

Office of Statewide Reporting and Accounting Policy
State of Louisiana
Division of Administration

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GOVERNOR



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COMMISSIONER OF ADMINISTRATION

June 30, 2017

OSRAP MEMORANDUM 17-25

TO: Fiscal Officers
All State Entities

FROM: Afranie Adomako, CPA
Director of Management and Finance

SUBJECT: Implementation of Governmental Accounting Standards Board (GASB) Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

In June 2015 the GASB issued Statement 74 to improve financial reporting by state and local governments for other postemployment benefit (OPEB) plans and Statement 75 to improve accounting and financial reporting for OPEB. These Statements result from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

GASB 74

Statement 74 replaces the requirements of GASB Statement 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and Statement 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, as they relate to OPEB plans that are administered through trusts that meet certain criteria.

The two state OPEB plans, State of Louisiana Post-Retirement Benefit Plan and Louisiana State University Health Plan, both defined benefit OPEB plans, are funded on a “pay-as-you-go” basis. The Statement requires that, for accounting and financial reporting, assets accumulated for purposes of providing OPEB through these plans that are not administered through trusts that meet the specified criteria not be accounted for as OPEB plan assets. Instead, they should be reported as assets of the employer.

GASB 75

Statement 75 replaces the requirements of Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This Statement requires governments providing OPEB to recognize their entire OPEB liability, and to more comprehensively measure the OPEB expense. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

This Statement establishes standards for measuring and recognizing liabilities, OPEB expense/expenditures, and deferred outflows of resources and deferred inflows of resources related to OPEB. For defined benefit OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and RSI requirements about OPEB also are addressed. More assumptions will be disclosed and explanations of how and why the OPEB liability changed from year to year will be provided and will improve transparency. There will be a single method of attributing the actuarial present value of projected benefit payments to periods of employee service, rather than allowing a choice among six methods. The effects of changes in benefit terms will be immediately recognized in OPEB expense, rather than having a choice of recognition periods. Recognition of OPEB expense will incorporate deferred outflows of resources and deferred inflows of resources related to OPEB over a defined closed period, rather than a choice between an open or closed period.

Statement 74 is effective for financial statements for fiscal years beginning after June 15, 2016 (FY 2017), and Statement 75 is effective for financial statements for fiscal years beginning after June 15, 2017 (FY 2018).

Additional information concerning GASB 75 will be provided at a later date. The actuary for the Office of Group Benefits will provide the GASB 75 OPEB liability amounts by agency for the Louisiana Post-Retirement Benefit Plan and this schedule along with the actuarial valuation report will be posted to the Office of Statewide Reporting and Accounting Policy's (OSRAP) website for FY 2018.

GASB Statements 74 and 75 can be found on GASB's website at the following web address: <http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176160042391>. You may contact Ms. Deborah Zundel at (225) 342-0710 or via email at Deborah.Zundel@la.gov with any questions regarding GASB Statements 74 and 75.

AA:dz