



The Governmental Accounting Standards Board (GASB) statement 75, that replaced statement 45, became effective for employer fiscal years beginning after June 15, 2017. Therefore, many employers have already received their first GASB 75 disclosure reports. **If we have not prepared a GASB 75 supplemental report for your fiscal year beginning on/or after June 15, 2017, please contact us at your earliest convenience to discuss the information we will need to prepare the report for you.**

We prepared this informational packet to keep all our clients up to date with GASB 75 reporting requirements and to provide a reference guide to aid in the completion of future GASB 75 work. While the requirement for the additional information is communicated in our actuarial reports and in our scope and fees documents, we would like to provide a more complete description that will:

1. Describe new terminology and clarify the purpose of a biennial actuarial valuation;
2. Outline the key changes in GASB 75;
3. Discuss the basics of report timing and the need for annual supplemental reports; and
4. Encourage ongoing communication between you, your auditors, and DFA.

When preparing a GASB 75 supplemental report, the type of information we will need include:

- Total employer paid contributions
- Total covered payroll
- A copy of the most recent audited financial statement
- Trust information since inception
- A summary of any plan changes since the last valuation.

## Terminology

GASB 75 introduced new terminology. However, many of the calculations and concepts are closely aligned to the previous GASB 45 terminology. The following table maps some of the old GASB 45 terminology to the new GASB 75 terminology.

<b>GASB 45</b>	<b>GASB 75</b>
Normal Cost (NC)	Service Cost (SC)
Actuarial Accrued Liability (AAL)	Total OPEB Liability (TOL)
Actuarial Value of Assets (AVA)	OPEB Fiduciary Net Position
Unfunded Actuarial Accrued Liability	Net OPEB Liability
Annual Required Contribution (ARC)	OPEB Expense
Amortization Bases	Deferred Inflows/Outflows of Resources
Amortization Payments	Recognition of Deferred Inflows/Outflows of Resources

## Purpose of Valuations

*Actuarial valuations* determine, as of a valuation date, certain actuarial measurements that assess an employer's financial liability and annual costs.

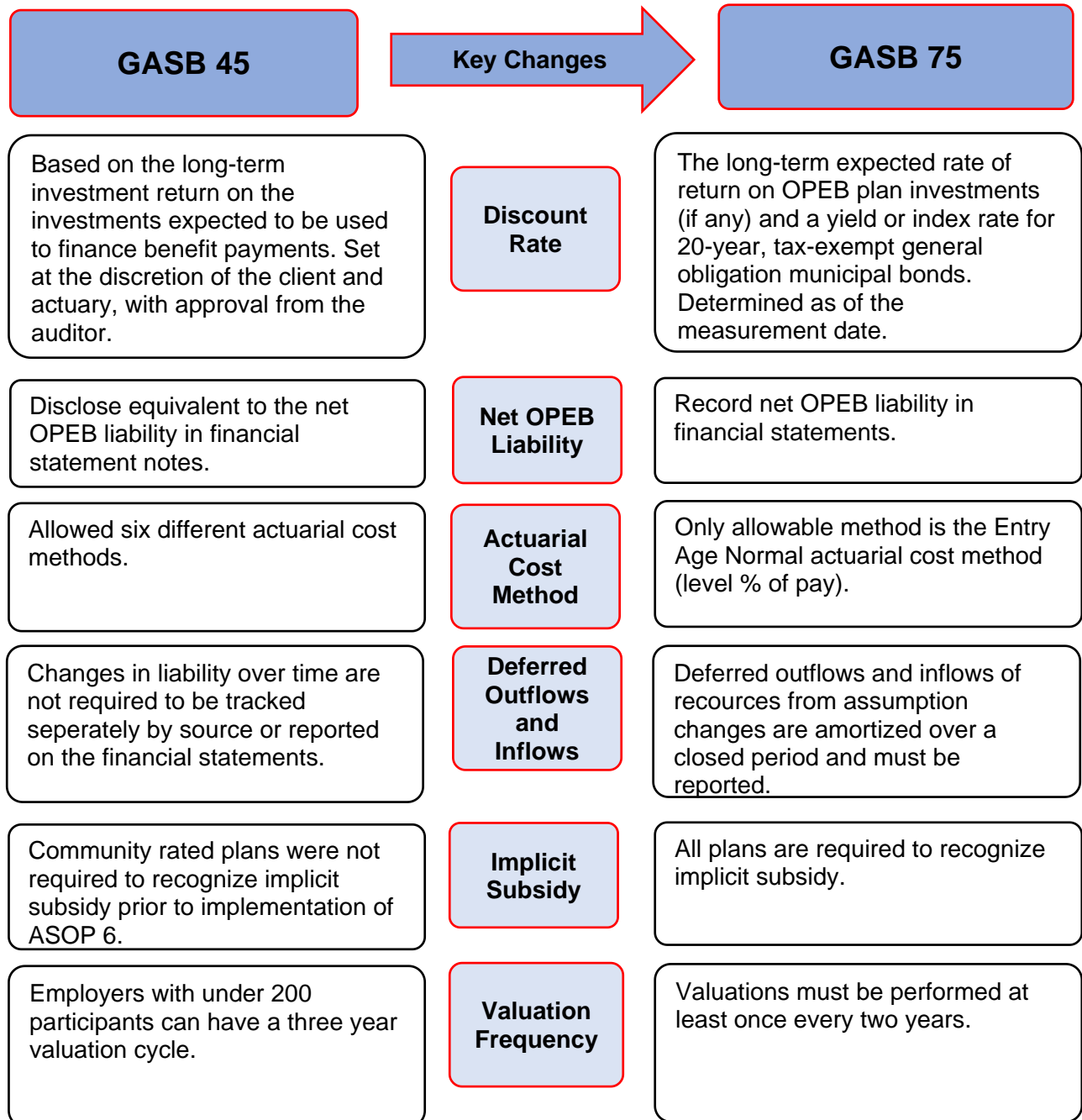
*Actuarial measurements* include the Service Cost, the Total OPEB Liability, the Plan Fiduciary's Net Position, and related actuarial present values. In general, these measurements will be prepared to determine contribution requirements (in accordance with a funding policy), to determine the funded status of a plan, and/or provide information necessary for financial reporting.

