INFORMATION ITEM #5
Change in Accounting Principle - OPEB (GASB 75)
(Stacy Pearson/Matt Skinner/Manali Bettendorf)

TO ALL MEMBERS OF THE BOARD OF REGENTS

SUBJECT: Accounting Update – OPEB (GASB 75)

SUBMITTED BY: Stacy Pearson, VP Finance and Administration

SUMMARY: A recent pronouncement from the Governmental Accounting Standards Board (GASB) will impact the University’s 2017 (restated) and 2018 financial statements.

BACKGROUND: The Governmental Accounting Standards Board (GASB) has issued a new pronouncement GASB 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (Other Postemployment Benefits or “OPEB”) effective for fiscal year 2018, with a comparative restatement for 2017.

In general, OPEB benefits may consist of health and dental insurance, vision, prescription, life insurance, disability insurance, long-term care insurance and other benefits provided to eligible retirees and their beneficiaries. If a promise to provide OPEB was in place as of the date of the financial statements, the GASB believes that a government has an obligation for OPEB that constitutes a liability for financial reporting purposes. For the State of Washington, the OPEB liability is largely attributable to the provision that retiring state employees may continue to purchase health insurance within the same pool as current state employees.

Total OPEB liability is measured using a single actuarial cost-attribution method; based on entry age and the University’s proportionate share of the State’s multi-employer plan. Similar to other long-term post employment and pension liabilities, these projected future payments are discounted to actuarial present value, and will fluctuate overtime based said assumptions and market conditions.

The change in accounting methodology will apply to all colleges, universities and agencies reporting GASB standards. These institutions of higher education will be required to record a new liability for OPEB that will significantly increase non-current liabilities and future reduce unrestricted net assets.
Impact on WSU’s Financial Statements

Prior to the issuance of this new guidance, WSU was not required to record a liability associated with other post-employment benefits for employees outside of the pension liability.

The recent GASB pronouncements will require WSU to record a new liability on the University’s financial statements proportionate to the University’s share of the State’s liability. WSU accounts for approximately 5.5% of the total employees of the State.

The cumulative impact of the accounting change will be presented via a restatement of WSU’s fiscal year 2017 results with a $336 million increase in the pension liability and a corresponding $336 million decrease in net position.

Note: GASB 75 is an accounting standard and does not dictate methods or assumptions for determining contributions to an OPEB trust, nor does it require funding the OPEB liability.