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GASB 43/45 OPEB
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Introduction

- GASB 43/45
 - Applies to governmental plans and employers
 - Similar to GASB 25/27 for pensions
 - Requires recognizing costs of postemployment benefits (other than pensions) over period of active employment
 - Matches period of financing (or at least recognizing costs) during the period benefits are accrued/earned
 - Currently most are financed on a Pay As You Go (PAYG) basis
 - Phased in implementation (largest groups first)
 - Somewhat analogous to FASB106
 - No required budget impact



GASB 43/45 Overview

Benefits Covered

- Postemployment healthcare benefits
 - Medical
 - Prescription drugs
 - Dental
 - Vision
 - Hearing
 - etc
- Other benefits if not funded by pension
 - Life Insurance
 - LTD/LTC



GASB 43/45 Overview

- **GASB 43 vs GASB 45**
- **GASB 43 applies to Plans – OPEB trust funds**
 - Analogous to GASB 25 for pension
 - Applies to Plans included in financial reports of plan sponsors and employers
- **GASB 45 applies to Employers**
 - Analogous to GASB 27 for pension
 - Applies to governmental employers that provide postemployment benefits (other than pensions)



GASB 43/45 Overview

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*OREB Pension guaranteed
by Pension Guarante
Benefit Fund?*

Key Disclosures

- Annual Required Contribution (ARC)
- Unfunded Actuarial Accrued Liability (UAAL)
- Actual Contribution (PAYG + Advance Funding)
- Funding Status (and possibly strategy)
- UAAL vs Payroll
- Assumptions and methods



GASB 43/45 Overview

Types of Plans – GASB 43 Defined

- **Cost Sharing Multiple Employer Plan**
“A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members, and the same contribution rate(s) applies to each employer.”
- **Agent Multiple Employer Plan**
“An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each employer’s plan to determine the periodic contribution rate and other information for that individual plan, based on the benefit formula selected by the employer and the individual plan’s proportionate share of the pooled assets. The results of the individual valuations are aggregated at the administrative level.”



GASB 43/45 Overview

- **Cost Sharing Multiple Employer Plan (CSMEP)**
 - Requires establishment of OPEB Trust
 - Contributions and expenses are fully pooled
 - Contributions for participating member groups (employers) are NOT determined by individual employer
 - Example: all employers contribute 15% of pay
 - Might be possible for contributions to vary by benefits option (i.e. PPO vs HMO) or employee classification (i.e. Police vs. General EEs)
- **Agent Multiple Employer Plan**
 - Aggregation of single employer plans
 - Costs, assets, contributions, etc tracked separately by employer
 - Can still pool administrative and investment functions



GASB 43/45 Overview

- In either case the Plan GASB 43 disclosures are the same and apply to the entire covered membership in total

Employer (GASB 45)

- Participating in a Cost Sharing Multiple Employer Plan (CSMEP)
 - Expense is contractually required contribution (set by CSMEP)
 - Financial statements reference Plan's GASB 43 disclosure (for Plan in total)
 - Contributions and assets are not tracked on an Employer-specific level
- Participating in an Agent Multiple Employer Plan
 - Required to conduct employer-specific OPEB valuation and determine ARC and related disclosures separately from other participating employers
 - Assets, ARC and other related disclosures are tracked separately by employer



Considerations

Without Advance Funding (same as PAYG)

- Disclose Annual OPEB Cost as expense in budget and net OPEB obligation as balance sheet item (no separate trust)
 - Annual OPEB Cost is the ARC plus an adjustment for net OPEB obligation, which results from past (actual) contributions being less than the ARCs
 - Growing Net OPEB Obligation
- Results in greater ARC in subsequent years
 - Portion of liability that is not advance funded is added to subsequent year's unfunded
- Lack of advance funding may negatively impact bond rating
- Must use lower discount rate in determination of liabilities due to lack of investment returns
 - Results in greater ARC



Considerations

Advance Funding

- Establish trust and make annual contributions
 - If contributions equal to the ARC, then there will be progress towards fully-funded status and the annual OPEB cost will be equivalent to the ARC and there is no Net OPEB Obligation
- Operates similar to pension
- Can use higher discount rate in determination of liabilities due to investment returns
 - Results in a lower ARC



Considerations

Impact of Funding

