GASB75

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New accounting rules for public other postemployment benefit plans to replace GASB 45 took effect in 2018 for most plan sponsors. It can be helpful to understand the various concepts (largely mirroring those found in GASB 67/68) and terms. Odyssey has been providing a series of white papers on this subject which will review these topics in some detail. We continue with "Valuation, Measurement & Reporting dates & their interaction" to provide a detailed explanation of these dates.

GASB 75 - Introduction & Notable Changes

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The Governmental Accounting Standards Board (GASB) released GASB 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" - a new accounting standards for public Other Post Employment Benefit (OPEB) plans which replaced GASB 45.

This GASB 75 white paper discusses Valuation, Measurement, and Reporting dates and their interaction

Implementation of these Statements is required for fiscal years beginning after June 15, 2017.

Odyssey's working group is constantly reviewing the Statements, issuing guidance on how to best determine the impact on our client's liabilities and expenses as well as evaluating strategies for pre-funding and financial statement recognition.

How Often Do We Need To Perform Valuations?

Under GASB 75 all employers must do a valuation at least biennially – similar to that of large employer in the past under GASB 45. Additionally, GASB is encouraging significant changes (e.g., major cost sharing changes, much higher than expected increases or decreases in premiums, significant difference in actual vs. expected investment return) prior to the Measurement Date to be reflected.

What Are The Valuation, Measurement, & Reporting Dates?

The Valuation Date is the date as of which actuarial valuation is performed. These results are then rolled forward to the Measurement Date (significant changes between the Valuation Date and the Measurement Date should be reflected). These figures are then reported on the plan sponsor's Reporting Date which is the fiscal year end.

Visit **GASB75.com** for the latest information on the new GASB OPEB statements.

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How Do We Determine These Dates?

The Valuation Date may be up to 30 months and 1 day prior to the Reporting Date. As such, you can choose a Valuation Date that will enable you to utilize one valuation to obtain results for the entire two (2) year valuation cycle. The Measurement Date shall not be earlier than the plan sponsor's prior fiscal year end (12 months prior to the Reporting Date) and the Reporting Date is the fiscal year end for financial statement purposes. Given that the Reporting Date is your fiscal year end; you will need to choose the Valuation Date & Measurement Date. We encourage you to discuss this with both your auditors & actuaries as the proper choice of these dates will allow for a much smoother financial statement closing.

What About GASB 74 Disclosure?

For GASB 74 there is no technically no Measurement Date but liabilities are rolled forward to the Reporting Date. Therefore, if the GASB 75 Measurement Date is the same date as the Reporting Date the GASB 74 disclosures will line up the rest of the GASB 75 report. Otherwise they will not line up which can lead to confusing financial statements.

How Should We Pick These Dates?

One thing to consider is how important it is to you, your auditors and your actuary that the GASB 74 and 75 figures don't differ from each other on the same Reporting Date. As stated above, to achieve this the Measurement Date and the Reporting Date for the GASB 75 report have to be the same day. We find that the vast majority of clients and auditors prefer this method.

Another thing to consider is timing, if the Measurement Date is the same as the Reporting Date the report cannot be released until after the Reporting Date because the actuary needs to know the municipal bond rate and the value of assets (if applicable) to finalize the report. In general our clients choose a Valuation Date that is one year prior to the Reporting Date which allows us to perform the valuation before fiscal year end and finalize the report once we have the municipal bond rate and the value of assets (if applicable). Some clients do prefer both the Valuation Date and the Measurement Date be one year prior to the Reporting Date. While this does cause the GASB 75 liabilities to be out of sync with the GASB 74 disclosures it does allow for the actuarial report to be finalized well in advance of the Reporting Date which can lead to a smoother auditing process.

Ultimately you will need to discuss with your auditors and actuary to determine the date selection methodology that works best for your needs.

What Are Some Examples Of How The Dates Can Be Chosen?

Scenario 1

Assuming an upcoming Reporting Date of June 30, 2020 and your prior GASB 75 valuation cycle included the Reporting Date of June 30, 2019, you may choose a Valuation Date as early as December 30, 2017 and a Measurement Date as early as June 30, 2019. Given that you will want to use this same valuation for the June 30, 2021 Reporting Date, you will not want to choose a Valuation Date earlier than December 30, 2018 (30 months and 1 day prior to the 2nd Reporting Date in the cycle). So, we will assume a Valuation Date of July 1, 2019 in this situation and a Measurement Date of June 30, 2020 for the 1st Reporting Date. The valuation results will then be "rolled forward" to June 30, 2021 for the 2nd Reporting Date.

Scenario 2

Let's assume that our prior GASB 75 valuation cycle does not include the June 30, 2019 Reporting Date. We may utilize a Valuation Date of July 1, 2018 to perform the GASB 75 valuation for the June 30, 2019 Reporting Date and use that same census information & Valuation Date to perform a GASB 75 valuation which may be "rolled forward" to a June 30, 2019 Measurement Date for our June 30, 2019 Reporting Date to produce a GASB 75 report. Then we would an interim year report where we "roll forward" the results from the July 1, 2018 Valuation Date to the June 30, 2020 Measurement date to be reported on the June 30, 2020 Reporting Date.

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Is There Any More Information on GASB 75?

If you have any questions abous GASB 75 or would like more information, please contact your Odyssey Advisors representative.

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