Accounting for Other Post-Employment Benefits

Section: Accounting and Financial Reporting
Title: Accounting for Other Post-Employment Benefits (OPEB)

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POLICY

.100 POLICY STATEMENT

The following policy provides for the uniform and consistent accounting and reporting of other post employment benefits (OPEB) liability. The policy also serves as a reference for answering questions.

.110 POLICY RATIONALE

A. NEED

B. OBJECTIVES OF ACCOUNTING FOR OPEB LIABILITY

To have a uniform and consistent methodology among OUS institutions for recording the OPEB liability.

OPEB liability refers to the present value of the commitments OUS has made to employees for post-employment benefits other than pensions as of the date of the financial statements. OUS OPEB is currently limited to the implicit rate subsidy OUS provides for retiree health insurance. The liability is determined from a biennial actuarial valuation commissioned by the State of Oregon Department of Administrative Services.

.120 AUTHORITY

ORS 351.085 - Duties and Powers of Chancellor

ORS 351.090 - Standardization of accounts and Records; Preparation of Budget; Allocation of Funds

OAR 580-040-0005 - Delegation and Assignment of Responsibility

IMD 6.001 - Finance and Business Affairs Accounting Policies - Assignment of Responsibility

.130 APPROVAL AND EFFECTIVE DATE OF POLICY

Approved by the Associate Vice Chancellor for Finance and Administration/Controller on March 12, 2008, with an effective date of July 1, 2007, to coincide with the GASB Statement No. 45 FY2008 effective date.

.140 KNOWLEDGE OF THIS POLICY

All institutional and Chancellor's Office personnel with accounting and financial reporting related responsibilities should be knowledgeable of this policy.

.150 DEFINITIONS

GASB Statement No. 45 includes terminology to describe the (1) scope of “other post-employment benefits (OPEB), (2) financial reporting requirements, and (3) terms used by actuaries for preparing the actuarial valuation.

The following two flowcharts illustrate the terms used in GASB Statement No. 45:

Illustration 1: Scope of OPEB and Financial Reporting Requirements

Scope of OPEB and Financial Reporting Requirements

Illustration 2: Terms Used in Actuarial Valuations
Terms Used in Actuarial Valuations

.160 RESPONSIBILITIES

University and OUS Controller's Division responsibilities related to OPEB include the following:

CONTROLLER'S DIVISION RESPONSIBILITIES:

- Developing accounting and financial reporting policies related to OPEB liabilities.
- Calculating the OPEB expense and liability on an annual fiscal year-end basis from data received annually from the Department of Administrative Services, State Accounting and Reporting.
- Ensuring that OPEB liability is appropriately reported in the annual financial statements.

UNIVERSITY RESPONSIBILITIES:

- Understanding GASB Statement No. 45 and its impact on the university's financial operations.

.210 SOURCE OF OPEB LIABILITY INFORMATION

The State of Oregon contracts with an actuarial firm to perform an actuarial valuation of the State of Oregon OPEB plan. The OPEB provided by the State of Oregon is currently limited to the implicit rate subsidy provided for retiree health insurance. The actuarial valuation is for the State of Oregon Public Employees Benefits Board (PEBB) as a whole. Separate actuarial valuations are NOT performed for OUS, for OUS institutions, or for fund groups within OUS institutions.

The actuarial valuation for the State of Oregon OPEB plan is performed biennially.

OUS receives an annual letter from the State of Oregon State Accounting and Reporting (SARS) to inform us which portion of the State of Oregon OPEB liability pertains to OUS. The portion attributable to OUS is determined by SARS is based on total annual health insurance expenditures of state agencies.

.220 CALCULATION FREQUENCY

For purposes of the OUS financial statements, the net increase or decrease in OPEB liability is recorded and reported at the end of each fiscal year, not throughout the fiscal year.

.230 AMORTIZATION OF ACTUARIAL LIABILITY

In accordance with State of Oregon accounting policy, OUS had elected to amortize the OPEB liability in its annual financial statements over 30 years.

.310 REPORTING OF OPEB LIABILITY IN ANNUAL FINANCIAL STATEMENTS
The OPEB liability and any increases or decreases to the OPEB liability are reported in the OUS annual financial statements. The liability balance and increases/decreases to the liability are also distributed by institution in the supplementary schedules following the notes to the financial statements.

.320 RECORDING OF OPEB LIABILITY IN ACCOUNTING RECORDS

The OPEB liability is recorded in Hyperion Financial Management (HFM) (the source of the OUS financial statements) but is not recorded in the accounting records by fund group. Therefore, the OPEB liability is not recorded in the Banner FIS accounting records.

.330 METHODOLOGY FOR DISTRIBUTING OPEB LIABILITY TO EACH INSTITUTION

The OPEB liability and increases/decreases to the OPEB liability are distributed to the institutional financial statements based on each institution’s and the chancellor’s office cumulative (inception to date) expenditures beginning July 1, 2007, for the following account codes:

10964 - OPE Uncl Health/Life

10974 - OPE Class Health/Life

.690 CONTACT INFORMATION

Direct questions about this policy to the following offices:

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<td>Institution Office of Business Affairs</td>
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<td>General questions from institutional central administration and Chancellor's Office personnel</td>
<td>Chancellor's Office Controller's Division</td>
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