Skyline CBC
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GASB 45 and OPEB

- Governmental Accounting Standards Board
  - Sets accounting rules for governments
- Other Post-Employment Benefits
  - Medical or other benefits other than pensions
- Governments (including SMCCCD) must recognize their liability for future payments to current and future retirees (including you!)

SMCCCD

- Our liability is about $150 million
- We can amortize this liability like a mortgage over 30 years
- This year's amount is about $9 million – known as **ARC** – Annual Required Contribution

ARC

- Benefits that current employees are earning every day they work—plus
- Benefits that current employees have already earned—plus
- Benefits for retired employees—total

ARC

ARC

- Federal rules say that we can only charge the benefits for current employees that they are earning as they work to federal grants
- Federal rules say we can only charge to federal grants if we charge the same way across the district
- We will only charge the “current cost” across the board

Charging all funds

- To charge the current cost, we would create a benefit rate of approximately 4% that would be charged to all funds and all regular employees (not hourly, student or adjunct).
- This actual rate will be determined by our actuary and will be updated every 2 years.
- To phase this in for multi-year grants that don't have this rate in their budgets, we would give each college an allowance that could be used to subsidize grants and categorical funds.

Impact on Fund 1

- Fund 1 is currently covering 100% of the costs for retirees and will have to cover whatever portion of the ARC that we choose to fund
- Charging this out would cover the current cost for non-Fund 1 employees in the future
- During the phase-in period, the impact on Fund 1 would be negligible
- After the phase-in period, Fund 1 would have more resources

Impact on Grant and Other Funds

- Currently, grants and categorical funds don't cover any of the retirement costs of the districts
- During the phase-in period, grants and categorical funds can get subsidies from Fund 1 to cover the unbudgeted benefit costs
- Grants will have to be written with the increased rates in the future
- Categorical funds will have to revise their budgets to cover these costs

Questions?