Date: July 2, 2018

To: Districts using Fund 73 for OPEB

From:  School Financial Services Team

Subject: Fund 73 OPEB trust reminders

This document provides guidance for districts using a Fund 73 OPEB trust.

Updated documents on the [Benefit Trust Fund](http://dpi.wi.gov/sfs/finances/fund-info/employee-benefit-trust-fund) site include:

* Updated Excel worksheet to determine special education 2017-18 categorical aid eligibility based on 2016-17 costs.
1. **Cash Movement and District Transactions**

All transactions relating to the Fund 73 trust should have actual physical cash movement involved. There should be no netting of activity with journal entries. Cash for the full contribution should be transferred to the trust, cash for the full implicit rate subsidy payback should be transferred to the district, and if the trust reimburses the district for retiree expenditures throughout the year, the full amount of reimbursement should be transferred. If there is a retiree paid portion that is deposited into Fund 10, this amount should also have full cash movement into the trust. If the district (Fund 10) pays or receives cash relating to the trust, it should be set up as a Due From Fund 73 or Due to Fund 73 upon payment to the vendor or receipt of the retiree portion. The retiree transactions should never be recorded as an expenditure or revenue in Fund 10.

1. **Fund 73 Contribution in 2017-18 “DUE” July 30, 2018**

This is a reminder that the 2017-18 physical cash contribution to the Fund 73 Employee Benefit Trust must be made by July 30, 2018 in order to be counted as expenditure for 2017-18 (FY 18). Any contributions *after* July 30, 2018 will be considered a cost for 2018-19 (FY 19).

1. **Implicit Rate Subsidy Payback - Does your district need to do it?**

The implicit rate subsidy payback is an expenditure of the trust if retirees remain on the district’s health insurance or long term care insurance plans unless the district has one of the following exceptions, which have no impact on the premium paid by active employees. The implicit rate subsidy payback applies unless the district:

1. Is self funded and the trust pays actual medical costs;

2. Has retiree plans and active employee plans rated separately, and active employee rates do not subsidize the retiree rates; or

3. Is immaterial (as determined by the actuary).

1. **Implicit Rate Subsidy Payback - Expenditure Object Code 994 in Fund 73**

Districts should account for the implicit rate subsidy payment from the trust to the district using object 994. This object is required to be used in 2017-18 when making the implicit rate subsidy payback.

1. **Allocation Requirement - Contribution and Implicit Rate Subsidy Payback**

The contribution into the trust, up to the ADC amount, should be allocated to the fund, function, project and object 218 of all active employee plan members. Amounts in excess of the ADC should be coded to function 292000, object 218. The implicit rate subsidy payment received by the district is a credit to active employee plan member’s health care costs. The implicit rate subsidy should be allocated to the fund, function, project and object 241 of all active employee plan members with health insurance.

1. **Budget Requirement and PI-1202 - Contribution and Implicit Rate Subsidy Payback**

All activity relating to the trust needs to be budgeted. This includes the contribution and the implicit rate subsidy payback. These amounts must also be included as benefits to the active employees on the PI-1202 staffing report.

1. **Special Education Categorical Aid Eligibility Worksheet**

The Special Education Categorical Aid Eligibility Worksheet has been updated for 2017-18 and includes 2016-17 data. The worksheet can be found on the Benefit Trust Fund page on the SFS website, <https://dpi.wi.gov/sfs/finances/fund-info/employee-benefit-trust-fund>.

1. **New Actuarial Studies - Send to DPI**

If your district is due for a new study for 2017-18, please send Derek Sliter a copy of the study when it is completed. If your district has not yet started the process for the new study that is required for 2017-18, please contact your actuary right away so your new study will be available for your audit.

Please contact Derek Sliter at (608) 266-3464 or derek.sliter@dpi.wi.gov with any questions regarding this information.