

December 11, 2006
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Revised June 6, 2007
SR#81769 – OPEB Reporting Process Modifications

SR81769 Requirements
Development of New Reporting Process for OPEB

Objective:

This SR describes the need to develop a new process that will calculate the Other Postemployment Benefits (OPEB) Assessment for each check-write reporting. The new process should report the estimated assessment after the completion of the payroll computation cycle to the Office of the President (OP) by way of the File Transfer Protocol (FTP) server from which OP functional units (Endowments and Investments Accounting (EIA), Human Resources/Benefits (HR/B) Financial Services, and Treasurer's Office can access the information.

Project Type:

This is an enhancement to the computation and reporting processes that will expedite the transfer of the estimated OPEB amounts to the OPEB Trust.

Requested by:

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Due Date:

June 1, 2007 (Date Mandated) Locations must implement this modification in time to affect the first check write with a pay end date in July 2007.

1.0 Background

In July 2007, the University will establish the OPEB Trust in response to the Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The University is required to record in its financial statements and to report in its footnotes regarding post employment benefits other than pensions. Other Postemployment Benefits generally includes medical, dental, and vision insurance, and other health benefits. The reporting changes are required for the fiscal year 2007-08, with restatements for the fiscal year 2006-07, if appropriate.

The GASB has taken the position that pension benefits including OPEB are part of the compensation earned by employees each year, although the employees do not receive these benefits until retirement. The University currently provides medical and dental benefits to its retirees; therefore the cost of these future benefits is part of the cost of providing services today. Among other matters, the Statement requires the University to record as an operating expense the actuarially determined, accrued annual cost of providing OPEB to employees. It also requires the University to record the accrued liability of its OPEB program.

The University must identify the annual OPEB costs and the outstanding obligations for the University as a whole and has developed a financial reporting approach for each separate reporting segment and affiliated entity participating in the University's OPEB program.¹

2.0 Current Process

Effective July 2006, the University began its assessment of OPEB in place of the Annuitant Health Assessment in the Distribution of Payroll Expense process. The OPEB Assessment rate is a University-wide rate and mirrors the former Annuitant Health/Dental Insurance rate model. The selection criteria to calculate the OPEB Assessment follow:

- If the employee has a retirement code of
 - U – UCRS (University of California Retirement System)
 - B – UCRS (no deduction)
 - 1 – UCRS (no deduction FY Limit)
 - F – FCERS (Federal Civil Employees Retirement System)
 - O - OCERS (Orange County Employees Retirement System)
 - P – PERS (Public Employees Retirement System)
 - S – SCERA (Sacramento County Employees Retirement Association)

AND

¹ OPEB-IRM No. 45.3; dated 03/15/05

- If the UCRS and PERS Subject Gross Indicators on the Description of Service (DOS) Table are “+”

AND

- The Distribution Priority Code on the DOS Table is not Zero (0).

THEN

- The Distribution Gross is divided by 100; and multiplied by the OPEB Assessment Rate.

In the Distribution of Payroll Expense process, the OPEB Assessment is expensed to the departmental Full Accounting Unit, Object Code 8231, and credited to the OPEB Assessment Liability Account 115586. At the end of each month, locations prepare financial entries or wires to transfer the collected assessment amounts to OP. However, campuses use OPEB Liability Account 115589 to record the transfer of the assessment amounts to OP. General Accounting – OP established new Account Group Codes (AGC) that campuses use when recording the assessment. These codes are as follows:

- AGC 164231: to record the Employer Liability to the UC OPEB Trust
- AGC 164241: to record the Employer Contribution to the UC OPEB Trust
- AGC 164251: to record the Employee Liability to the UC OPEB Trust (in the event that a contribution is required from the employee)
- AGC 164261: to record the Employee Contribution to the UC OPEB Trust (in the event that a contribution is required from the employee)

The campus payroll information is transmitted to UCRP in the monthly interface process (UCRS Payroll Activity File – PPI730).

3.0 Proposed Process

During each payroll computation process, a new routine should calculate the estimated OPEB Assessment amount for that check write. The estimated OPEB Assessment amount should be debited automatically to the campus liability account and credited to a specific account assigned by HR/B Financial Services through the campus financial control. Campuses should then transmit the amounts in a single file² to OP. EIA and HR/B Financial Services should have access to the file for their reporting use.

