

Maine Municipal Employees Health Trust



GASB 75 Accounting for Retiree Medical Benefits



August 20, 2020

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Discussion Topics



- Background
 - Definition of terms
 - 2020 full year valuation
- How to access your reports
 - 2020 GASB 75 Portal
 - Access to reports and census data in this full valuation year
- GASB 75 assumptions and report content

Important Accounting Terms



Terms commonly used include:

- **GASB 75**, or Governmental Accounting Standards Board Statement No. 75. This is the accounting standard that impacts requirements for the audited financial statements of public entities. No. 75 focuses on OPEB benefits.
 - Regardless of size of entity and regardless of community rating or pooled or blended rates
- **OPEB**, or Other Postretirement Employment Benefits, refers to retiree medical health coverage. Retiree medical is offered through participation in the health benefits program.

Full Valuation and Roll-forward



2020 Full Valuation

- By person census
- Claims by age
- All assumptions studied



2021 Roll-forward

- Same census
- Same claims and plan
- Updated discount rate

GASB 75 Two (2) Year Cycle

How to Access GASB 75 Reports



**Watch for your GASB 75 Email Invitation
- Week ending August 21, 2020**

Step 1: Set your Password

Step 2: Confirm your Email

Step 3: Download your GASB 75 Report

Step 4: Share with your auditor!

Sample GASB 75 Email Invitation



Dear MMEHT participating employer,

As the actuary for the Maine Municipal Employees Health Trust, we are pleased to provide you with your 2020 GASB 75 actuarial valuation reports.

Your account has been set up so that you may access the GASB 75 actuarial valuation report prepared for your organization, as well as the supporting census documentation. Below is your username and a link to set up your password.

Username: *[username will be provided in actual email]*

Please click on this link to set up a new password *[link to be included in actual email]*

For security reasons, an additional verification process has been added. You will be asked to verify your email address when logging into the portal for the first time. The verification process is straightforward and simple. A verification email will be sent to you when you first access the link. You will be asked to click on a link in the notification email in order to complete your sign-up and gain access to the portal.

Once you have access, the portal allows you to share the reports with your auditor in a secure manner. After signing in, you may choose to provide your auditors with access to the portal and the report by clicking on the "Share this page with your auditor" button and entering their email.

If you have questions, or trouble accessing the account, please contact Kristy Gould, Assistant Director, Maine Municipal Employees Health Trust at KGould@memun.org. Questions regarding the contents of your report should be directed to your auditor. Thank you.



Step 1: Login and Set your Password



Maine Municipal
Employees Health Trust

Welcome to the 2020 MMEHT GASB 75
Portal!

Your username is *[username]*.

Please set your password below to login.

*Passwords must be at least eight characters long, contain at least one uppercase
letter, one lowercase letter, and one numeral

New Password

Retype Password

Set Password

Step 2: Verify Your Email Address



Maine Municipal
Employees Health Trust

Your Password Has Been Set



**Next, Please Check Your Email To Verify
Your Email Address**

In order to log in to your account, you must confirm your email address. To do this an email is being sent now to you. Please open the email and click on the link. You will then be automatically brought back to the portal site.

Dear MMEHT participating employer,

To complete your sign-up, please verify your email address by clicking on the link below.
[link to be provided]

If you did not sign up, or if you have trouble accessing your account, please contact Kristy Gould, Assistant Director, Maine Municipal Employees Health Trust at KGould@memun.org. Questions regarding the contents of your report should be directed to your auditor. Thank you.

Just click



Once Your Email Address is Verified



Maine Municipal
Employees Health Trust

GASB 75 Reports Portal

Thank you for verifying your email address. You may now log in.

Username

[your username]

Password

Enter password

[Forgot Password?](#)

[Forgot Username?](#)

Sign in

If Your Email Address is Not Verified



Maine Municipal
Employees Health Trust

GASB 75 Reports Portal

Your email address is not verified. Please
verify your email address to continue.

Username

Password

[Forgot Password?](#)

[Forgot Username?](#)

Sign in



Step 3: GASB 75 Reports Dashboard



You can view or download your report.

Also, if your auditors need the census file, that is available too.

Remember you can share the site with the auditors!

