

OPEB Costs and Federal Grants

According to the Office of Management and Budget Uniform Grant Guidance, 2 CFR § 200.431, post-retirement health benefits of currently employed staff may be equitably charged to federal categorical funds based on the actuarially determined GAAP compliant expense, if an irrevocable trust is in place. Specifically, the Uniform Grant Guidance states the following:

- a. To be allowable in the current year, the post-retirement health benefit (PRHP) costs must be paid either to:
 1. An insurer or other benefit provider as current year costs or premiums, or
 2. An insurer or trustee to maintain a trust fund or reserve for the sole purpose of providing post-retirement benefits to retirees and other beneficiaries

Post Retirement Health Plans (PRHPs) may be charged as a direct cost to the grant only if the employee is “active” and working on current activities. These employees may have their benefits allocated “...in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to federal awards.” The benefit charges (including those for pension and PRHPs) that are accrued and funded coincident with salaries and wages must follow labor costs in their allocation.