

OEBB Members – GASB 45 Group Project

Questions and Answers

What is GASB 45?

GASB 45 is a financial accounting standard which applies to public entities. It requires those entities to recognize the cost of postemployment benefits other than pensions (OPEB) over the course of an employee's career, rather than at retirement.

What do I need to do to satisfy these accounting requirements?

First, you need to determine whether or not your entity has any OPEB to account for under GASB 45. Many entities may not need anything more than a determination that they have no liability to report under GASB 45.

If your entity does sponsor OPEB which require measurement under GASB 45, you will need an actuarial valuation performed to measure the liability and costs associated with the OPEB.

Can OEBB assist me with GASB 45 reporting?

OEBB has identified an existing public contract to provide GASB 45 actuarial valuation services between City County Insurance Services (CIS) and the actuarial firm Milliman, Inc, which can be extended to OEBB members.

The goal of this arrangement is to provide an efficient "group" GASB 45 valuation process which saves time and money in the following ways:

- Using a single source and format for census data and benefits information
- Producing uniform reports for entities
- Utilizing Oregon PERS demographic actuarial assumptions (e.g. the age at which members retire) for the valuation work
- Avoiding dozens or hundreds of RFP processes.

What does Milliman provide with this service?

First, Milliman will provide an advisory recommendation as to whether a GASB 45 valuation is required. If your entity and your auditors agree that no GASB 45 reporting is needed, then your GASB 45 compliance is complete. You should keep a record of your recommendation and subsequent conclusions for future years. Unless or until your entity changes its OPEB, your conclusions should be reliable for the indefinite future.

It is important to note that Milliman is an actuarial firm, and its professionals are not accountants. Therefore, your entity and its auditors will be responsible for taking the advisory recommendation from Milliman and deciding whether to accept it or pursue a different approach.

If your entity and your auditors agree that a valuation is warranted, Milliman will produce a valuation report. The valuation reports are intended to be a basis for complete GASB 45 reporting for benefits sponsored by the employer and OEBB. Entities should note

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that PERS benefits can be accounted for separately based upon information provided by PERS.

Valuation reports are offered by Milliman as of every October 1 date, and they contain projected financial disclosures for the two successive fiscal year end dates. For example, the October 1, 2011 valuation reports provide projected financial accounting disclosures for fiscal years ending June 30, 2012 and June 30, 2013.

Follow this link to a [sample GASB 45 valuation report](#).

I have previously received GASB 45 valuation results from another source. Can I switch to this offering?

Entities are welcome to enter this project in any actuarial valuation cycle. Entities which have never had a valuation previously, or have used a different provider (including OSBA valuations), should use the New Clients instructions on the OEBB web page at: <http://oregon.gov/OHA/OEBB/GASBoebb.shtml>.

Some transition work may be needed to get new clients "up to speed" on the valuations and reporting process. Milliman will fit this transition work into its basic GASB 45 valuation price (no additional charges), provided that the client and its auditors provide all needed information on a timely basis and agree to Milliman's transition proposals. If the client or its auditors want additional transition services, Milliman can provide those services on a time and expense basis.

I understand that OEBB health care coverages are community rated. Doesn't that affect whether I need to report under GASB 45?

The GASB 45 Implementation Guide offers some benchmarks for assessing whether an entity comprises a large enough portion of a community rated pool such that a change in the entity's demographics would affect the premiums for the whole pool. Part of Milliman's engagement is to determine an advisory threshold for the covered population of each entity above which implicit subsidy valuations are recommendable, and below which implicit subsidy valuations may be unnecessary.

What about financial reporting for the early retirement stipends we offer to certain retirees?

If your entity offers stipends to early retirees, those may be accounted for under GASB 25/27/50 or under GASB 47. Milliman's experience in Oregon indicates an historical preference for reporting under GASB 47, which is a non-actuarial standard. However, several entities have used the adoption of GASB 45 to adopt GASB 25/27/50 as well. Milliman's advisory recommendation letters also address stipend programs of which we are made aware and offer an opinion as to whether GASB 47 or GASB 25/27/50 accounting seems appropriate.

The GASB 45 project for interested OEBB entities can include additional GASB 25/27/50 valuation results under the "additional work" portion of the Actuarial Services Agreement between the OEBB entities and CIS. Milliman can provide a quote for such services upon request. Since Milliman will be preparing census data and actuarial assumptions

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for the GASB 45 valuations, there are significant efficiencies in producing GASB 25/27/50 valuations which are based upon the same data and assumptions.

I understand that it is possible to “fund” a GASB 45 liability and thereby reduce its cost. How will this project cover that possibility?

Based upon experience with dozens of Oregon public entities, the valuation report your entity receives will include a measurement of the GASB 45 liability on an “unfunded” basis. If your entity decides to fund all or a part of its GASB 45 obligation, Milliman can assist with the additional work to implement a trust and appropriate accounting.

What are the costs for this work?

The cost for a “no valuation” letter ranges from \$200 for entities with up to 200 members, up to \$400 for entities with 400 or more members.

The cost for a valuation through this arrangement will depend upon the size of the entity and the complexity of OPEB it provides. Please use the online fee estimator at [Cost Estimator](#) to estimate your entity’s potential costs.

IMPORTANT: Entities that have fewer than 100 covered members and need a valuation may be eligible to use an online service – [GASBHelp.com](#) – which was developed by Milliman. This online service is an alternative to receiving a full valuation report through this arrangement. When Milliman issues its advisory recommendation letter, you will receive further information about this option if it appears that your entity might be eligible. *The advisory recommendation letter will also provide a code for discounted service through [GASBHelp.com](#).*

What else will you need from me?

Milliman will require census data sufficient to complete a reasonable valuation of your entity’s OPEB. The initial census data file is typically provided to entities by OEBB, and instructions are sent by Milliman. Your entity will review the OEBB data for reasonableness and consistency, and collate in additional data for items such as employer-paid benefits and PERS tier information.

You will be sent a census data file and benefits information request as soon as practicable after you sign up for services.

How do I find out more?

Additional details regarding this project can be found on OEBB’s web page at: <http://oregon.gov/OHA/OEBB/GASBoebb.shtml>.

If you have further questions about Milliman’s services, you may write to GASB45OEBBMembers@milliman.com.

If you have questions about the engagement itself or OEBB’s role, please contact: Mary French, Benefits Data Analyst at 503-378-3956 or via e-mail: mary.french@state.or.us