The screenshot shows the Cheiron logo in the top left and a "Sign out" button in the top right. The main header identifies the user as "Maine Municipal Employees Health Trust" and the page as the "GASB 75 Reports Dashboard". A yellow banner prompts the user to "Share this page with your auditor". The dashboard is organized into sections for the years 2020 and 2019, both with GroupID: 17217. The 2020 section features three cards: a red card for "View Report" (PDF icon), a red card for "Download Report" (PDF icon), and a green card for "Download Data" (Excel icon) with the text "Does your auditor need census file extracts?".

Step 4: Share with your Auditors



As with last year, you can share the portal with your auditor (optional).

The screenshot shows the Cheiron portal interface. At the top left is the Cheiron logo. In the top right corner, there is a 'Sign out' button. A modal dialog box titled 'Share Reports' is open in the center. The dialog contains the following text: 'If a share authorization has expired, but the auditor needs access again, please enter the auditor's email again below and click share. You can also share with multiple email addresses if needed.' Below this text, it states 'You are not sharing the reports with anyone.' There is an input field labeled 'Enter Auditors Email' and a 'Share' button. Below the dialog, a yellow banner reads 'Share this page with your auditor'. The main content area is titled 'GASB 75 Reports for Year: 2020' with 'GroupID: 99998' on the right. There are three options: 'View the report in your browser' (with a PDF icon), 'Download the report to your device' (with a PDF icon), and 'Does your auditor need census file extracts?' (with an Excel icon).

GASB Assumptions and Reports



This section reviews key assumptions and selected report exhibits.

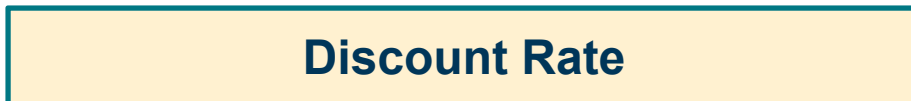
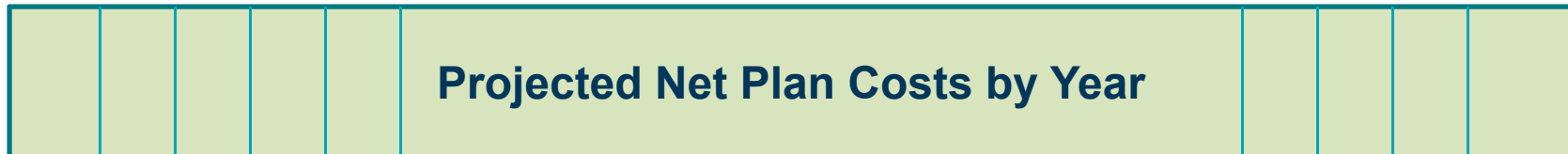
- Discount Rate
- Plan updates
- Trends
- Key exhibits

Each report is a full report and contains more detail that the auditors may need.

Discount Rate for each GASB 75



- **GASB 75** defined the discount rate, which is used to convert year by year projected costs to a single sum present value or “liability” at the measurement date.

