



North Carolina Office of the State Controller

Financial Reporting Update

GASB 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans - Effective for FY 2017

November 22, 2016

In June 2015, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74). This Statement is an amendment to GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and revises existing guidance for the financial reports of Other Postemployment Benefit (OPEB) plans for state and local governments that are administered through trusts or equivalent arrangements as well as for those not administered through trusts that meet the specified criteria. The new GASB guidance on OPEB (Statements 74 and 75) closely parallels the GASB's latest guidance on pensions (Statements 67 and 68). Just as Statement 67 applied to pension plans and Statement 68 applied to employers, Statement 74 applies to OPEB plans and Statement 75 will apply to employers. The State currently administers two OPEB plans, the Retiree Health Benefit Fund and the Disability Income Plan.

GASB 74 is effective for the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement focuses on provisions specific to OPEB plans. OPEB plans should continue to follow all other accounting and financial reporting requirements applicable to the transactions and other events reported in their basic financial statements, including notes to those statements and required supplementary information (RSI). GASB 74 significantly improves related financial reporting through enhanced note disclosures and new RSI schedules that will be presented by the OPEB plans that are within its scope. The new requirements will provide information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. GASB 74 also requires the presentation of new information about annual money-weighted rates of return in the notes and 10-year RSI schedules. There will be one significant difference in employer note disclosure between pension benefits and OPEB. In addition to disclosure of the sensitivity of the net OPEB liability to a one-percentage-point variation in the assumed discount rate, GASB 74 further requires disclosure of the effect of a one-percentage-point variation in the assumed healthcare cost trend rate.

The provisions of this statement apply to state and local governmental OPEB plans. The requirements apply whether (a) the OPEB plan's financial statements are included in a stand-alone OPEB plan financial report or (b) the OPEB plan is included as an other employee benefit trust fund of another government.

To gain additional understanding of GASB 74, please refer to the following resources:

- a. The GASB webpage from which you may access a PDF file of GASB 74 as well as other GASB pronouncements - [GASB Pronouncements](#)
- b. GASB Plain-Language Article – [GASB Proposals Would Significantly Improve Reporting of Retiree Health Insurance and Other Benefits](#)
- c. GASB Q&A – [The GASB's OPEB Proposals](#)
- d. GASB In Focus – [GASB Statement No. 74 and GASB Statement No. 75](#)



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Thank you for your time and attention to this important change. OSC will continue to provide updates as the standard is implemented. Questions regarding this specific update should be directed to Virginia Sisson at 919-707-0530 or virginia.sisson@osc.nc.gov.