

GASB #45 UPDATES

All public sector employers (e.g. cities, towns, villages and school districts) are required to value post-retirement health benefits and other non-pension benefits offered to its retirees. Our actuaries are currently assisting over 120 public sector employers throughout the country in complying with these GASB #45 rules.

Below is an update on new developments in the GASB #45 area.

- 1) The NYS Comptroller has recently submitted a proposal that would provide a mechanism for NY State municipalities and school districts to “pre-fund” a portion of their GASB #45/OPEB obligations (i.e., fund more than the “pay-as-you-go” amount). This proposal constitutes a significant change in the way municipalities would pay for and account for these post-retirement health expenses.
- 2) The Actuarial Standards Board has issued final rules which eliminate the OPEB “Community-Rated” Exception (the “Exception”). Municipalities and school districts that participate in the NYSHIP/Empire program, as well as a select few other public sector employers who have relied on the Exception, are likely to have their obligations increase in the future. The Exception will generally impact GASB #45 “Full” valuations for fiscal years ending on or after March 31, 2016 (i.e., valuation dates on or after April 1, 2015). Interim “mid-cycle” year reporting is unaffected.
- 3) The Society of Actuaries has finalized new mortality/life expectancy methodology for both private sector and public sector plan sponsors. These changes apply to both pension and OPEB plans. The changes will apply to GASB #45 “Full” valuations for fiscal years ending on or after December 31, 2015 (i.e., valuation dates on or after January 1, 2015). Liabilities can be expected to increase between 6% and 9%, depending on demographics.

Edward Echeverria, FSPA, MAAA, CPC, EA is in charge of the firm’s post- retirement health benefit services. Ed has vast experience in valuing post-retirement health benefits offered by public employers (GASB) and private employers (FASB).

Please contact Ed if you have any questions about these new rules.

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