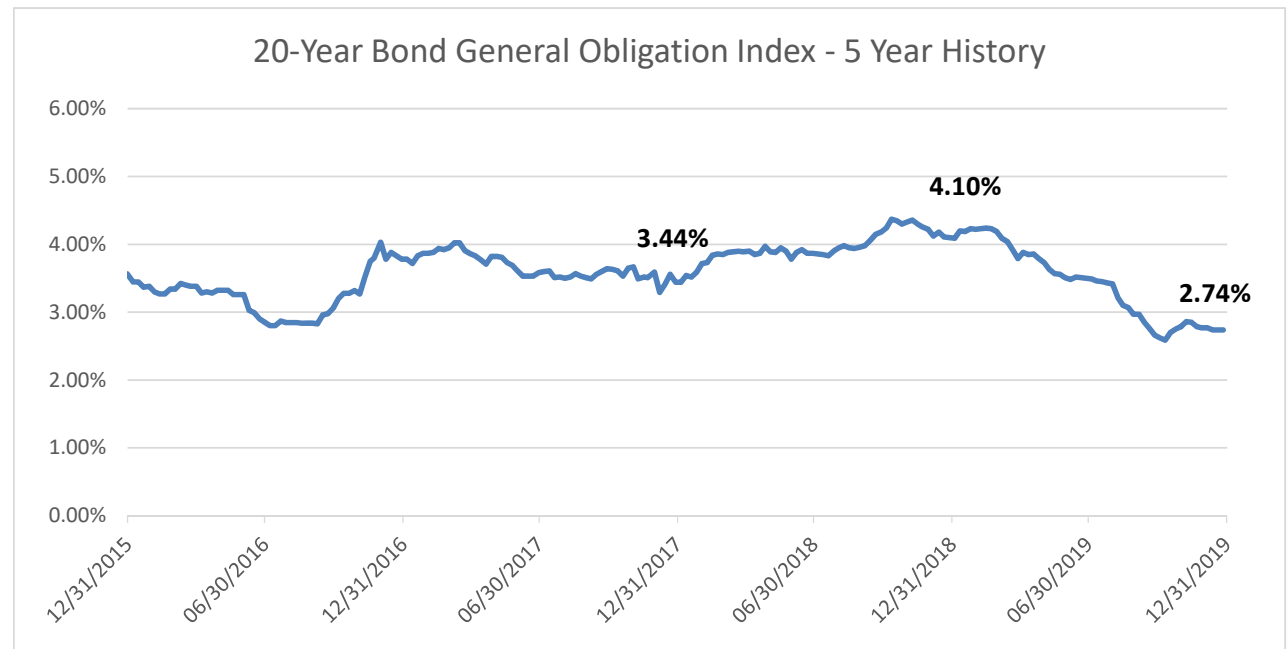


- **Definition of Discount Rate** - A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), for plans with no prefunding solely for retiree medical.

20 Year Tax-Exempt Bond Rates



- **Discount rate:** Single annual rate equal to 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa.



- GASB 75 discount rate was 4.10% as of December 31, 2018 and 2.74% as of December 31, 2019.

About MMEHT Plan Updates



- December 31, 2019 Measurement Date
- Applies to either June 30, 2020 or December 31, 2020 financial year results
- Updates in plan provisions that occurred after December 31, 2019 are summarized on the next slide.

Plan Updates Effective January 1, 2020



The following updates were effective January 1, 2020:

- Carryover provision (of claims incurred in the prior calendar year quarter) was eliminated. The accumulation of the deductible relates to claims incurred during 2020.
- Increased out-of-pocket maximums for POS plans from \$6,350 single/\$12,700 family to \$6,500 single/\$13,000 family and for PPO plans from \$6,350 single/\$12,700 family to \$7,500 single/\$15,000 family.
- Copays for services received at an urgent care facility were decreased to match the copay for services received at an Anthem In-Network Walk-In Center (urgent care services previously paid subject to the emergency room copay).
- Coverage for hearing aids was extended to all active and retiree members age 19 and older, subject to a maximum of \$3,000 per hearing impaired ear, once every 36 months.

Trend Assumptions



- Calendar year 2020 per capita claims costs reflect prescription drugs savings related to the implementation of IngenioRx.
 - Savings were achieved with improved generic discounts and utilization.
 - Future drug costs are assumed to increase in line with industry expectations.
- Medical trend assumptions do not explicitly reflect the impact of the pandemic.
 - In this valuation, it is assumed that lower utilization in 2020 will be offset by higher utilization in 2021.

Trend Assumptions



- Modified to reflect lower long term inflationary environment
 - Getzen actuarial model

FYE	Non-Medicare		Medicare		Non-Medicare	Medicare
	Medical	Drug	Medical	Drug	Blended	Blended
2020	8.50%	8.75%	5.00%	8.75%	8.55%	7.84%
2021	8.20%	8.45%	4.90%	8.45%	8.25%	7.62%
2022	7.90%	8.15%	4.80%	8.15%	7.95%	7.38%
2023	7.60%	7.85%	4.70%	7.85%	7.65%	7.15%
2024	7.13%	7.34%	4.71%	7.34%	7.17%	6.76%
2025	6.66%	6.82%	4.72%	6.82%	6.69%	6.37%
2026	6.19%	6.31%	4.74%	6.31%	6.21%	5.98%
2027	5.71%	5.80%	4.75%	5.80%	5.73%	5.58%
2028	5.24%	5.29%	4.76%	5.29%	5.25%	5.18%
2029	4.77%	4.77%	4.77%	4.77%	4.77%	4.77%
2030	4.77%	4.77%	4.77%	4.77%	4.77%	4.77%
2031	4.36%	4.36%	4.36%	4.36%	4.36%	4.36%
2032	4.15%	4.15%	4.15%	4.15%	4.15%	4.15%
2033	4.03%	4.03%	4.03%	4.03%	4.03%	4.03%
2034	3.94%	3.94%	3.94%	3.94%	3.94%	3.94%
2035	3.88%	3.88%	3.88%	3.88%	3.88%	3.88%
2036	3.84%	3.84%	3.84%	3.84%	3.84%	3.84%
2037	3.81%	3.81%	3.81%	3.81%	3.81%	3.81%
2038	3.78%	3.78%	3.78%	3.78%	3.78%	3.78%
2039	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%
2040	3.53%	3.53%	3.53%	3.53%	3.53%	3.53%

Summary of Results Table I



- Shows this year and last year results
- Impact on balance sheet and annual OPEB expense

SECTION I – SUMMARY OF KEY RESULTS

The table below provides a summary of the key results during this reporting period.