At the end of the Distribution of Payroll Expense process, a reconciliation of each estimated OPEB Assessment amount collected from each payroll compute for the expense period should be compared and balanced to the total amount assessed and reflected in the Distribution of Payroll Expense.

² At this time, the monies will be invested in STIP at UC until UC transfers the monies to the OPEB Trust. The Office of the Treasurer does not require access to the file upon receipt from locations. However, if the University changes the investment strategy, the Office of the Treasurer may require access to the file. No contingency plans are offered in this document.

4.0 Payroll Computation Cycle Modifications

During the Payroll Compute, the OPEB eligibility criteria and benefit calculation in the compute should mirror the calculation occurring in the Distribution of Payroll Expense Process. After the completion of the calculation, the estimated OPEB Assessment should be automatically debited to the campus liability account (X³-115589) and credited to the campus financial control (E⁴-1195XX-900XX). (See Appendix A for list of campus financial control accounts.) The transaction should be cleared from the financial control to the unique liability account. HR/B – Financial Services has assigned each campus a liability account for the employer assessments. In the future, the University may consider an employee assessment. Program modifications to include the employee assessment will be made at such time that the University finds it necessary to impose an employee assessment. Thus, this document will not include any further discussion about employee assessments.

- Each of these Liability Accounts should be used with the appropriate AGC. These Liability Account Numbers will be associated with the Location Code “E,” which indicates the Endowment General Ledger. The Liability Accounts for the Employer Assessment follow:

Account/Fund	Type	Title
E-115101-69996	Liability	CL-Payable to OPEB Trust-ER-BK
E-115102-69996	Liability	CL-Payable to OPEB Trust-ER-SF
E-115103-69996	Liability	CL-Payable to OPEB Trust-ER-DV
E-115104-69996	Liability	CL-Payable to OPEB Trust-ER-LA
E-115105-69996	Liability	CL-Payable to OPEB Trust-ER-RV
E-115106-69996	Liability	CL-Payable to OPEB Trust-ER-SD
E-115107-69996	Liability	CL-Payable to OPEB Trust-ER-SC
E-115108-69996	Liability	CL-Payable to OPEB Trust-ER-SB
E-115109-69996	Liability	CL-Payable to OPEB Trust-ER-IR
E-115110-69996	Liability	CL-Payable to OPEB Trust-ER-MR

Here is an example of the general ledger entries that should be executed after the close of the payroll compute process. In this example, the location is UCSC.

Employer Contributions - Campus Financial Entries

After the calculation of the OPEB assessment, the process should debit the OPEB Liability Account - Employer used to record the amounts transferred to OP into the Campus Financial Control.

³ “X” is the numeric Location Code; e.g., 4-115589 is the UCLA OPEB Liability Account

⁴ “E” is the Location Code for Endowments

AGC 164241 115589 (Compute)	
Debit	Credit
7-115589	
	7-119500

Employer Contributions - OP Financial Entries

To clear the Campus Financial Control, an automatic entry against the Campus Financial Control Account in conjunction with Endowment Location Code “E” should be offset to the campus specified OPEB Trust Collection Account.

E-119570-90070	
Debit	Credit
E-119570-90070	
	E-115107-69996

5.0 Month-End Processing

Employer Contributions - Campus Financial Entries

There should be no change to the Distribution of Payroll Expense Process that expenses the OPEB Employer Assessment amount to the Departmental Full Accounting Unit (FAU) associated with the employee’s payment and offsets the OPEB Employer Liability Account.

AGC 164231 115586 (Employer Liability) (Expense)	
Debit	Credit
Departmental FAU	
	7-115586

The calculation per pay cycle and subsequent remittal to OP will be an estimated amount such that with small variance will equal in total (for pay cycles) that amount that is assessed to the departments during the monthly Distribution of Payroll Expense. During the month-end processing, when the estimated amount differs from the actual, the system should initiate an adjustment transaction that can be added to the next transaction file.

6.0 File/FTP:

It has been recommended by IR&C that a new reporting process be independently developed and the file be appended to the UCRS Control for Treasurers STIP. This suggestion should allow for more flexibility in having locations use specific accounts provided by HR/B Financial Services. Campuses should transfer the files after each payroll through the OP FTP site. The file should include all assigned account numbers

when the amount is zero, positive, or negative. File Names are yet to be determined. The file format should be the same as the UCRS Control for Treasurers STIP, PPI730. A month end adjustment file should be created routinely to report zero, positive, or negative entries.