*Liabilities* may be determined on long-term (for example, 30-year) or short-term (10-years) horizons. Long-term liabilities may be appropriate for setting funding policies for an ongoing plan; short-term liabilities may be appropriate for plan's winding down.

An actuarial valuation reflects the plan's census and benefit provisions as of the valuation date. Therefore, one of the first steps of the valuation process is to gather updated census, benefit definitions, and asset value information (if any).

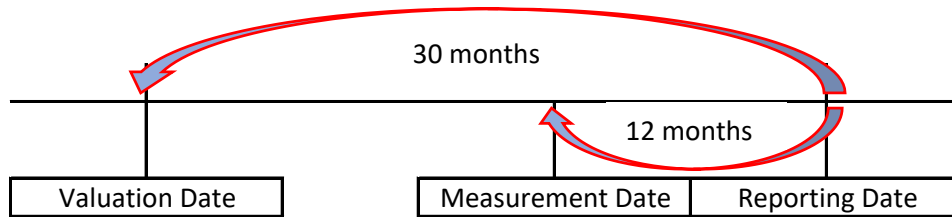
## Key Changes

How will GASB 75 change your valuation process and the calculations contained within? Here is a diagram that shows the key changes:



## Report Timing

GASB 75 reporting has three key dates; the valuation date, the measurement date, and the reporting date. The basic guidelines to the relationship of these dates is as follows:



### Timing considerations:

1. *Differences between reporting and measurement dates.* The reporting date, in general, is the last day of the fiscal year for which you would be reporting. Under GASB 75, the Net OPEB Liability and Net OPEB Expense may be “measured” on any day within the fiscal year (reporting period) but not earlier than the prior fiscal year end. For example, for a June 30, 2019 reporting date, you may use any measurement date between June 30, 2018 and June 30, 2019;
2. *Differences between reporting and valuation dates.* As mentioned above, GASB 75 requires actuarial valuations at least once every 24 months. Furthermore, it allows the use of an actuarial valuation completed with 30 months of the reporting date.

The result of the earlier valuation may be projected to the measurement date using standard actuarial projection methods. For example, you may use an actuarial valuation completed on January 1, 2018 to project results to a measurement date of June 30, 2018 and use the results as of a June 30, 2019 reporting date.

3. *Discount rate.* GASB 75 requires a discount rate that reflects the following:
  - a. The long-term expected rate of return on OPEB plan investments (if any) and
  - b. A yield or index rate for 20-year, tax-exempt general obligation municipal bonds. The discount rate is determined as of the measurement date. For coincident reporting and measurement dates, the discount could not be determined (with confidence) until the fiscal year end index was published. However, for a measurement date that precedes a reporting date, the index would be known earlier.

## Our Valuation Timing Approach

We believe the most effective approach is to prepare the following:

1. A biennial actuarial report as of each valuation date, which provides both long-term liabilities (to be reviewed by internal members and committees) and preliminary accounting liabilities (from which subsequent projections would be made to the appropriate measurement dates). Along with liabilities, DFA reports include a detailed reconciliation from the previous valuation, a summary of plan participants, and projected funding alternatives;
2. Annual supplemental reports, as of each measurement date, which reflect the appropriate discount rate and accounting practices implemented by the employer and focuses on the required supplemental information required under GASB 75.

DFA is available to discuss the advantages of the various timing options.

## **Communication**

As your actuarial consultant, we value our relationship and want to continue effective communication with you.

We believe that, to deliver the information required by GASB 75, communication between your auditors and DFA will serve you best. As your actuary, we are prepared to provide the actuarial information you need. We welcome discussions with your auditors to ensure we are addressing your reporting needs.

We look forward to working with you. Feel free to contact us at 310.765.0086 with any questions or comments.

Sincerely,

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