

Fund S71100

Public School OPEB Trust Fund

Focus

Fund S71100, Public School Other Post-Employment Benefits (OPEB) Trust Fund, was established by the School Board in FY 2008 as a mechanism to accumulate and invest assets to fund the Fairfax County Public School (FCPS) system's other post-employment benefits.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" as part of its comprehensive review of accounting and financial reporting for postemployment benefits. Statement No. 75 supersedes Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, which governments previously applied to account for OPEB. Statement No. 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For a defined benefit OPEB, 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 current period of employee service. This is a departure from Statement No. 45 under which FCPS focused on the employers showing the status of funding for its annual required contribution.

As a result of the implementation of Statement No. 75 starting in FY 2018, FCPS has restated its OPEB liability in its Comprehensive Annual Financial Report and is now recording OPEB expenses in the OPEB Trust Fund. The new standards base annual OPEB expense on the amount by which the reported OPEB liability increased or decreased during the year. The OPEB liability changes from year to year as a result of factors that cause either the total OPEB liability or the value of plan assets, if any, to increase or decrease. The amount by which those factors cause the OPEB liability to increase or decrease generally is reported as OPEB expense in the year in which changes occur.

Program participants may continue medical coverage by paying the appropriate subsidized premiums (explicit subsidy) based on years of service and the retirement plan under which the retiree is covered. In addition, FCPS subsidizes the premium rates paid by the retirees by allowing them to participate in the medical plans at the reduced or blended group premium rates for both active and retired employees (implicit subsidy). These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the program on average than those of active employees.

As recommended best practice to contribute the full amount of their actuarially determined contribution (ADC) each year, the ADC represents the portion of the present value of projected benefits that is attributable to the current period. For FY 2018, FCPS contributed 109.1 percent to its ADC. Typically the ADC can be affected by benefit increases for members and beneficiaries including cost of living adjustments (COLAs), benefit formula enhancements, or post retirement benefit increases. In addition, changes to the OPEB trust investment assets may have an impact on OPEB expenses. FCPS' projected ADC contributions for FY 2020 is \$23.9 million.

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FUND STATEMENT

Fund S71100, Public School OPEB Trust Fund

	FY 2018 Actual	FY 2019 Adopted Budget Plan	FY 2019 Revised Budget Plan ¹	FY 2020 Superintendent's Proposed
Beginning Balance	\$118,697,379	\$128,738,891	\$135,175,429	\$145,216,941
Revenue:				
Employer Contributions	\$59,806,266	\$28,095,000	\$28,095,000	\$28,875,000
Net Investment Income	11,564,600	5,142,012	5,142,012	5,142,012
Total Revenue²	\$71,370,866	\$33,237,012	\$33,237,012	\$34,017,012
Total Available	\$190,068,245	\$161,975,903	\$168,412,441	\$179,233,953
Total Expenditures ²	\$54,892,816	\$23,195,500	\$23,195,500	\$23,975,500
Total Disbursements	\$54,892,816	\$23,195,500	\$23,195,500	\$23,975,500
Reserved Ending Balance	\$135,175,429	\$138,780,403	\$145,216,941	\$155,258,453

¹ The FY 2019 Revised Budget Plan reflects adjustments adopted by the Fairfax County School Board on December 20, 2018 during the FY 2019 Midyear Review. These midyear adjustments will be officially reflected in County schedules and appropriations as part of the FY 2019 Third Quarter Review, which will be acted on by the Board of Supervisors on April 30, 2019.

² In order to account for FY 2018 revenues and expenditures in the appropriate fiscal year, audit adjustments in the amount of \$35,367,158 have been reflected as an increase to FY 2018 revenue and audit adjustments in the amount of \$35,294,266 have been reflected as an increase to FY 2018 expenditures. Details of the audit adjustments will be included in the FY 2019 Third Quarter package.