See Appendix B for the layout of this file.

After the locations have transmitted the FTP file, the data should be made available to EIAS and HR/B-Financial Services.

7.0 Reports

For each payroll compute cycle, the new process should generate a report that would include:

- Accumulated Retirement Gross
- ER OPEB Assessment Rate
- Calculated Estimated ER OPEB Assessment Amount

See Appendix C for a sample report.

During Month-End Processing, although it is anticipated that the estimated assessed dollars will always balance, it is requested that a report recapping the entries per payday be produced and compared to the OPEB Assessment calculated during the Distribution of Payroll Expense process. See Appendix D for an example. This report should display:

- Accumulated OPEB Assessment Amount
- Pay Date
- ER Contribution (Estimated)
- Total OPEB Assessment

This report should only display those payrolls produced by the campus. For example, some campuses run the Monthly Current, Biweekly, and Supplemental payrolls while others run the Monthly Current, Monthly Arrears, and Supplemental payrolls.

8.0 Other Considerations

HR/B Financial Services will require a test file before the campuses put the programming changes into production. The file will be tested in EIAS.

Consideration was given to the inclusion of the Department Location Indicator in the reporting process; however, it has been determined that the indicator is below the line.

Appendix A

Campus Financial Control Accounts for OPEB Assessment Transactions

Campus	Location Number	Financial Control Account
Berkeley	1, J	E-119510-90010
San Francisco	2, K	E-119520-90020
Davis	3, L	E-119530-90030
Los Angeles	4, M	E-119540-90040
Riverside	5, N	E-119550-90050
San Diego	6, O	E-119560-90060
Santa Cruz	7, P	E-119570-90070
Santa Barbara	8, Q	E-119580-90080
Irvine	9, R	E-119590-90090
Merced	10, S	E-119591-90091

Appendix B

OPEB File Format

The PPI730 UCRS Control for Treasurers STIP format is to be used for the OPEB File.

OPEB				
Position	Length/Format	Field Description	Data Element #	Comments
1-2	2	Type		56
3	1	Location		
		Account Name		Translation based upon FAU
4-9	6	Account		
10-15	6	Fund		
16	1	Sub		0
21-26	6	Effective Date		MMDDYY
27-33	7	Description		PAYROLL
35-42	8	Check Date		MMDDYYYY
45-50	6	Reference Number		1195XX
51-55	5	Voucher		
62	1	STIP		B
73-82	10	Debit		
73-82	10	Credit		

Reference Number values:

When the account is the OPEB Collection Employer Liability Account number, 1151XX where XX is the campus specific ID#, the Reference Number should be the Campus Financial Control Account, 1195XX where XX is the campus specific ID#. Likewise, when the account is the Campus Financial Control, the Reference Number should be the OPEB Collection Employer Liability Account Number.

Appendix C

Standard Report Headings

Estimated Accumulated OPEB Assessment by Pay Date XXXX/XX/XX (MO, MA, BW, SM, or XX)

Accumulated Retirement Gross: XXX,XXX,XXX.XX

ER OPEB Assessment Rate: X.XXXX

Calculated Estimated ER OPEB Assessment Amount: XXX,XXX,XXX.XX

Appendix D

Standard Report Headings
Month-End Accumulated OPEB Assessment
Location: X

	115586	Estimated ER Contribution
Accumulated OPEB Assessment Amount:	XXX,XXX,XXX.XX	
Pay Date: XXXX/XX/XX - Monthly Current		XX,XXX,XXX.XX
Pay Date: XXXX/XX/XX - Monthly Arrears		XX,XXX,XXX.XX
Pay Date: XXXX/XX/XX - Biweekly		XX,XXX,XXX.XX
Pay Date: XXXX/XX/XX - Biweekly		XX,XXX,XXX.XX
Pay Date: XXXX/XX/XX - Biweekly		XX,XXX,XXX.XX
Pay Date: XXXX/XX/XX - Semi-monthly		XX,XXX,XXX.XX
Pay Date: XXXX/XX/XX - Semi-monthly		XX,XXX,XXX.XX
Pay Date: XXXX/XX/XX - Supplemental		XX,XXX,XXX.XX
Total OPEB Assessment:		XXX,XXX,XXX.XX