931	775,751	960,528	184,776	1.3159
2023	587,043	704,840	884,339	179,498	1.3058
2024	612,961	658,356	827,442	169,087	1.2759
2025	660,135	631,984	801,030	169,046	1.2561
2026	606,508	547,680	675,639	127,959	
2027	603,113	536,394	662,169	125,776	
	***	***	***	***	
2046	346,917	216,119	271,807	55,688	
2047	358,943	219,901	269,484	49,583	
2048	336,111	203,959	252,304	48,346	
2049	324,746	181,115	217,987	36,872	

Step 1:
Actual Total Retiree Premium
X
Cost-Value Factor
=
Value

Step 2:
Value
-
Actual Total Retiree Premium
=
Implicit Rate Subsidy

Step 3:
Total District Paid Benefit
+
Implicit Rate Subsidy
=
District Contribution

Total Benefit Payment – Fully Insured

Implicit Rate Subsidy { As calculated on prior page

+

District Plan Costs { District Retiree:

- HRA or HSA Contributions
- Premium contributions

=

Total Benefit Payment

Total Benefit Payment – Self-Insured

(Claims Paid + Administrative Fees + Stop-Loss Premium)

–

(Retiree Contributions + Retiree Stop-Loss Reimbursements)

=

Total Benefit Payment

Reminder:

If no Trust, Total District Benefit Payments are noted on Table V

If Trust exists, Trust Contributions are noted on Table V

Recap

- ▶ Define District's PEB via funding
- ▶ Understand Implicit Rate Subsidy
- ▶ Determine and Understanding the Measurement Date
- ▶ Funding Benefits
- ▶ Trust Information
 - ▶ Assets segregated for valuation and accounting purposes
 - ▶ Investment policy
 - ▶ Reconciliation
- ▶ Implicit rate subsidy and Total Benefit Payment
 - ▶ Calculating implicit rate subsidy
 - ▶ Reporting/valuation timetables and valuation report exhibits
 - ▶ Self-funded vs. fully insured

Questions



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*Thank
you*

