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Postemployment Benefits Other Than Pensions (OPEB) – GASB Statements 74 and 75

Dear Reader:

The following document was created from the Municipal Technical Advisory Services website ([mtas.tennessee.edu](https://www.mtas.tennessee.edu)). This website shares information relative to Tennessee municipal government. We hope this information will be useful to you and that it will assist you with questions that arise in your tenure in municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

The Municipal Technical Advisory Service (MTAS) was created in 1949 to provide technical assistance to elected and appointed municipal officials in Tennessee. We are a resource for Tennessee municipal officials in areas of municipal government, human resources, finance, fire, legal, police, public works, water, and wastewater. We provide personal and professional knowledge growth opportunities on current issues within municipal government.

The University of Tennessee
Municipal Technical Advisory Service
1610 University Avenue
Knoxville, TN 37921-6741
www.mtas.tennessee.edu

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Postemployment benefits other than pensions, typically referred to as "OPEB" were addressed in GASB 74 and GASB 75. A brief summary of each statement follows. For a comprehensive study of this topic please refer to the GASB website at www.GASB.org.

GASB Statement No. 74, **"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"** was issued in June of 2015. GASB's stated objective is to "improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability." It is effective for fiscal years beginning after June 15, 2016 but earlier implementation is encouraged. It amends and/or supersedes a number of previously issued GASB Statements.

The scope of this statement includes OPEB plans, both defined benefit (DB) and defined contribution (DC) administered through trusts where:

- Contributions from employers and non-employer contributing entities, as well as earnings on the contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the plan administrator. If the plan is a defined benefit plan, assets are also legally protected from creditors of the plan members.

The statement also addresses financial statements, the notes to financial statements, required supplementary information and measurement of the Net OPEB liability. Careful study and review is recommended if this statement applies to a specific local government.

GASB Statement No. 75, **"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"** was issued in June of 2015. GASB's stated objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governments about financial support for OPEB that is provided by other entities. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures.

This statement is very comprehensive and detailed, and beyond the scope of this article. State and local governments should go to www.GASB.org and research this statement carefully, as well as discussing with external auditors and appropriate staff. There are many resources available to assist in implementing this statement. Following are links to some good resources:

- GASB Summary Statement No. 75
- GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits

Other than Pensions

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