

GASB 45 – Maybe More than You Want to Know!

The Government Accounting Standards Board (GASB) issued standards and guidance to implement financial reporting requirements for state and local governments who maintain Other Post Employment Benefits (OPEB). An overview of these requirements may help, so we will start with the basics.

Who is GASB?

The Government Accounting Standards Board (GASB) defines standards for state and local government financial reporting.

What are OPEBs?

GASB 45 applies to Other Post Employment Benefits (OPEB). The *other* refers to post employment benefits other than pensions and includes medical, prescription drug, vision, hearing, death and long-term care benefits that are provided following active employee service.

What will GASB 45 require?

To satisfy the applicable reporting requirements, financial statements will be required to report the cost of benefits, identify demands on future cash flows and measure actuarial liabilities for the promised OPEB benefits. In general, benefit costs are allocated over periods of employee service.

To whom do these requirements apply?

The reporting requirements of GASB 45 apply to state and local governments who extend benefits to employees following active service. Generally, this will include cities, counties, school districts, public colleges and universities, public hospitals, public utilities and other related political subdivisions.

When do these requirements apply?

These reporting requirements are introduced in stages, depending on the total annual revenues for the first fiscal period ending after June 15, 1999.

Total Annual Revenues	Fiscal Year Beginning After
\$100 million or more	December 15, 2006
\$10 to \$100 million	December 15, 2007
Less than \$10 million	December 15, 2008

What can you do to prepare?

- Confirm the application of these accounting standards to your financial reporting.
 - Do you have benefit plans or practices that require reporting?
 - Do you report on an accrual or cash basis? This may determine the extent of your response.
- Identify existing benefit plans and practices addressed by GASB 45 and assemble the plan documents and agreements.
- Retain an actuarial consultant to prepare an initial determination of the liability for the applicable benefit plans. An actuarial consultant will value future cash flows and identify the current cost of benefits to satisfy GASB 45 reporting requirements.
- Document a strategy to comply with these reporting standards.
- Provide adequate time for planning. Any of the initial steps may expand as the implementation proceeds. It is important to make an early examination of these reporting requirements and related implications so all issues are given adequate consideration leading to an effective implementation.

How will the Actuarial Consultant assist with this process?

The actuarial consultant will coordinate the process to prepare an initial actuarial valuation that will provide the values needed to satisfy GASB 45.

To provide structure to this process, they will—

- Provide direction in assembling the essential plan and member data
- Prepare detailed plan benefit summaries
- Conduct a pre-valuation discussion of procedures, plan experience and assumptions
- Review recent and historic plan experience
- Select and discuss actuarial methods and assumptions
- Assemble the valuation results in a written report
- Present and discuss written reports of the actuarial valuation

Is additional planning recommended?

A review of the initial year valuation results may suggest these additional considerations.

- Evaluate the implications of making changes in eligibility or benefit provisions for the existing post-employment benefit plans. Labor and statutory positions may need to be reviewed.
- Evaluate prefunding using a trust or another available option. Legal counsel may be required to confirm there is existing authority to establish and maintain a trust.

Now it is up to you!

So there you have the basics of GASB 45 and a framework for responding. Now it is up to you to initiate a process to address these requirements.