

Government Accounting Standards Board (GASB) Statement No. 45

The Government Accounting Standards Board (GASB) Statement No. 45 “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions” requires governments to recognize and account for the financial impact of obligations they have for postemployment benefits other than pensions. Typically, this refers to any medical benefits that an employer continues to provide –

PDRMA Health members have been provided with a questionnaire to guide them in the process of identifying their potential liability. Non-Health PDRMA Property/Casualty members should ask themselves a couple of questions:

Does your agency provide any postemployment benefits to retirees?

GASB 45 applies to entities that provide post-retirement benefits other than pension (i.e. medical, dental, life insurance, etc.) (*GASB 45 paragraph 7*) - if the former employee does not pay the cost themselves.

Does your agency have fewer than 100 total plan members?

If an entity has fewer than 100 total plan members, they may use a simplified approach to measuring their GASB 45 obligation.

A plan member includes (a) employees in active service who may become eligible for retiree health coverage, (b) terminated employees who have accumulated benefits but are not yet receiving them, and (c) retirees and beneficiaries currently receiving benefits. (*GASB 45 paragraph 40*)

If the answer to the first question is yes, your agency may have an obligation under GASB 45. Please confirm this understanding with your auditor. If you conclude that an obligation may exist, an actuarial valuation of the obligation must be performed. Your auditor may have a recommendation of an actuarial firm to conduct the appropriate valuation.

The effective date of GASB 45 is dependent on the size of the government's total annual revenues.

Total annual revenues in the <u>first fiscal year ending after June 15, 1999</u>	<u>Implementation Date</u>
\$100 million or more	Plan year beginning after 12/15/06
\$10 million or more, but less than \$100 million	Plan year beginning after 12/15/07
Less than \$10 million	Plan year beginning after 12/15/08