

Milliman GASB 75 Q & A

Government Accounting Standards Board Statement No. 75 (GASB 75) is an accounting and financial reporting requirement for employers to measure and report the cost and liabilities associated with other postemployment benefits (OPEB), which do not include pensions. This statement replaces GASB 45.

GASB 75, like its predecessor GASB 45, requires plan sponsors to recognize not only the value of retiree benefit payments for the current year, but also:

- The value of benefit payments promised to retirees for future years
- Retiree benefits earned during the current year that were promised to active employees
- Retiree benefits promised to active employees for their services in previous years

As you can imagine, the total cost of retiree benefits reported under GASB 75 is much greater than the cost of retiree benefit payments limited to the current year. GASB 75 does not require trusts to be established or budgets to change (although that is often the decision reached by plan sponsors after receiving their valuation reports); it only requires that the projected cost associated with non-pension OPEB be calculated and reported. Here are some common questions and answers about GASB 75.

DO I HAVE TO COMPLY WITH GASB 75?

All government entities that offer nonpension OPEB and follow GASB guidance must comply with GASB 75, including municipalities, public schools, water districts, public utilities, and other entities that follow other GASB statements.

WHICH BENEFITS ARE INCLUDED UNDER GASB 75?

Government entities that fall under GASB 75 must include the following non-pension OPEB in their GASB 75 valuations:

- Medical (for both Medicare-eligible retirees and early retirees)
- Pharmacy
- Dental
- Vision
- Life
- Long-term disability
- Long-term care benefits

[GASBhelp.com](https://www.milliman.com/gasbhelp) allows qualifying government entities with fewer than 100 plan members to comply with GASB 75 for a fraction of the cost of a full actuarial valuation.

I DON'T PROVIDE ANY BENEFITS TO MY MEDICARE-ELIGIBLE RETIREES. DO I STILL NEED A VALUATION?

Yes, if you provide any benefits to people who retire before they become eligible for Medicare. GASB 75 applies to benefits provided to retirees, both before and after they become eligible for Medicare. You will need a valuation even if you only have retirees that are covered under your active medical plan.

IF MY RETIREES PAY THE FULL COST OF A RETIREE BENEFIT, DO I STILL NEED A GASB 75 VALUATION?

Probably. This issue is best explained using examples.

- **Example #1:** If the retirees do not pay the entire premium for OPEB and the employer covers some portion of the total premium, there is an OPEB liability and a valuation must be conducted.
- **Example #2:** If OPEB are provided to retirees and active employees under a plan that has the same premium for actives and retirees, there will likely be an OPEB liability, regardless of whether the retirees pay all or a portion of the premium, and a valuation must be conducted.
- **Example #3:** If OPEB are provided separately from active employee benefits with premiums that reflect the true level of retiree claim costs, and retirees pay the entire premium, then there are probably no OPEB liabilities to report and no valuation needs to be conducted. In the second example above, retirees receive an implicit rate subsidy because their premiums would likely be higher if they were underwritten as a separate group. Also, when separately underwritten, the active rates would be lower without the older beneficiaries included. This is why GASB views the retiree rates as being subsidized by the active rates and it is why the value of the subsidy represents a cost.

WHAT IS A GASB 75 VALUATION?

For the purposes of GASB 75, a valuation is an examination of nonpension OPEB to assess the cost and liability associated with those benefits. Valuations are typically handled by actuaries with specific qualifications for performing the work.

WHAT ARE THE GASB 75 DEADLINES?

GASB 75 is effective for fiscal years beginning after June 15, 2017; however, earlier application is encouraged.

DO I NEED TO ESTABLISH A TRUST TO FUND OPEB?

No, GASB 75 does not mandate a change to how OPEB are funded, but it may be useful to establish a trust, where allowed. The discount rate used to compute costs is influenced by whether or not funds are invested to provide for the future benefit obligations. When such a trust is established, GASB 74 governs trust reporting and GASB 75 governs plan reporting.

WILL I IMMEDIATELY HAVE A BALANCE SHEET LIABILITY AFTER HAVING A VALUATION PERFORMED?

Yes. GASB 75 requires plan sponsors to recognize a balance sheet liability equal to the difference between the total OPEB liability and the fiduciary net position. Under GASB 45, this difference was referred to as the unfunded accrued actuarial liability and was disclosed in the footnotes to the financial statements.

IF I DON'T HAVE A FORMAL PLAN (E.G., NO PLAN DOCUMENTS), DO I STILL NEED TO CONSIDER GASB 75?

Yes. GASB 75 looks for the substantive plan (i.e., the plan actually provided or likely to be provided based on past evidence) for the purpose of determining the cost. Even if future benefits are contingent on funds being approved by a governing board, accounting principles would require the recognition of the plan that has been provided (unless a specific decision has been made to discontinue a benefit).

I WORK FOR A SMALLER ORGANIZATION AND HEARD THAT WE HAVE OTHER OPTIONS. WHAT IS THE SIMPLIFIED APPROACH TO GASB 75 OR THE ALTERNATIVE MEASUREMENT METHOD (AMM)?

A simplified approach to GASB 75—known as the alternative measurement method (AMM)—allows qualifying government entities with fewer than 100 plan members to comply with GASB 75 for a fraction of the cost of a full actuarial valuation.

WHAT IS THE GASBHELP.COM TOOL FOR SMALLER GOVERNMENT ENTITIES?

For government entities that qualify for the simplified approach to GASB 75, Milliman has developed an online step-by-step approach to perform the calculations and fulfill the requirements of GASB 75.

WHAT ARE EMPLOYERS DOING ABOUT GASB 75?**FIGURE 1: OPTIONS FOR COMPLYING WITH GASB 75**

	Qualifying for AMM with fewer than 100 plan members	More than 100 plan members
Actuarial valuation	Yes, but expensive	Required
Do the valuation yourself using AMM	Yes, but complicated and time-consuming	N/A
Milliman GASBhelp.com tool for smaller government entities	Yes, generally costs about 70% less than an actuarial valuation	N/A

WHAT CAN BE DONE TO LOWER MY LIABILITY?

Plan sponsors can take several steps to reduce their OPEB liabilities, including plan design changes, updating contribution strategies, and refining eligibility requirements.

WHO IS MILLIMAN?

Milliman is one of the world's largest actuarial consulting firms, founded over 65 years ago. Milliman has performed GASB 45 analysis for several states and hundreds of large cities and towns, and is prepared to assist organizations of all sizes (including those with fewer than 100 members) as GASB 75 replaces it. Milliman's GASB 75 team comprises health and pension actuaries and consultants who have a thorough understanding of the complex issues surrounding GASB 75.

Get started

Find out if you're eligible at [GASBhelp.com](https://www.gasbhelp.com) and click on the link "Are You Eligible?"

For questions or more information, call 1+ 860 687 0148 or email GASBhelp@milliman.com.