Table 1 Summary of Results		
Reporting Date	06/30/2020	06/30/2019
Measurement Date	01/01/2020	01/01/2019
Valuation Date	01/01/2020	01/01/2018
Total OPEB Liability	\$ 5,058,417	\$ 4,407,256
Plan Fiduciary Net Position	<u>0</u>	<u>0</u>
Net OPEB Liability	\$ 5,058,417	\$ 4,407,256
Deferred Inflows	450,179	332,248
Deferred Outflows	<u>1,106,377</u>	<u>453,620</u>
Net Impact on Statement of Net Position	\$ 4,402,219	\$ 4,285,884
Contributions Subsequent to Measurement Date	<u>82,608</u>	<u>76,249</u>
Net Impact on Statement of Net Position	\$ 4,319,611	\$ 4,209,635
OPEB Expense (\$ Amount)	\$ 274,933	\$ 291,868
OPEB Expense (% of Payroll)	1.8%	1.9%

Step by Step Analysis of Liability



Table 2
Change in Net OPEB Liability

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 01/01/2019 (Reporting 06/30/2019)	\$ 4,407,256	\$ 0	\$ 4,407,256
Changes for the year:			
Service cost	82,487		82,487
Interest	180,861		180,861
Changes of benefits	(105,218)		(105,218)
Differences between expected and actual experience	(198,064)		(198,064)
Changes of assumptions	849,693		849,693
Contributions – employer		158,598	(158,598)
Contributions – member		0	0
Net investment income		0	0
Benefit payments	(158,598)	(158,598)	0
Administrative expense		0	0
Net changes	651,161	0	651,161
Balances at 01/01/2020 (Reporting 06/30/2020)	\$ 5,058,417	\$ 0	\$ 5,058,417

Determination of OPEB Expense



- Done in two ways with the same results!
- This year and last year!

Table 8 Calculation of OPEB Expense		
	FYE 2020	FYE 2019
Change in Net OPEB Liability	\$ 651,161	\$ (283,602)
Change in Deferred Outflows	(652,757)	90,724
Change in Deferred Inflows	117,931	332,248
Employer Contributions	<u>158,598</u>	<u>152,498</u>
OPEB Expense	\$ 274,933	\$ 291,868
OPEB Expense as % of Payroll	1.8%	1.9%
Operating Expenses		
Service cost	\$ 82,487	\$ 94,503
Employee contributions	0	0
Administrative expenses	<u>0</u>	<u>0</u>
Total	\$ 82,487	\$ 94,503
Financing Expenses		
Interest cost	\$ 180,861	\$ 162,016
Expected return on assets	<u>0</u>	<u>0</u>
Total	\$ 180,861	\$ 162,016
Changes		
Benefit changes	\$ (105,218)	\$ 0
Recognition of assumption changes	119,553	13,341
Recognition of liability gains and losses	(2,750)	22,008
Recognition of investment gains and losses	<u>0</u>	<u>0</u>
Total	\$ 11,585	\$ 35,349
OPEB Expense	\$ 274,933	\$ 291,868

*Items may not match due to rounding.

Other Report Exhibits Too!



- Tracking of deferred inflows and outflows
- Sensitivity of obligations due to a change in discount and change in trends
- Assumptions
- Census summaries
- Plan provisions

In Summary – a complete and thorough report to enable your auditors to have all that is needed!

Disclaimer



This analysis was prepared exclusively for MMEHT for educational purposes of understanding the accounting standards under GASB 75.

This analysis has been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practices set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as a credentialed actuary, I meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report.

To the extent any legal issues are involved in any determinations, we recommend you consult appropriate counsel regarding contractual and legal issues identified in this presentation. We are not attorneys and our firm does not provide any legal services or advice.

This analysis was prepared exclusively for MMEHT for the purposes as stated above. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other users.

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